ANNUAL REPORT OF THE

COMPTROLLER GENERAL OF THE UNITED STATES

1964

Annual Report of the

Comptroller General of the United States

For the Fiscal Year Ended June 30, 1964

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 20548

JANUARY 4, 1965.

DEAR SIRS:

In accordance with section 312(a) of the Budget and Accounting Act of 1921, I respectfully submit the annual report on the activities of the United States General Accounting Office during the fiscal year ended June 30, 1964.

JOSEPH CAMPBELL,
Comptroller General of the United States.

The President of the Senate
The Speaker of the House of Representatives

COMPTROLLERS GENERAL OF THE UNITED STATES

and

ASSISTANT COMPTROLLERS GENERAL OF THE UNITED STATES

The General Accounting Office is under the control and direction of the Comptroller General of the United States. There is also an Assistant Comptroller General of the United States who performs such duties as may be assigned to him by the Comptroller General and who acts as Comptroller General during the absence or incapacity of the Comptroller General, or during a vacancy in that office. The Comptroller General and the Assistant Comptroller General are appointed by the President with the advice and consent of the Senate.

Comptrollers General of the United States

John R. McCarl	July 1, 1921–June 30, 1936
Fred H. Brown	April 11, 1939–June 19, 1940
Lindsay C. Warren	November 1, 1940–April 30, 1954
Joseph Campbell	December 14, 1954–

Assistant Comptrollers General of the United States

Lurtin R. Ginn	July 1, 1921–November 11, 1930
Richard N. Elliott	March 9, 1931–April 30, 1943
Frank L. Yates	May 1, 1943–June 29, 1953
Frank H. Weitzel	October 12, 1953–

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Introduction

During the year our staff carried out its work at 2,782 locations throughout the world, including 41 foreign countries in which we carried out assignments at some 340 various locations.

Refunds, collections, measurable savings, and other financial benefits resulting from the work of the General Accounting Office amounted to $321,489,000. This amounted to a return of over $7 for every dollar spent by the General Accounting Office for the year. Actual refunds and collections made by or through our efforts during the year amounted to $27,166,000.

We made 480 examinations and audits at 273 plants and offices of contractors and subcontractors holding contracts with the Armed Forces, and at 127 plants and offices of contractors and subcontractors holding contracts with civil departments and agencies of the Government.

In the civil departments and agencies, we made 980 reviews of selected activities and programs at 1,460 locations within the United States, including 275 non-Federal locations, such as State and local governments, public works sites, and various other recipients of Federal grants, loans, and funds.

We made 856 reviews of selected defense activities and programs and 94 reviews of selected international activities and programs at 780 military installations and 142 nonmilitary locations, including 31 agencies of foreign governments and 108 other locations in foreign countries.

During the year we audited 4.8 million bills of lading covering freight shipments and 2.5 million transportation requests for passenger travel, and issued 73,251 claims against the carriers for overcharges totaling $11.4 million. We also settled 22,673 claims from carriers against the Government totaling $19.1 million for $15 million, or $4.1 million less than claimed. In addition to these direct settlements, we furnished assistance to the Department of Justice in some 134 legal actions involving claims against the Government for $5.3 million which were settled for $4.1 million, or $1.2 million less than claimed.

In our legal work, we handled 5,330 decisions and related legal matters. Included in the total were 788 legislative and legal reports submitted to committees and Members of the Congress on information of interest to them and 86 reports to the Director of the Bureau of the Budget on proposed, pending, or enrolled bills and on other legal matters.

We settled and disposed of a total of 7,450 general claims against the United States, consisting of 615 claims involving Government contracts, 3,236 claims involving military personnel and 3,599 claims involving civilian personnel and other public creditors of the United States. In the settlement and disposition of these claims we certified the sum of $33,879,959.13 for payment. We also adjusted and settled 43,267 claims by the United States and collected $6,410,067.98. At the end of the fiscal year 1964 we had 14,052 claims under collection representing accounts receivable in the total amount of $6,304,874.85. During the year we reported 3,842 claims to the Department of Justice for collection by suit, if appropriate, and at the end of the year the accounts receivable for claims pending with that Department totaled $3,422,258.35.

During fiscal year 1964, we issued 1,010 audit reports, an increase of 192 over the previous fiscal year. We submitted 293 reports on audits or investigations to the Congress and 197 reports to congressional committees, officers of the Congress, or individual Members of Congress on audits or investigations made at their request. Of the 490 congressional reports, 229 related to activities of the civil departments and agencies of the Government, 225 pertained to activities in the Department of Defense and the three military departments, 34 related to international activities including military and economic assistance to foreign countries, and 2 related to Government-wide activities. In addition, we issued 520 reports to officials of the various departments and agencies and furnished copies in many cases to congressional committees or interested Members of the Congress.

As a consequence of our reports and other work, our representatives testified before congressional committees on 23 occasions and on a variety of subjects during the fiscal year. Ninety-eight General Accounting Office attorneys, accountants,

auditors, and investigators were assigned to the staffs of 21 congressional committees or subcommittees during the 1964 fiscal year. Over 9,200 man-days of technical assistance were provided for work directly with and under the control of the congressional committees.

Our operating expenses for the year amounted to $43,713,000, approximately $2 million less than appropriated. Our staff at the year end totaled 4,350, as compared with 4,659 at June 30, 1963, a net decrease of 309. During the past 10 years, our staff has been reduced by 1,563, or approximately 26 percent.

BLANK

The General Accounting Office

REVIEW OF ACTIVITIES

A review of the activities of the General Accounting Office for the fiscal year 1964 is presented in this report.

Chapter Two describes the assistance rendered directly to the Congress during the year. This activity was carried out principally through the submission of reports on audits and investigations, direct staff assistance to committees and Members of Congress, the submission of reports on legislative bills, and testifying before congressional committees.

Chapter Three discloses how the General Accounting Office has been of assistance to the agencies of the Government in bringing about greater effectiveness, efficiency, and economy in the conduct of their programs and activities. Such assistance was rendered principally in the form of legal decisions and advice; performance of audit work culminating in findings and recommendations to agency officials; cooperation in the development of improved financial management systems; promulgation of principles, standards, policies, and procedures; consulting advice in acquiring and using automatic data processing systems; adjudicating and settling claims; and advisory assistance in traffic and transportation problems.

Chapters Four through Twelve discuss some of the significant audit findings and recommendations reported during the year and other information concerning the scope and results of our audit work. This material is arranged by the department or agency to which it pertains.

Chapter Thirteen describes the legal assistance given to the Congress and the agencies.

Chapter Fourteen summarizes our activities relating to recruiting and staff development.

The Appendix contains basic information relative to the organization and personnel of the General Accounting Office, our appropriations and costs, listings of reports and other

documents issued, nature and results of audit work, and similar data. A summary listing of the contents of the appendix appears on pages 317 and 318.

FUNCTIONS

The General Accounting Office was created by the Budget and Accounting Act, 1921, and is located in the legislative branch of the Federal Government. Since its establishment, the responsibilities and authorities of the Office have been broadened by various acts of Congress including the Government Corporation Control Act of 1945 and the Accounting and Auditing Act of 1950. Provisions of the major statutes assigning authority and responsibility to the Comptroller General and the General Accounting Office are included in the appendix beginning on page 450.

Under the direction of the Comptroller General of the United States, the General Accounting Office assists the Congress in carrying out its constitutional responsibilities with respect to the expenditure of public funds by performing the following functions.

Auditing.—Auditing the activities, financial transactions, and accounts of the Federal Government.

Accounting.—Prescribing principles, standards, and related requirements for accounting; cooperating in the development and improvement of agency accounting and financial management systems; and reviewing and approving agency accounting systems.

Claims settlement.—Settling claims by and against the Federal Government.

Debt collection.—Collecting amounts due the Government on adjudicated claims and amounts reported by Government departments and agencies as uncollectible through means available to them.

Legal work.—Rendering decisions at the request of heads of departments and agencies and disbursing and certifying officers on the legality of proposed payments or transactions, which decisions are binding on the executive branch.

Special assistance to the Congress.—Making special audits, surveys, and investigations at the request of congressional

committees and Members of Congress, when feasible; furnishing information in reply to inquiries; assigning personnel to assist congressional committees; testifying before congressional committees; and furnishing comments on proposed legislation.

Records management and services.—Preserving and servicing disbursing officers' accounts, vouchers, certificates, and related papers until disposed of as provided by law.

ORGANIZATION

The General Accounting Office is organized into the following divisions and offices. The directors of these organizations are directly responsible to the Comptroller General for carrying out the functions indicated.

Accounting and auditing functions:
- Accounting and Auditing Policy Staff
- Civil Accounting and Auditing Division
- Defense Accounting and Auditing Division
- International Operations Division
- Field Operations Division
- Transportation Division
- Office of Staff Management

Legal work:
- Office of the General Counsel

Claims adjudication and settlement:
- Claims Division

Personnel and administrative functions:
- Division of Personnel
- Office of Administrative Services

In addition to the headquarters office in Washington, D.C., 41 regional and subregional offices of the Field Operations Division are maintained in cities throughout the United States. The International Operations Division has branch offices in Frankfurt, Germany, and Tokyo, Japan.

Organization charts for the General Accounting Office as of June 30, 1964, are shown on pages 319 through 330 in the appendix.

The International Operations Division was established as of August 19, 1963, with the responsibility for carrying out the accounting, auditing, and investigative functions of the General Accounting Office relating to all U.S. Government programs and

activities in foreign countries, excepting those specifically exempt from audit and investigation by law.

During the fiscal year 1964 we had an average of 71 professional employees stationed overseas. In addition 84 members of the Washington and regional office staffs performed 43 oversea assignments during the year.

Although there has been a steady decline in the total number of employees, the number of professional accountants, auditors, and investigators has increased considerably. For example, during the 10 years ended June 30, 1964, the number of employees dropped from 5,913 to 4,350, a decrease of 1,563. However, the number of professional accountants, auditors, and investigators rose from 1,340 to 2,144, an increase of 804. Of the 2,247 professional employees on the roll at June 30, 1964 2,144 were accountants, auditors, and investigators (including 393 certified public accountants) and 103 were attorneys.

AUDITS AND INVESTIGATIONS

With certain exceptions, the audit authority and responsibility of the General Accounting Office extends to all activities, financial transactions, and accounts of the Federal Government. The authority extends also to records of contractors having Government contracts negotiated without advertising, their subcontractors' records, and records of certain recipients of Federal financial assistance such as loans, advances, grants, or contributions.

Some audits are specifically required by law or are performed at the request of congressional committees or individual Members of Congress. Most of our audit work is initiated by us in furtherance of our policy of directing our available manpower resources to the areas which, in our opinion, will be most productive of significant findings and recommendations for improving Government operations and achieving greater efficiency and economy.

Most of our audit work is performed at the offices of the various Government agencies in Washington, D.C., and elsewhere throughout the United States and abroad. We also do audit work at contractors' plants and at the offices of other

organizations outside the Federal Government where the use of Federal funds is involved. During the fiscal year 1964 the General Accounting Office conducted 2,410 audits at 2,782 locations in the United States and abroad.

The nature of audit work performed in the departments and agencies of the Federal Government is shown in detail on pages 429 through 433 of the appendix.

A list of the contractors and subcontractors whose records were examined by us during the fiscal year 1964 is included in the appendix on pages 425 through 428.

The results of our audit work are published in reports issued throughout the year to the Congress, congressional committees, Members of Congress, and the Government agencies concerned. During the fiscal year 1964 we issued 1,010 reports of which 490 were addressed to the Congress, its committees and Members, and 520 to agency officials. The appendix (pages 399 through 424) contains a complete list of audit reports issued during the year.

These reports contain numerous findings and recommendations for corrective action. It is our policy to give current attention to the corrective actions taken on findings and recommendations previously reported to the Congress and to the agencies concerned. Since most of our recommendations are addressed to agency officials, the major portion of our followup effort is directed toward ascertaining and evaluating the corrective actions taken by them. Followup work is also done by various congressional committees and by the Bureau of the Budget.

Audit of Transportation Payments

The General Accounting Office is responsible for determining the correctness of charges paid for freight and passenger transportation services furnished for the account of the United States, for the recovery of overcharges, and for the settlement of transportation claims both by and against the Government. Further, as a part of its basic audit and investigative functions, the Office is responsible for the review, evaluation, and reporting of traffic management activities of Government agencies.

The Transportation Act of 1940 requires the administrative agencies to pay carriers' transportation bills upon presentation

prior to audit by the General Accounting Office. Certifying and disbursing officers are exempted from liability for any overcharges by carriers arising from improper rates or classifications. Under these provisions, our Office receives the paid bills on a Governmentwide basis, makes a central post-audit, determines overcharges, and recovers the overcharges from the carriers. Our audit of transportation charges is being performed on a current basis within 6 months of payment.

During the year we issued 73,251 notices of overcharge to commercial carriers requesting refunds totaling $11.4 million. Collections from carriers during the year amounted to $10.5 million.

In fiscal year 1964 we received 26,072 transportation claims against the Government and we settled 22,673 claims. Of the $19,133,508 claimed by the carriers, we allowed $14,985,277, which included payment of $6,979,328 for Military Air Transport Service contract movements. These billings were assigned to financial institutions and were audited before payment to protect fully the Government's interest under the assignments. Also included are payments of $1.9 million allowed the carriers because of adverse decisions by the courts on two major World War II transportation rate issues.

In addition to these settlements, we furnished technical advice and assistance to the Department of Justice in 134 legal actions involving claims against the Government for $5.3 million which were settled for $4.1 million.

We continued to assist the various departments and agencies of the Government in traffic management and transportation matters. This assistance is discussed under the applicable chapter headings.

We continued our practice of meeting with representatives of individual carriers or members of their trade associations to discuss and resolve mutual problems relating to our audit activities. In addition to frequent discussions in Washington with carrier representatives, we participated in meetings with various domestic and international carrier associations.

During the year we continued our screening of transportation accounts available for disposal and authorized the destruction of 3.7 million vouchers. This is a continuing program which, with

congressional approval, permits the disposition of records having no further legal, research, or other value. Custody of all accounts from 1955 through 1958 was transferred to the General Services Administration at Mechanicsburg, Pa., for disposal by that agency under the 10-year rule pursuant to guidelines established by our Office. Our disposal of accounts subsequent to 1958 is continuing on a current basis.

ACCOUNTING

The functions of the General Accounting Office with respect to accounting in the Federal Government consist of (1) prescribing principles, standards, and related requirements for accounting to be observed by Federal agencies; (2) cooperating with the agencies in the development of their accounting systems and in the improvement of their financial management systems; (3) approving their accounting systems when deemed to be adequate and in conformity with prescribed principles, standards, and related requirements; and (4) reviewing agency accounting systems from time to time.

The principles, standards, and related requirements prescribed by the Comptroller General are contained in the "General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies."

Our responsibility to cooperate with the executive agencies in the development of their accounting systems and in the improvement of their financial management systems is carried out in part through the Joint Financial Management Improvement Program, in part through the work we do in the agencies and in part through the issuance of illustrative accounting procedures.

Our reviews of accounting systems are carried out as part of our regular audits and also in the form of special reviews made from time to time.

Further information on our accounting functions is contained in Chapter Three, "Assistance to the Agencies."

CLAIMS ADJUDICATION WORK

Legislative authority for the adjudication and settlement of claims by and against the United States is contained in section

305 of the Budget and Accounting Act, 1921, which provides that all claims and demands whatever by the Government of the United States or against it shall be settled and adjusted in the General Accounting Office, and in section 304 of the act which provides that this Office shall superintend the recovery of all debts finally certified by it to be due the United States. While these provisions appear to be all-inclusive, Congress has enacted various laws authorizing certain Government agencies and departments to adjust and settle most of the claims arising in connection with their own programs and operations, while other laws have given the courts exclusive jurisdiction over certain types of claims. On the other hand, specific statutes have been enacted which provide that payment may be made only upon settlement of the General Accounting Office. For example, claims for the proceeds of depositary checks which have not been paid prior to the close of the fiscal year next following the fiscal year in which the checks were issued must be certified for payment by this Office (31 U.S.C. 132); claims for underpayment of wages under the Davis-Bacon Act (40 U.S.C. 276a–2) and the Contract Work Standards Act (40 U.S.C. 330) are for payment by this Office, and, with few exceptions, judgments against the United States are paid pursuant to settlements of this Office.

The following paragraphs pertain only to general claims by and against the United States, which are handled by our Claims Division. Claims of common carriers for transportation services furnished the Government, commented on beginning on page 9 of this chapter, are handled by our Transportation Division.

Claims against the United States.—As a general rule the Government departments and agencies pay most of their obligations in the normal course of business. Claims against the United States that are referred to the General Accounting Office for settlement are usually limited to those required by statute to be paid on settlement of this Office and those involving doubtful questions of law or fact as to the validity or amount of the claim or the entitlement of the claimants. They arise from virtually any transaction of the Government and are received from individuals, business entities, and foreign, State, or munici-

pal governments. For convenience, the claimants are classified as live civilian employees, deceased civilian employees, live military personnel, deceased military personnel, and live and deceased other public creditors, and the subject matter is categorized as compensation, pay and allowances, travel, per diem, transportation, judgments, acts of Congress, contracts, trust funds, refunds, and miscellaneous. Our actions include examination, development when necessary, adjudication, and certification for payment, or disallowance.

Settlement of the claims by this Office provides an economical means by which claimants and administrative offices can be assured of fair and impartial consideration and the resolution of doubtful matters or controversial points of issue without resorting to the courts. Settlements of this Office are not binding upon the Congress or the courts and therefore they do not destroy or diminish the rights of the claimants.

On July 1, 1963, we had on hand 674 claims against the United States. During the fiscal year we received 7,388 claims and settled 7,450, leaving a caseload on hand of 612 claims on June 30, 1964. Incident to the settlement of the 7,450 claims we certified the amount of $33,879,969 for payment.

Claims by the United States.—Claims by the United States are referred to our Office for adjudication and collection when they involve administrative doubt as to the amount or propriety of the debt or the liability of the parties to the transaction. Our regulations also require that debts due the United States be reported to us when the debtors are involved in bankruptcy proceedings and when the departments and agencies are unable to collect the full amount of the debts through the use of their regularly prescribed collection procedures.

The subject matter of these debt claims is as varied as that of claims against the United States. We examine and adjudicate the claims referred here because of administrative doubt so that action to collect the amounts found due the United States may be taken if appropriate. In other debt claims we examine and develop the claims and take whatever steps may be necessary to collect. Our collection actions include demands for payment, locator actions, development to ascertain the financial status of the debtors, and the issuance of proofs of claim in bankruptcy

and deceased debtor cases. If our development of a claim discloses that a debtor is presently receiving payments from the Government, we take steps to have amounts withheld, if otherwise proper, for application to his debt. In the event a debtor is financially unable to remit the full amount of his debt in one payment, he is permitted to make installment payments commensurate with the amount of the debt and his ability to pay. If our collection actions are unsuccessful we may report the debts to the Department of Justice for suit, if warranted, together with our certification of the amount due the United States and such information and documents as may be necessary to support court proceedings.

On July 1, 1963, we had on hand in our Claims Division 37,234 claims by the United States. During the period July 1, 1963, through June 30, 1964, we received 40,952 claims and settled 43,267, leaving a balance of 34,919 claims on hand June 30, 1964. Of the 34,919 claims on hand, 14,052 were under collection representing accounts receivable in the amount of $6,304,875. Incident to our adjudication and collection activities during the fiscal year, we collected $6,410,068. During that period we reported 3,842 claims to the Department of Justice for suit and as of June 30, 1964, 6,560 of the claims pending with that Department were under collection, representing accounts receivable in the total amount of $3,422,258.

FINANCIAL BENEFITS RESULTING FROM THE WORK OF THE GENERAL ACCOUNTING OFFICE

The audit and claims activities of the General Accounting Office are of significant financial benefit to the Government. For the fiscal year 1964, measurable financial benefits totaled $321,489,000 of which $27,166,000 represented collections and $294,323,000 consisted of other measurable benefits. The latter group of benefits were identified during the fiscal year 1964 and consist of realized or potential financial savings to the Government directly attributable to action taken or planned on findings developed by the General Accounting Office in its examinations of agency and contractor operations.

In addition, there are many significant financial benefits of a recurring nature attributable to the work of the General Ac-

counting Office which are not fully measurable in financial terms. These benefits also result from actions taken by Federal agencies in their efforts to eliminate the unnecessary expenditures or otherwise correct the deficiencies brought to light in our audit reports.

A summary of collections, other measurable benefits, and additional financial benefits not fully or readily measurable is included in the appendix beginning on page 335.

LEGAL WORK

Making decisions on the legality of expenditures of public funds is the primary legal work of the General Accounting Office. The Comptroller General is required by law to make decisions in advance of the expenditure of public funds upon the request of disbursing officers, certifying officers, or the head of any department or independent establishment. Necessity for legal decisions may also arise from the audit of the activities and financial transactions of Government departments and agencies and from other work of the Office. Decisions are also made to contracting officers and to contractors doing business with the Government, and to individuals and firms requesting review of claims and debt actions. Under the law, these decisions are final and binding upon the executive branch of the Government.

Decisions may be made on questions presented by any branch of the Government or any department or agency and cover nearly every field of law. The questions may include the construction of Government contracts and agreements of every kind, the interpretation of statutes as well as the administrative regulations governing agency activities, and the examination and construction of organic acts, prohibitory statutes, appropriation acts, treaties, and State and foreign law.

Comments on this work are contained in Chapter Thirteen of this report.

RECRUITING AND STAFF DEVELOPMENT

We continued to devote considerable effort during the year to recruiting and developing our professional staff of attorneys,

accountants, auditors, and investigators. Details on some of these programs and on other activities in the personnel field are given in Chapter Fourteen of this report.

PUBLICATIONS

The following publications of the General Accounting Office are for sale by the Government Printing Office:

Decisions of the Comptroller General of the United States. Published monthly. Subscription price $2.25 a year ($1 additional for foreign mailing).

General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies. Subscription price $20 ($5 additional for foreign mailing). Title 5, "Transportation," is available separately at $3.50 ($1 additional for foreign mailing).

Copies of audit reports addressed to the Congress are usually available to the general public at a price of $1 a copy. Orders for audit reports, accompanied by remittances in cash or by check, should be addressed to the Accounting and Auditing Policy Staff, General Accounting Office, 441 G Street NW., Washington, D.C., 20548.

Audit reports addressed to the Congress are transmitted simultaneously to the Speaker of the House of Representatives and the President of the Senate. At the same time, copies are sent to various congressional committees, such as the House and Senate Committees on Appropriations and Government Operations, and the cognizant legislative committees. Also, copies are sent to other congressional committees known to have a special interest in the subject of a report as well as to Members of Congress from States and districts in which the activity reported on is located. Officials in the executive branch who receive copies of audit reports addressed to the Congress include the President of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget. The top officials of the agency responsible for the activities covered in a report are furnished copies of the report. Copies of reports involving Government contractors and State and other local agencies are sent to the parties concerned.

Requests for copies of unclassified audit reports to the Congress received from Members of Congress, congressional committee staff members, Government officials, members of the press, and college libraries are honored without charge.

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Assistance to the Congress

The General Accounting Office was created as an independent agency in the legislative branch of the Government to examine the manner in which Government agencies discharge their financial responsibilities and to make reports to the Congress on the financial operations of the Federal agencies.

In carrying out our reporting responsibility we submitted to the Congress during the past fiscal year 293 accounting, auditing, and investigative reports concerning the operations of the executive departments and agencies. Copies of these reports were furnished to all committees having a responsibility over the subject matter and to individual Members of the Congress when the report dealt with matters within their districts or we were otherwise aware of their interest in the subject. In addition to our regular reports to the Congress, we furnished 197 reports of our findings resulting from audits or investigations made at the request of committees or Members, and 385 reports to committees and Members on legislative proposals under consideration. We also responded to numerous requests for advice and information from individual Members.

During the fiscal year the departments and agencies adopted recommendations contained in our reports which we estimate will result in measurable savings of approximately $300 million. Furthermore, findings and recommendations contained in our reports and still under consideration by the departments and agencies involve potential additional savings of many millions of dollars. The interest and support evidenced by the Congress and its committees in the findings and recommendations contained in our reports has been a prime factor in their being given careful consideration by the departments and agencies. However, in its report on the bill H.R. 10532 (S. Rept. No. 1095) the Senate Appropriations Committee, recognizing the need for even greater attention to be given the reports by executive branch management officials, stated:

The committee believes that there has been a lack of prompt and adequate attention given by the agencies to recommendations contained in reports of the General Accounting Office. Failure to immediately implement proposals of the General Accounting Office in many instances provides for the continued unnecessary expenditure of Government funds. The committee strongly urges the departments to give prompt and vigorous attention to deficiencies and recommendations contained in reports of the Comptroller General. The committee shares the views of the President of the United States in his remarks to the press, on May 2, 1964, following a Cabinet meeting in which he outlined a nine-point program to achieve greater efficiency and economy in Government operations. Included in the program was his request that "all reports made by the General Accounting Office and congressional committees be given prompt and thorough and careful attention."

In addition to our regular reporting function, we extend assistance to the committees by conducting numerous special surveys at their request; submitting reports on pending legislation; furnishing legal advice; and by assigning members of our staff to assist the committees. To assure that prompt appropriate consideration is afforded the Congress, its committees and Members, and to provide proper coordination, we maintain an Office of Legislative Liaison, staffed by three members of our professional staff, who devote their full time to this responsibility.

For the convenience of the committees of the Congress and individual Members, we prepare each year a compilation of the findings and recommendations contained in our reports for improving Government operations. The compilation for this year was printed as a House document (H. Doc. 238, 88th Cong., 2d sess.). Also, we prepared this year an index of our audit reports on Department of Defense activities for the period fiscal years 1956 through 1963. We furnished a copy of this index to each Member of the Congress and to the committees of the Congress concerned with activities of the Defense establishment to provide them with a ready reference to those reports. We continued to furnish to the House Appropriations Committee a report on selected audit findings resulting from our review of the activities of executive departments and agencies. The appropriation hearing records are replete with evidence of the use by the committee and its subcommittees of the information furnished.

Another important service rendered to the committees and Members is the furnishing of opinions on the legality of programs undertaken by agencies and on the availability of appropriated funds for specific expenditures. Most of the laws dealing with fiscal matters come before the General Accounting Office after enactment for interpretation since the decisions of the Comptroller General on the receipt and expenditure of appropriated funds are binding on the departments and agencies in the executive branch. Accordingly, many calls are made on our legal staff for consultation on proposed language when preparing and perfecting legislative provisions. By drawing on our experience gained through continuing review of the operations of the departments and agencies, we are able to cover not only the legal problems involved, but also the operational, fiscal, and administrative phases of the legislation as well. In addition to numerous meetings by our professional staff with committee Members, their staffs, and individual Members, we furnished 403 written advisory opinions on legal questions submitted by committees and individual Members. Following our cooperation with one of the subcommittees of the Senate Appropriations Committee on a matter pending before them, the chairman addressed us as follows:

> I wish to express the sincere appreciation of the Subcommittee for the excellent cooperation received from your staff and the fine work performed by both the audit and legal staffs of your Office. The reports and material furnished to the Subcommittee by your Office were prepared in a careful and objective manner and were very useful in the Committee deliberations * * *.

Aside from our regular reporting functions and day-to-day contacts with the committees and their staffs, our representatives appeared before congressional committees on 23 occasions during the fiscal year ended June 30, 1964, to testify on recommendations made in reports on bills or in audit and investigative reports submitted to the Congress. Also, to assist in the work necessary to appropriately follow up on the recommendations contained in our reports to the Congress and to assist in committee-directed inquiries, we assigned 98 members of our staff of accountants and investigators to work directly with and under the control of congressional committees. During the

year these assignments represented 9,211 man-days at a net cost to the General Accounting Office of $377,186.19. Tabulations of appearances and assignments of our representatives are as follows:

Appearances by General Accounting Office Representatives at Congressional Hearings During Fiscal Year 1964

Committee	Date	Subject
U.S. SENATE		
Appropriations:		
Subcommittee on Independent Offices.	Oct. 15, 1963	General Accounting Office budget estimates for 1964 (H.R. 8747).
Legislative Subcommittee . . .	May 7, 1964	General Accounting Office budget estimates for 1965 (H.R. 10723).
Commerce:		
Subcommittee on Surface Transportation.	Oct. 3, 1963	National Transportation System (S. 1062).
	May 11, 1964	Removal of undue prejudice and preference from transportation rates, fares and charges to the U.S. Government (S. 2075).
Government Operations:		
Subcommittee on Intergovernmental Relations.	Jan. 13, 1964	Periodic congressional review of Federal grants-in-aid to States and local units of Government (S. 2114).
Select Committee on Small Business:		
Subcommittee on Government Procurement.	June 2, 1964	Procurement of Government equipment and supplies.
HOUSE OF REPRESENTATIVES		
Appropriations:		
Legislative Subcommittee. . .	Feb. 6, 1964	General Accounting Office budget estimates for 1965.
Armed Services:		
Special Investigations Subcommittee.	Aug. 21, 1963	Energy conversion research contract award to Tyco Laboratories by Air Force.
	Mar. 18, 1964	Construction and repair of concrete airfield pavements at Selfridge Air Force Base.
Banking and Currency:		
Subcommittee on Housing. . .	Nov. 20, 1963	Slum clearance and urban renewal program.

Appearances by General Accounting Office Representatives at Congressional Hearings During Fiscal Year 1964—Continued

Committee	Date	Subject
HOUSE OF REPRESENTATIVES—Con.		
Education and Labor:		
Subcommittee on Labor.....	June 24, 1964	Administration and improvement of Davis-Bacon Act (H.R. 7075).
Government Operations:		
Legal and Monetary Affairs Subcommittee.	Oct. 8, 1963	Report on Federal Deposit Insurance Corporation, 1962 and preceding years. Calendar year audit provision and reimbursement by Corporation for cost, etc. of retirement and compensation benefits to employees.
	Apr. 20, 1964	Calendar year audit of Federal Home Loan Banks and Federal Savings and Loan Insurance Corporation (H.R. 10705).
	May 26, 1964	Collection of judgments, fines, penalties, and forfeitures within Dept. of Justice and Office of U.S. Attorney for D.C.
Subcommittee on Executive and Legislative Reorganization.	May 27, 1964	Statistical sampling procedures in the examination of vouchers (H.R. 10446).
Subcommittee on Government Activities.	Mar. 18, 1964	Participation in FTS—unnecessary costs for commercial long-distance telephone calls.
Interior and Insular Affairs:		
Subcommittee on National Parks.	Mar. 19, 1964	Concession Policies of National Park Service (H.R. 5796 et al.).
Judiciary Committee:		
Subcommittee on Claims....	Apr. 16, 1964	Relief for Baggett Transportation Co., Inc. (H.R. 8840).
Post Office and Civil Service.....	July 16, 1963	Modernization of Dual-Compensation and Dual-Employment Laws (H.R. 7381).
Science and Astronautics:		
Subcommittee on Science, Research, and Development.	May 14, 1964	Research and development programs of various Federal agencies.
Veterans' Affairs:		
Subcommittee on Housing...	Nov. 21, 1963	Veterans' Housing Program: Excessive costs of maintenance and management of defaulted properties; administrative weaknesses in property management.

Appearances by General Accounting Office Representatives at Congressional Hearings During Fiscal Year 1964—Continued

Committee	Date	Subject
HOUSE OF REPRESENTATIVES—Con.		
Veterans' Affairs—Continued		
Subcommittee on Insurance.	Apr. 15, 1964	Veterans' insurance program: Administration of provisions of extra hazard, disability benefit and entitlement under SDVLI program.
JOINT		
Economic:		
Subcommittee on Defense Procurement.	Apr. 16, 1964	Significant matters disclosed by audits and examinations made by the General Accounting Office in the Defense Department and 3 military departments.

Summary of Assignments of Personnel to Congressional Committees During Fiscal Year 1964

Committee	Staff assigned	Reimbursed by committee	Net expenditures by GAO
U.S. SENATE			
Appropriations	4	$13,030.16	0
Armed Services:			
Preparedness Investigating Subcommittee.	2	5,566.08	$362.39
Commerce	1	0	149.50
Government Operations:			
Permanent Subcommittee on Investigations	37	963.60	107,482.14
Judiciary	3	0	324.00
Rules and Administration	3	18,422.08	0
Select Committee on Small Business	1	2,301.44	13,226.64
Subtotals	49	40,283.36	121,544.67
HOUSE OF REPRESENTATIVES			
Appropriations	15	13,991.39	95,656.85
Banking and Currency	2	0	31,289.84
District of Columbia	2	0	2,716.16

Summary of Assignments of Personnel to Congressional Committees During Fiscal Year 1964—Continued

Committee	Staff assigned	Reimbursed by committee	Net expenditures by GAO
HOUSE OF REPRESENTATIVES—CON.			
Government Operations	4	0	15,992.39
Subcommittee on Foreign Operations and Government Information	2	0	6,238.88
Subcommittee on Intergovernmental Relations	4	0	13,867.62
Subcommittee on Military Operations	2	0	7,489.80
House Administration	1	0	1,718.80
Judiciary:			
Special Subcommittee on State Taxation of Interstate Commerce	1	0	848.35
Post Office and Civil Service	4	0	40,224.41
Public Works: Special Subcommittee on the Federal-Aid Highway Program	2	4,030.99	15,368.48
Select Committee on Government Research	3	0	2,132.40
Select Committee on Small Business	6	0	11,405.85
Subtotals	48	18,022.38	244,949.83
JOINT			
Atomic Energy	1	0	10,691.69
Totals	98	$58,305.74	$377,186.19

LEGISLATIVE PROGRAM

Under the Budget and Accounting Act, 1921, we are directed to make recommendations to the Congress "looking to greater economy and efficiency in public expenditures." To carry out this responsibility we give special attention to our legislative program. All reports issued by the Comptroller General to the Congress are carefully considered to point out areas in which legislative action seems required or desirable.

The following legislative recommendations were contained in audit and investigation reports submitted to the Congress during the fiscal year ended June 30, 1964:

Operation of Military Commissary Stores

At the request of the Joint Economic Committee of the Congress, we reviewed the criteria established by the Secretary of Defense for the authorization of military commissary stores in the continental United States.

We found that, although competitive food stores are located near most military commissary stores in the United States, commissary stores have continued in operation and increased in number despite the statutory requirement since 1953 that such stores be authorized only if reasonable prices are not otherwise readily available. The authorization of commissary stores has continued each year because the criteria established by the Department of Defense defeat the purpose of the law. Under these criteria, the prices at all commercial food stores surveyed in the United States during recent years have been found to be unreasonable. In view of the strong competition among commercial grocery stores and their resulting low profit margins, it is apparent that the criteria are illogical. The manpower expended by the Department of Defense each year in conducting surveys at all commissary stores in the United States for compliance with its criteria, even though it was obvious that the surveys would not in any way restrict commissary operations, has been a waste of effort. We estimated that this effort cost the Government about $100,000 annually or about $1 million since 1953. We found also that the Government absorbed losses of almost $150 million a year in the operation of the commissary store system in the United States because commissary store sales prices excluded major operating expenses.

In view of the ineffectiveness of the restriction, contained in each annual appropriation law enacted since August 1953, in deterring the continued operation and growth of military commissary stores, and in view of the fact that competitive commercial food stores are generally located reasonably close to most military installations in the continental United States, we suggested that the Joint Economic Committee consider recommending to the Congress the enactment of legislation to establish precise conditions under which the operation of military commissary stores may be authorized. Also, to the extent that the operation of commissary stores may be authorized, the Congress may wish to consider providing for selling prices to be set at the level of competitive commercial retail prices in order to avoid inequities between personnel at installations having commissary stores and personnel at installations not having commissary stores. We expressed the belief that, pending action by the Congress to clarify its position with regard to commissary stores, it would be desirable to omit from future appropriation acts for the Department of Defense the requirement for the annual certification of commissary stores by the Secretary of Defense. This will avoid the expenditure of about $100,000 a year for surveys of the type now conducted for the purpose of authorizing commissary stores. (Report to the Joint Economic

Committee, Congress of the United States: Failure to Curtail Operation at Government Expense of Military Commissary Stores in Continental United States Where Adequate Commercial Facilities Are Available, Department of Defense, p. 26, B-146375, Apr. 16, 1964.)

On May 14, 1964, a member of the Joint Economic Committee introduced a bill in the House of Representatives to restrict the operations of commissary stores and to provide for the charging of approximately commercial prices by the commissary stores that would be operated. This bill was referred to the House Committee on Armed Services for consideration.

Flight Requirements for Military Personnel

In a report submitted to the Congress in a prior year on our review of causes of overpayments of military pay and allowances in the Department of Defense, we stated that among the contributing factors were the monthly minimum flight time requirements for service members who otherwise were entitled to receive incentive (aerial flight) pay. We pointed out that the elimination of these requirements would not only reduce administrative costs and minimize overpayments but would also serve as a deterrent on the uneconomical employment of equipment and personnel being used primarily for the purpose of qualifying a serviceman for entitlement to flight pay. The Department of Defense agreed with our proposal that the feasibility of eliminating the requirements should be studied. Following the study, the Department of Defense proposed certain amendments to Executive Order No. 10152 which prescribes minimum flight requirements for payment of incentive pay. In our opinion the proposed changes in the Executive order would not have been proper and, in any event, would not have accomplished the objective—savings to the Government of millions of dollars each year—outlined in our report to the Congress on this matter. Therefore, we suggested, to interested committees of the Congress for their consideration, a change in the Department of Defense Appropriation Bill for the fiscal year 1965 which would eliminate minimum flight requirements for service members, who otherwise are entitled to receive flight pay, whose duty assignments do not involve or require regular and frequent aerial flights.

Construction of Housing for Bureau of Prisons Personnel

So that more effective control over appropriated funds used for the construction of residential housing may be provided, we recommended that the Congress consider placing limitations, similar to those prescribed in the case of family housing for military personnel, on the floor area that may be provided for Bureau of Prisons housing and on the amounts which may be expended for the construction of such housing for institution staff officials and employees, taking into consideration the fact that the Bureau uses inmate labor. (Unreasonably Expensive One-Family Em-

ployee Residence Built at the United States Penitentiary, Leavenworth, Kans., Bureau of Prisons, Department of Justice, p. 10, B-133223, June 15, 1964.)

Federal Grants to States for Employment Security Administration

We reported to the Congress on the practice followed by the Bureau of Employment Security, Department of Labor, of making available to State employment security agencies for expenditure in the current fiscal year uncommitted grant funds previously made available to State agencies from prior fiscal year appropriations. During the period from July 1, 1957, through January 31, 1963, the Bureau authorized the State agencies to use in succeeding years about $32.4 million of such funds.

We recommended to the Congress that it consider including language in the Department of Labor appropriation acts which would specifically limit the annual appropriation so that it can be used by the State agencies only for obligations incurred during the specified year. In the Department of Labor appropriation act for fiscal year 1964, the Congress provided that any funds unobligated by the States in that year shall be returned to the Treasury. (Practice of Making Available for Expenditure in the Current Fiscal Year Uncommitted Granted Funds Arising From Prior Fiscal Year Appropriations, Bureau of Employment Security, Department of Labor, p. 12, B-133182, Sept. 30, 1963.)

Concurrent Payments of Unemployment Benefits and Military Retirement Pay

We suggested to the Congress that it may wish to amend the Ex-Servicemen's Unemployment Compensation Act of 1958 to provide for the reduction of unemployment compensation paid by the Federal Government to retired career ex-servicemen by the amounts they receive concurrently as retirement pay. Under this act ex-servicemen are entitled to claim unemployment compensation which is paid by the Federal Government in accordance with the laws of the State in which the ex-serviceman files his claim. Many States deduct from the compensation they determine to be payable under their laws an amount equal to retirement pay the ex-servicemen are receiving, concurrently, during this compensation period. The laws of 26 States have no such provisions; hence, for claims filed in these States, the Federal Government is paying dual benefits to career ex-servicemen. We believe that this practice is not in harmony with the intent of the Ex-Servicemen's Unemployment Act of 1958 which, we believe, contemplates payment of unemployment compensation for separated noncareer servicemen during the period of their economic

readjustment to civilian life. If this practice of making dual payments is continued, the Federal Government will pay an estimated $33 million for unemployment compensation to career ex-servicemen retiring in fiscal years 1963 through 1970 in addition to paying the same persons $48 million in retirement annuities. (Concurrent Payments of Unemployment Benefits and Retired Pay to Retired Members of the Armed Forces, Bureau of Employment Security, Department of Labor, p. 15, B-113285, Aug. 9, 1963.)

Audit of Federal Home Loan Banks and Federal Savings and Loan Insurance Corporation

We recommended that the Congress consider amending the Government Corporation Control Act to require the Comptroller General to audit and report to the Congress on the financial transactions of the Federal Home Loan Banks and the Federal Savings and Loan Insurance Corporation on a calendar-year basis rather than on a fiscal-year basis as presently required. Such an amendment would permit financial reporting to coincide with the accounting periods of the Federal Home Loan Banks and the congressional reporting of the Federal Savings and Loan Insurance Corporation and would facilitate our audits of these corporations. Respresentatives of this Office testified in favor of applicable proposed legislation in hearings held in April 1964 by the Legal and Monetary Affairs Subcommittee of the Committee on Government Operations, House of Representatives. Legislation designed to implement our recommendations was enacted as Public Law 88-518, approved August 30, 1964. (Audit of Federal Home Loan Banks Supervised by Federal Home Loan Bank Board, year ended June 30, 1963, p. 6, B-114827, Feb. 14, 1964; and letter dated Mar. 31, 1964, from the Comptroller General to the chairman, House Subcommittee on Legal and Monetary Affairs, Committee on Government Operations, recommending similar legislation applicable to Federal Savings and Loan Insurance Corporation.)

Funding Practices in the Acquisition and Management of Real and Related Personal Property Overseas by the Department of State

We recommended that the Congress favorably consider amending the Foreign Service Buildings Act (1) to repeal existing requirements and authorization for payment of recurring lease rentals, building operating costs, ordinary maintenance and repairs, and Office of Foreign Buildings administrative expenses from the Foreign Service Building Fund and to provide that such costs shall be paid from the departmental appropriation for salaries and expenses which shall be reimbursed by other agencies for their pro rata share of such costs; (2) to designate the Fund as the instrument to be used exclusively for financing the purchase, construction, and capital improvement of overseas real property and for the payment of commuted rents under leases which are tantamount to ownership, for

lease payments under lease-purchase type of agreements whereby a substantial portion of the lease payments apply toward the purchase price, and for costs of allied operations such as architectural and engineering work; and (3) to make clear that structural improvements of general utility shall not be financed in whole or in part from the Department's appropriation for salaries and expenses or the appropriations of other Federal agencies.

The report of the Senate Committee on Foreign Relations dated May 15, 1963 (S. Rept. 178), listed certain advantages of Government ownership of real property abroad for diplomatic and consular establishments. In the light of these advantages and the discussion of leasing in our report to the Congress, we recommended that the Department and the Congress give particular consideration to the comparative cost of leasing versus ownership in determining the most economical means of meeting established long-range space needs abroad.

We recommended, further, that the Congress consider favorably such legislation as may be necessary to provide that all management costs not now charged to the using agencies, including periodic rentals, be so charged on the same pro rata basis as similar costs are charged for short-term-leased properties. While this proposed arrangement would not eliminate all inequities in cost sharing on property occupancy, since agencies occupying Government-owned properties would not pay an equivalent of rental, the measure of inequity would be diminished and cost sharing would be established on a more uniform and simplified basis. (Review of Funding Practices in the Acquistion and Management of Real and Related Personal Property Overseas by the Department of State, B-146782, Sept. 30, 1963.)

AID TO MEMBERS OF THE CONGRESS AND ITS COMMITTEES

We also consider assistance to individual Members of Congress in connection with legislation and Government activities, as well as in connection with constituent inquiry, an important part of our responsibility.

Highlights of our activities with officers of the Congress and committees of the Congress are hereinafter set forth. Detailed information on specific instances of assistance to the Congress are contained in the chapters on the departments and agencies.

Senate Committee on Aeronautical and Space Sciences
House Committee on Science and Astronautics

During the year our representatives conferred with members of the staff of both committees on contract procedures and legal

questions relating to the space and other programs under the jurisdiction of the committees.

We met several times with the chairman of the Subcommittee on Oversight of the House committee, and the subcommittee staff, to discuss the findings in our audits of the National Aeronautics and Space Administration and to furnish information which they requested for use in their field examination of NASA installations in connection with the 1965 fiscal budget authorization bill.

We appeared before the Subcommittee on Science, Research, and Development of the House committee on the work of our Office relating to research and development programs in the military and civilian agencies. We testified that there is a definite need for substantial improvement in the awarding, execution, and administration of Department of Defense research and development contracts. Examples of deficiencies in the administration of grant programs by the civilian agencies were included in our presentation.

Senate Committee on Agriculture and Forestry
House Committee on Agriculture

The close working relationship we have maintained in the past with these committees was continued during the year with mutually beneficial results. Through such a relationship we become aware of particular interests of the committees, thus permitting better direction of our staff's efforts, and, by the same token, the committee staffs gain the advantage of having current knowledge of our programs. At various times the staffs met and discussed audit findings in process in our Office or legal questions before us for decision involving subjects within the committees' legislative jurisdiction.

At the request of the chairmen, we furnished our comments on bills before the committees for consideration. In that connection, following our report to the Senate committee on S. 2687, we were requested to meet with the staff for the purpose of assisting in drafting revised language to accomplish the purposes of the bill and our recommendations on the subject. The purpose of that bill, introduced by the chairman, was to amend the Agriculture Trade Development and Assistance Act

of 1954 (Public Law 480) so as to provide greater congressional control over the programs authorized by the act.

Committees on Appropriations

Our audit, investigation, and legal work generates extensive information on the obligation and expenditure of appropriated funds of a nature that is particularly useful to the members of these committees as a basis for questioning agency officials during the appropriation hearings on unnecessary, wasteful, and improper expenditures. Accordingly, our reports were constantly used by both committees during the year in carrying out their responsibility in reviewing the budget requests of the departments and agencies embracing the vastly complicated field of Government operations.

In addition, the committees asked us to investigate and furnish special reports on a wide range of Government activities. To a greater degree than it ever has in the past the House committee called upon us to make special surveys of complex defense agency procurements. As a result we are preparing a special series of reports for the committee on military contracting for electronics equipment, aircraft procurements, and other important segments of defense expenditures.

We met many times with members of the committee staffs to discuss the information and recommendations and to explain the fiscal and budgetary ramifications involved in our reports. The reports frequently serve as the basis for decreasing the amount of funds allowed. An example is the reduction made in the Military Construction Appropriation Act, 1965, which was based in part on our reports and a study we made for the House committee on expensive modifications incurred by the Department of the Army in the alteration to the Ordnance Tank and Automotive Command Building.

In accordance with the practice established a few years ago, meetings were held with the staffs of the Subcommittees on Department of Defense at the beginning of the 2d session of the 88th Congress to discuss our current military audit work and reports. In these meetings we are apprised of the special areas of interest to the committees that will be covered in the hearings

which gives us an opportunity to accelerate the issuance of relevant reports that we may be processing.

We furnished the House committee our 10th annual report of selected significant findings developed during the course of our audits and other examinations in departments and agencies of the Government. This special annual report was submitted in two parts, one relating to civil agencies and the other to military activities, and is designed to assist the committee members in their review of the department and agency budget requests.

We assigned to the House committee at the request of the chairman 12 members of our professional staff to assist the Surveys and Investigations Staff of the committee in conducting its various studies and investigations of civilian and military agency operations.

At the request of the chairman of the Subcommittee on the District of Columbia of the Senate committee we reviewed and furnished reports on various activities of the District of Columbia. Included were reports on the policies and procedures concerning admissions to and discharges from Junior Village, a temporary home for dependent children which is operated by the Department of Public Welfare; the admission and billing practices of the District of Columbia General Hospital; and the attendance to official duties of certain District of Columbia employees licensed to drive taxicabs.

In accordance with the joint request of the chairman of the Senate committee and the chairman of the Subcommittee on Departments of Labor and Health, Education, and Welfare, and Related Agencies we prepared a comprehensive report on our observations of the adequacy of the nationwide review of eligibility in the Aid to Families with Dependent Children program which was conducted under the direction of the Welfare Administration, Department of Health, Education, and Welfare, during the period from January to July 1963. The study by the Welfare Department had been ordered by the committee in reporting the Department's 1963 fiscal year appropriation.

We loaned to the Senate committee on a reimbursable basis two members of our professional staff to assist the Subcommittee

on State, Justice, Commerce, the Judiciary, and Related Agencies in reviewing the 1965 budget requests of the departments and agencies considered by the subcommittee.

The chairman of the Subcommittee on Department of Agriculture and Related Agencies of the Senate committee requested and was furnished considerable assistance on Department of Agriculture activities, particularly generating and transmission facility loans of the Rural Electrification Administration.

Our determinations on the legality of the use of funds from appropriations are binding on the executive branch. Accordingly, the committees requested our assistance in drafting appropriation provisions and our opinions on proposed expenditures in addition to other research work.

Committees on Armed Services

These committees have continued to show strong interest in the work of our Office, including both audit activity and legal decisions. Our representatives meet frequently with committee staff members to confer on matters of mutual interest, a practice which we believe serves a worthwhile purpose and one which we will continue to encourage.

During the year our representatives appeared before the House Subcommittee for Special Investigations in two series of hearings and presented testimony relating to certain defense procurement and contracting actions. In addition, at the request of the subcommittee chairman, our Office furnished personnel to assist the staff in compiling necessary information in advance of and subsequent to the hearings.

One of the hearings concerned a contract awarded by the Air Force Electronics System Division, Hanscom Field, Bedford, Mass., to Tyco Laboratories, Inc., which the chairman characterized as "a case study of contract procedures and practices" at the particular installation. Based on our review of the contract award and the subsequent hearings, the subcommittee reported on various deficiencies in the procedures followed by the contracting agency. Similar criticism by the subcommittee resulted from its hearings on an Air Force runway paving project at Selfridge Field, Mich., administered by the Corps of Engineers, Department of the Army. Our report and the

subcommittee's findings showed that, because unsuitable materials were permitted to be used in the construction in 1958 and 1959, extensive and otherwise unnecessary repairs were required.

At the request of the chairman of the Senate Subcommittee on Preparedness, we began a practice of meeting in conference early in each session of Congress with key staff members of the subcommittee to discuss work on which we have reported to the Congress or on which reports are expected to be issued on subjects of interest to the subcommittee. In addition, we met from time to time throughout the year on specific areas of mutual interest. We also furnished personnel on a loan basis to assist in a study undertaken by the subcommittee.

Committees on Banking and Currency

Our work with these committees during the year included reports requested on a number of bills, testimony in hearings, furnishing personnel assistance, and frequent contacts with committee staff members on a broad range of subject matter.

In the field of housing, an important segment of these committees' legislative jurisdiction, our representatives have continued to work closely with the staff to provide assistance whenever possible. At the request of the chairman of the Senate Housing Subcommittee we furnished the subcommittee a special report containing information developed during our review of foreclosures of FHA-insured multifamily housing projects. Later, a representative of our Office appeared as a witness before the subcommittee on this subject. During the year, the staff director of that subcommittee visited our Dallas, Philadelphia, Chicago, and New York regional offices to discuss with our field personnel our work on a variety of housing matters, particularly the foreclosure study. We welcome such visits for we believe that they provide an effective means of achieving closer cooperation and better understanding of the interests of each.

Our representatives presented testimony also to the House Subcommittee on Housing with regard to our work on Urban Renewal projects. In addition, we met with the staff and the chairman at various times to discuss specific items of interest.

We have been pleased with the consideration given by both committees during the 2d session of the 88th Congress of several suggestions and recommendations we made on pending bills. Of particular importance and significance, we feel, was the recommendation of both committees (which was adopted) to include in the Mass Transportation Act of 1964 (Public Law 88–365) a provision requiring contracts in furtherance of the purposes for which a loan or grant is made under the Act to contain provisions authorizing the Housing and Home Finance Administrator and the Comptroller General to have access to records pertinent to the contracts.

Senate Committee on Commerce
House Committee on Interstate and Foreign Commerce

We furnished reports to the committees at the request of the chairmen on a wide diversity of bills including those relating to the Merchant Marine Act, 1936, the operation and administration of the U.S. Coast Guard, the Federal Aviation Act, the Communications Act of 1934, the Public Health Service Act, and the Interstate Commerce Act.

The House committee accepted during the conference on the Clean Air Act, enacted as Public Law 88–206, approved December 17, 1963, a provision we recommended as a safeguard against waste and improper expenditures authorizing our Office to audit pertinent records that the recipients of assistance under the legislation must keep. A similar provision was added by the House committee to the Hospital and Medical Facilities Amendments Act of 1964, Public Law 88–443, which provides a comprehensive program to improve the public health through revising, consolidating, and improving the hospital and other medical facilities throughout the nation under the Public Health Service Act.

The staff of both committees conferred with our attorneys, auditors, and accountants on the information and suggestions contained in several of our legislative reports and on the findings contained in our audit reports on programs that are under the legislative and oversight responsibility of the committees. We furnished the chairman of the Senate committee a comprehensive analysis and legal opinion on the application of the Buy

American Act (41 U.S.C. 10a, et seq.) and the Cargo Preference Act (46 U.S.C. 1241 (b)) to contracts of the Trust Territory of the Pacific Islands. The Senate committee adopted an amendment we recommended to Senate bill 2049, enacted as Public Law 88-611, which provides authority for the Secretary of Commerce to accept gifts and bequests for the purposes of the Department. The committee in explaining the amendment stated that "* * * The Department in the draft submitted by it did not recommend that the existing gift authorities to the National Bureau of Standards, Coast and Geodetic Survey, and the Merchant Marine Academy be repealed. The committee has adopted amendments recommended by the General Accounting Office repealing these three existing authorities in order to eliminate any possibility of confusion as to the legislation controlling with respect to gifts made to any one of these three bureaus. The Department of Commerce has advised that they would not object to these amendments."

We appeared before the Subcommittee on Surface Transportation of the Senate committee on Senate bill 2075 to amend Section 22 of the Interstate Commerce Act on which we had furnished an extensive report with numerous suggestions to overcome our objections to the bill. We furnished the committee several drafts of suggested substitute provisions which would in our view establish a more practicable basis for Interstate Commerce Commission review of Section 22 quotations or tenders. Also, we worked in conference with officials of various Government agencies in an effort to reach agreement on additional acceptable language which would alleviate some of the administrative burden the original form of the bill would place upon Government procuring agencies.

On another occasion our staff testified before the Subcommittee on Surface Transportation of the Senate committee on Senate bill 1062, the proposed Transportation Act of 1963. This is a companion bill to House bill 4701 on which we had testified last year before the House Committee on Interstate and Foreign Commerce. Certain provisions of this bill would establish a shipper's right to seek reparations for unlawful charges assessed by motor carriers and freight forwarders. For

several years our Office has been strongly supporting legislation designed to overcome the adverse effect of *T.I.M.E., Inc.* v. *United States*, 359 U.S. 464, May 18, 1959. In our testimony we also recommended that additional comparable provisions be included in Senate bill 1062 to provide reparation authority in the case of air carriers subject to the Federal Aviation Act of 1958. A substitute proposal, Senate bill 2796—the Transportation Act of 1964—was later introduced and we again affirmed our position that there was a definite need for approval for even the shortened version of the proposed authority in Senate bill 2796 for motor carrier and freight forwarder reparation liability.

Senate Committee on Foreign Relations
House Committee on Foreign Affairs

This year we established an International Operations Division to carry out our responsibilities relating to all United States Government programs and activities conducted in foreign countries. We believe that this consolidation of responsibility will materially increase our effectiveness in assisting the committees in a critically important area of Government operations in which they have a vital interest.

Our representatives met several times with members of the staff of both committees to discuss the findings and recommendations contained in our audit reports on military and economic assistance programs and to furnish information requested on other Government activities.

The work of the International Operations Division is discussed in Chapter Eleven.

Committees on Government Operations

These committees have oversight responsibility over the efficiency and operation of the various Government departments and agencies and under the rules of the Senate and of the House of Representatives receive and consider all reports on reviews of the activities of the departments and agencies submitted by the Comptroller General to the Congress. As a consequence we maintain a very close relationship with these committees and their staffs. During the fiscal year, 293 audit and investigative

reports were submitted to the Congress and subsequently referred to these committees. On each such report the House committee or one of its subcommittees took positive action, through correspondence with the agencies or otherwise, to follow up on the findings and recommendations contained in such reports.

In addition to these regular reports, we were able to provide these committees during the year with a number of special reports of findings resulting from inquiries specifically requested by the committees. Also, in a number of instances we assigned professional members of our staff to these committees to assist their staffs in carrying out committee directed inquiries. During the year 49 members of our staff were assigned to these committees for varying periods. Thirty-seven were assigned to the Permanent Subcommittee on Investigations of the Senate committee and 12 to the House committee or its subcommittees. This assistance was provided at numerous locations in the United States and in Europe and involved 3,559 man-days at a cost to our appropriation of $151,070.83.

We also furnished these committees, at their request, our comments and recommendations on numerous bills considered by them during the session.

We continued to provide some technical assistance to the Senate Subcommittee on Intergovernmental Relations in its current study of Federal-State-local relations. Also, our representatives appeared before this subcommittee to furnish our comments and recommendations on the bill, S. 2114, to provide congressional review of grant-in-aid programs, which bill was reported by the full committee and passed by the Senate.

Our representatives worked with the staffs of each of the established subcommittees of the House committee during the year. Members of our professional staff were assigned at varying times to work with the Intergovernmental Relations Subcommittee; the Military Operations Subcommittee; and the Foreign Operations and Government Information Subcommittee. Also, our representatives appeared and testified at hearings held during the year by the Government Activities Subcommittee and the Legal and Monetary Affairs Subcommittee concerning legislative matters under consideration by these committees.

Committees on Interior and Insular Affairs

We furnished, at the request of the chairmen, reports on bills on proposed water resource and irrigation projects, amendments to the Taylor Grazing Act, the Indian heirship land problem, and on other measures pending before these committees.

The House committee adopted our suggestion that a provision be added to House bill 3846, enacted as Public Law 88-578, to require the recipient of assistance under the proposed Act to permit us to audit and examine its pertinent books and records as a protection against waste or improper use of Federal funds. The bill would establish a land and water conservation fund to assist the States and Federal agencies in meeting present and future outdoor recreational demands of the American people. A similar provision was included by the Senate committee in Senate bill 1111 to provide for the optimum development of the Nation's natural resources through comprehensive and coordinated planning.

In accordance with the request of the chairman of the House committee we reviewed and furnished a special report on certain recommended policy guidelines for the administration of concession contracts of the National Park Service, Department of the Interior. We also submitted reports to both committees on bills relating to the concession policies and practices followed by the National Park Service and testified on the subject before the Subcommittee on National Parks of the House committee.

At the request of the chairman of the Senate committee we examined and furnished a report on administrative deficiencies and inclusion of nonessential items in the specifications for the construction of part of a Bureau of Reclamation irrigation project.

We also prepared a legal opinion for the chairman of the Senate committee on the authority of the Board of Directors of the Virgin Islands Corporation to sell the Corporation's electric power facilities.

Committees on the Judiciary

Our Office was, on numerous occasions, requested to furnish information on the legal and other phases of various problems being considered by the committees and their staffs.

We also prepared, at the request of the committees, reports on legislative proposals particularly on private relief bills. In the latter group many of the proposed measures involved claims barred by the statute of limitations. In these cases we generally do not recommend granting relief because of the undesirable consequences that flow from granting such preferential treatment.

At the request of the chairman of the House committee we examined in the fiscal year 1964 the financial reports of the following private corporations chartered by the Congress:

American Chemical Society
American Society of International Law
Blinded Veterans Association
Board for Fundamental Education
Boys' Clubs of America
Civil Air Patrol
Conference of State Societies, Washington, District of Columbia
Congressional Medal of Honor Society of the United States of America (two reports)
Eleanor Roosevelt Memorial Foundation
Jewish War Veterans, USA, National Memorial, Inc. (report and supplemental information)
Legion of Valor of the United States of America, Incorporated
Marine Corps League
Military Order of the Purple Heart of the United States of America, Incorporated (two reports)
National Fund for Medical Education
National Safety Council
Navy Club of the United States of America
Reserve Officers Association of the United States (report and supplemental information)
Sons of Union Veterans of the Civil War
The Military Chaplains Association of the United States of America
United States Olympic Committee (report and supplemental information)
Veterans of World War I of the United States of America, Incorporated (supplemental information)

As the result of our reviews, we reported that the financial statements of two corporations did not meet the requirements of the applicable legislation.

Committees on Post Office and Civil Service

A substantial portion of our decision work involves pay and allowances of civilian employees of the Government. Consequently we work very closely with the staff of these committees. We furnish them, on a continuing basis, synopses of important decisions involving pay or other employee-type benefits as well as copies of our audit reports which deal with the activities of the Post Office. The House committee, at its specific request, is also furnished copies of all reports on the activities of the various Government agencies which include comments on the utilization of manpower by the agency involved.

These committees request our comments on the majority of legislative proposals being considered by them. We give these requests careful attention and furnish our views through informal staff meetings and written reports.

We participated with the staff of the House committee in a number of drafting sessions to perfect legislative proposals under consideration by that committee. Also, we were able to provide assistance to this committee by making specific reviews at their request and providing reports of our findings.

We assisted the Manpower Utilization Subcommittee of the House by securing information for it through our field forces, conducting inquiries at the chairman's request, and working with the staff in developing material for the subcommittee's current series of hearings on manpower problems in the Federal Government. In the report "Summary of Activities of the Committee on Post Office and Civil Service during the First Session of the Eighty-eighth Congress" dated December 30, 1963, the chairman of the committee expressed appreciation for "the fine staff assistance by representatives of the General Accounting Office to the Subcommittee on Manpower Utilization."

Committees on Public Works

We furnished these committees copies of all reports of our reviews of agencies' activities within their jurisdiction. Also, in response to their requests we furnished the committees with reports expressing our views on legislation pending before them.

One of our principal recommendations continued to be that the committees consider incorporating in any new grant legislation appropriate provision for the maintenance by grantees of adequate records and for access to such records by the applicable executive agency and by the General Accounting Office. This recommendation was adopted in the Clean Air Act reported by these committees and enacted during the year as Public Law 88-206. Our representatives also met on a number of occasions with staff members of the House committee to provide them with information generated by our audit work.

We continued to assist the Special Subcommittee on the Federal-Aid Highway Program of the House committee. Our representatives met with the subcommittee staff on numerous occasions to discuss matters of mutual interest. Also, during the year we provided the subcommittee with the services of a member of our Washington staff and a member of our Dallas Regional Office to assist them in carrying out their work in these areas.

Senate Committee on Rules and Administration
House Committee on Administration

At the request of the House committee a member of our staff was assigned to cooperate with a representative of the Civil Service Commission in assisting the committee in its survey of certain positions in the House of Representatives. During the year we were frequently asked by the House committee staff for guidance on legal and fiscal questions relating to the accounts and operations of the House of Representatives.

At the request of the chairman we loaned to the Senate committee for several months on a reimbursable basis three members of our professional staff to assist in the study and investigation conducted by the committee pursuant to Senate Resolution 212, 88th Congress, with respect to financial or business interests of officers or employees of the Senate. The chairman advised that our personnel rendered outstanding service in carrying out their assignment.

Select Committees on Small Business

These committees carefully observe our work and its resulting reports and decisions because of their interest in all aspects of

Government policy which affects small businesses, particularly procurement. We are called upon frequently by committee members and staff to discuss various matters we have dealt with in our work.

The Senate Subcommittee on Government Procurement held hearings during the year in which we participated at the request of the chairman. Our testimony emphasized our findings as shown in past reports concerning procurement practices which tend to limit competition and, hence, increase costs to the Government. Of particular interest to the committee was the report which we issued to the Congress simultaneously with our testimony on the practice in the General Services Administration of purchasing "brand-name" items without considering satisfactory substitutes which may be available at lower costs.

House Committee on Veterans' Affairs

Members of our professional staff met with the staff of the committee from time to time during the year to keep them informed concerning the nature and progress of our current review of various activities of the Veterans Administration, and to secure from the committee staff advice and counsel as to the needs and interests of the committee. We continued to furnish the committee with copies of all reports covering our review of activities of the Veterans Administration. Also, we conducted a number of special reviews on particular phases of the agency's operations at the specific request of the committee. Our representatives appeared before the committee on two occasions during the year to provide it with information engendered by our review work in the areas of Veterans Administration property management and insurance operations.

House Select Committee on Government Research

We made a special effort to be of assistance to this committee in carrying out its important assignment to look into the Government's expanding research and development program of approximately $15 billion a year. Our representatives met several times with staff members of the committee to discuss the information contained in many of our reports pertaining to the Government research field and to give our views on problem

areas being considered for study by the committee. We were able to render certain machine tabulating services to the committee which were urgently needed in connection with statistical data to be included in a report. A member of our Washington staff was assigned to the committee to assist in the analysis of forms and manuals used by Government agencies in grants to universities for research. Also, we assigned to the committee from one of our Regional Offices two members of our professional staff to assist the committee in an investigation being conducted in the field.

Joint Committee on Printing

In view of the degree of congressional concern with Federal agency printing needs we furnished the committee a copy of all of our audit reports that include information and comments on printing, reproduction and binding contracts and activities in the Government. Our representatives met with the committee staff several times to discuss the findings in such reports and other matters under consideration by the committee.

Joint Committee on Atomic Energy

We maintain a close working relationship with this committee and staff with the view of furnishing assistance to the maximum extent possible. A member of our professional staff on loan to the committee assisted in reviewing the annual appropriation authorization for the Atomic Energy Commission which under recent legislation requires the Commission to submit annual enabling legislation on activities financed by appropriations for operating expenses as well as for plant and capital equipment expenditures.

We audited and furnished the chairman as requested a report on the financial transactions charged during the fiscal year ended June 30, 1963, to the appropriations for salaries and expenses of the committee. In addition, we reviewed and furnished in accordance with the chairman's request a report on the reasonableness of the estimated costs of a nuclear reactor project proposed under the AID program for construction in India.

Joint Economic Committee

This committee has continued, as in the past, to rely heavily on our audit reports in the conduct of its business. Early this

year, in a report on earlier hearings, the Subcommittee on Defense Procurement made extensive use of our testimony and cited a number of our audit reports. The chairman in transmitting the subcommittee's report to the full committee commented:

> A special word of commendation is due Comptroller General Campbell and his staff who have provided the Congress and the subcommittee with a steady flow of pertinent reports and recommendations bearing on the subject matter of the subcommittee's endeavor.

In the subcommittee's report, our Office was requested to make a study of military commissaries for use by the subcommittee. We presented the results of our study in testimony before the subcommittee later in the year and, simultaneously, issued a report to the Congress on the subject. Besides our commissary review, our testimony covered many other facets of our audit work on defense procurement matters.

OFFICES OF THE SENATE AND THE HOUSE OF REPRESENTATIVES

We furnished reports on our audits of the following offices and activities of the Senate and the House of Representatives conducted as required by law or upon request:

- U.S. Senate:
  - Recording Studio.
  - Restaurants.
  - Senate Employees Barber Shop.
  - Senate Office Beauty Shop.
  - Capitol Guide Force.
- House of Representatives:
  - Sergeant at Arms.
  - Disbursing Office.
  - Recording Studio.
  - Stationery Room.
  - Restaurant.

Our professional staff was frequently requested by the Clerk of the House, the Financial Clerk of the Senate, Staff of the Architect of the Capitol, and other officers to furnish technical assistance on legal and accounting problems relating to payments and the operation of their offices.

COOPERATION WITH THE BUREAU OF THE BUDGET

We cooperate with the Bureau of the Budget on proposed and pending legislation, as well as other phases of Government operations involving mutual interest and responsibility. During the fiscal year ending June 30, 1964, we made 86 reports to the Bureau at their request on legislative proposals, enrolled bills, and other matters.

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Assistance to the Agencies

AUDIT WORK

We are primarily responsible to the Congress for making independent audits of Government agencies and reporting to it on the results of our audit work. However, one of the principal objectives of this work is to assist the agencies in bringing about greater effectiveness, efficiency, and economy in the conduct of their programs and activities.

Aspects of financial management requiring improvement are brought to the attention of agency officials currently during our audits. Also, our audit reports, whether addressed to the Congress or to agency officials, generally contain recommendations for corrective action. Most of these recommendations are directed to agency officials. Recommendations to the Congress are relatively infrequent and are made only if congressional consideration or action appears necessary. We follow up our recommendations to the extent deemed appropriate to determine whether the recommendations have been adopted and adequate corrective action has been taken.

Copies of all audit reports submitted to the Congress are furnished to the President of the United States and appropriate agency heads. In addition, copies of these reports and all audit reports addressed to agency heads are sent to the Director, Bureau of the Budget, for the Bureau's use in carrying out its management responsibilities in the executive branch. The Bureau has directed the head of each agency to provide for systematic consideration of all General Accounting Office reports relating to the agency and to report to the Bureau the action taken on the findings and recommendations in the reports.

ASSISTANCE IN DEVELOPING IMPROVEMENTS IN FINANCIAL MANAGEMENT

The General Accounting Office assists the departments and agencies of the Federal Government by cooperating in the devel-

opment of their financial management systems and by developing fiscal procedures for Government-wide application where appropriate.

Basic responsibility for establishing and maintaining systems of accounting and internal control which conform to the principles, standards, and related requirements for accounting prescribed by the Comptroller General is vested in the head of each executive agency by the Budget and Accounting Procedures Act of 1950.

The Bureau of the Budget and the Treasury Department have certain Government-wide responsibilities in accounting matters to be considered in prescribing these accounting principles and standards. The Bureau of the Budget also has responsibility under legislation and Executive orders for making continuous studies for more efficient and economical operations and for evaluating and developing improved plans for the management of the executive branch of the Government.

The Joint Financial Management Improvement Program

The effective discharge of the foregoing responsibilities, without duplication or conflict, requires close coordination between the General Accounting Office, the Bureau of the Budget, and the Treasury Department. Much of this is accomplished through the Joint Financial Management Improvement Program started in 1948. Under this program the three agencies work together in matters affecting the financial management methods and procedures of the Government. The joint program was endorsed in the Budget and Accounting Procedures Act of 1950 which declared it to be the policy of the Congress that the three central agencies conduct a continuous program for the improvement of accounting and financial reporting in the Federal Government.

During the fiscal year 1964 continuing efforts were made under the joint program to promote improvements in agency programing, budgeting, accounting, and reporting practices so as to bring them in line with the standards expressed in law and the principles and standards prescribed by the Comptroller General.

Each operating agency is responsible for developing and carrying out plans of action under this long-range modernization program. Guidance and assistance are provided through the Joint Program Steering Committee, the working group of the joint program consisting of a representative from each of the three central agencies.

Highlights of the improvement work under the joint program were published in the annual report dated December 19, 1963. This report was issued jointly by the Secretary of the Treasury, the Director, Bureau of the Budget, and the Comptroller General.

Development, Review, and Approval of Agency Accounting Systems

In assisting executive agencies in the development of their accounting systems, the General Accounting Office makes its services available on an advisory basis either as an integral part of its review of agency operations or at such other times as found to be necessary. Such assistance includes guidance in resolving questions of principles; aid in the adoption of appropriate procedures for the implementation of these principles; and advice in the development of accounting manuals.

During our regular reviews of agency operations, as problems in the area of accounting are noted, they are identified and remedial measures recommended.

The procedures to be followed by agencies in obtaining approval of their accounting systems are set forth in Chapter 9800 of Title 2 of the "General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies." This chapter also contains the principal criteria used by the General Accounting Office in evaluating accounting systems submitted by agencies for approval.

There were 141 organizational entities among the civil departments and agencies at June 30, 1964, whose accounting systems were subject to approval by the Comptroller General.[1] At that date, the accounting systems of 47 of these entities had been approved. In addition, approval had been given to

[1] The increase from 133 approvable systems reported for June 30, 1963, is due mainly to organizational changes within agencies and changes in agency systems development plans.

parts of systems, covering such operations as payroll and property accounting, in 11 other entities. The only complete accounting system approved in the Department of Defense is the system employed by the Corps of Engineers for the civil functions of the Department of the Army. Parts of systems, mostly relating to pay procedures, had been approved in nine other instances in the Department.

During the fiscal year 1964 the General Accounting Office had under review 23 complete and 6 partial systems. One complete system was approved during the year and 11 complete and 2 partial systems were returned to the agencies for further development. At the end of the year, 11 complete and 4 partial systems were in various stages of review.

On May 19, 1964, we addressed a letter to the heads of the major Federal departments and agencies, calling attention to the fact that, despite the passing of nearly 14 years since the enactment of the Budget and Accounting Procedures Act, the number of executive agency accounting systems that have been improved and modernized to the point where they could be approved by our Office is disappointingly small.

The letter also pointed out that:

1. Most of the systems that have received approval require reexamination and appropriate revision in the light of current principles and standards.
2. To encourage the increased effort needed to carry forward the modernization work, our Office is planning to adjust its audit programs to provide more emphasis on making examinations into the operation of agency financial management systems and to submit reports on the results of such work to the Congress. As part of these examinations, specific attention will be devoted to the effectiveness of agency accounting systems in producing useful financial information, in assisting in the control of resources, and in otherwise achieving the objectives for Federal agency accounting prescribed by the Congress. Approvals previously given to agency accounting systems that are found in these examinations to be deficient in the light of current requirements will be withdrawn until appropriate changes are made.

Our letter also urged the head of each department and agency to arrange for an appropriate review of the status of financial management improvement work in his organization and to make effective provision for such further progress as is necessary to translate these efforts into workable systems that are efficient, economical, and, as to the accounting functions, in consonance with the basic policies and objectives laid down by the Congress and the related principles and standards prescribed by our Office.

The Subcommittee on Executive and Legislative Reorganization of the House Committee on Government Operations held hearings on the subject matter of our letter on July 2 and 27, 1964, at which the Comptroller General, the Chairman, Civil Service Commission, and representatives of the Bureau of the Budget and the Treasury Department testified.

The planned increased audit emphasis in this area will begin during the next fiscal year.

GENERAL ACCOUNTING OFFICE POLICY AND PROCEDURES MANUAL FOR GUIDANCE OF FEDERAL AGENCIES

The "General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies" is the official medium through which the Comptroller General promulgates (1) accounting principles, standards, and related requirements to be observed by Federal departments and agencies; (2) uniform fiscal procedures and other uniform procedures for use by Federal agencies; and (3) regulations governing the relationships of the General Accounting Office with other Federal agencies and with individuals and private concerns doing business with the Government.

A listing of new and revised material issued during the year is included in the appendix at page 450.

ACCOUNTING PRINCIPLES AND STANDARDS

The Comptroller General's responsibility for prescribing principles, standards, and related requirements for accounting to be observed by Federal agencies is a continuing responsibility.

During fiscal year 1961 work continued on rewriting the accounting principles and standards set forth in Title 2 of the "General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies." The revised statement of principles will cover topics for which accounting principles and standards have not previously been prescribed and will also expand and clarify certain concepts previously set forth.

GOVERNMENT-WIDE FISCAL PROCEDURES

Government-wide fiscal procedures prescribed by the Comptroller General under section 309 of the Budget and Accounting Act, 1921, are located in Titles 6 and 7 of the "General Accounting Office Policy and Procedures Manual." New or revised procedures prescribed during the fiscal year are listed in the appendix to this report.

Restatement of Fiscal Procedures in Terms of Principles and Standards

The Budget and Accounting Procedures Act of 1950 gives the Comptroller General authority to exercise his prescribing responsibilities over accounting matters in terms of principles, standards, and related requirements rather than in terms of detailed forms and fiscal procedures as provided under section 309 of the Budget and Accounting Act, 1921. Since passage of the 1950 act, the General Accounting Office has followed the practice of prescribing only principles and standards except for the areas of civilian pay and allowances and Government-wide fiscal procedures which are included in Titles 6 and 7 of the "General Accounting Office Policy and Procedures Manual."

The General Accounting Office has initiated a project to restate Title 6 (Payroll, Leave, and Allowances) and Title 7 (Standardized Fiscal Procedures) in terms of basic principles, standards, and related requirements. Regulatory procedures and forms affecting programs and operations administered pursuant to law by executive agencies will be deleted and replaced with guidelines stated in terms of principles and standards. Restatements of of these titles were in process at the end of the fiscal year.

General Accounting Office Salary Table

During the year U.S. General Accounting Office Salary Table No. 42 was issued for the information and guidance of those officers and employees of the Government concerned with the preparation, certification, and payment of civilian payrolls and pay vouchers covering per annum employees under the general schedule of salary rates, as set forth in the Classification Act Amendments of 1962. The rates contained in salary table No. 42 became effective on the first day of the first pay period beginning on or after January 1, 1964, and include, for the first time, 112 special rates authorized by section 504(a) of the Classification Act Amendments of 1962 but not included in the 155 rates set forth in the general schedule.

A revision to the Federal income tax deductions set forth in salary table No. 42 was necessitated by the amendments to 26 U.S.C. 3402(c)(1) contained in section 302(b) of the Revenue Act of 1964 and, accordingly, a supplement to salary table No. 42 was issued in February 1964.

AUTOMATIC DATA PROCESSING IN THE FEDERAL GOVERNMENT

The General Accounting Office continued to provide advice and assistance to Federal agencies with regard to acquisition, utilization, and management of automatic data-processing systems. Also, in carrying out our review and evaluation work in this field, we assisted agencies by reviewing with agency officials deficiencies disclosed during our audits relating to the planning for and the use of such systems. In a number of instances, we made recommendations which, when fully implemented, should materially improve the data-processing programs of the agencies involved.

In addition to advising and assisting individual Government agencies, we have, as a result of our continuing studies of this field, made recommendations which were directed at achieving improvement in the management and administration of automatic data-processing facilities on a Government-wide basis. These studies are being made as a followup to our earlier Government-wide studies that were the subject of comprehensive reports to the Congress in June 1958 and December 1960.

Copies of these reports were widely distributed to Government agencies to assist them in the development of their automatic data-processing programs. From a Government-wide standpoint, these reports called attention to the need for more positive central planning of a long-range nature within the executive branch of the Government to promote the maximum degree of efficiency, economy, and effectiveness in the administration and management of costly automatic data-processing facilities.

On March 6, 1963, we submitted our report to the Congress entitled "Financial Advantages of Purchasing Over Leasing of Electronic Data Processing Equipment in the Federal Government" (B-115369). In this report we pointed out that the cost comparisons made in our study demonstrated that substantial amounts of money could be saved by the Government if, in acquiring the use of needed data-processing equipment, proper cost comparisons were made in advance, action were taken to purchase equipment when such comparisons indicated the financial advantages of such action, and effective procedures were established to obtain the fullest practicable utilization of such equipment by Government agencies.

The report also pointed out that, under the present system of decentralized management in the Federal Government, each agency makes its own decisions as to whether data-processing equipment should be acquired by lease or purchase. There is no effective coordinating machinery at work to give consideration to these alternatives from the standpoint of benefit to the Government as a whole. Because of the very substantial financial savings that can be realized through more extensive purchasing of such equipment and the related need for directing and coordinating its utilization throughout the Government, we recommended that the President establish within his organization a central management office suitably empowered with responsibility and authority to make decisions on the procurement and utilization of data-processing equipment with the objective of obtaining and utilizing all needed facilities at least cost to the Government.

The report also contained a general recommendation to the heads of all using departments and agencies that they arrange for a prompt and complete reappraisal of their current plans to lease data-processing equipment and take such action as is possible to realize the financial savings that may be available from purchasing such equipment and fully utilizing it.

As a result of the issuance of this report, congressional action was initiated in both the House of Representatives and the Senate, through the introduction of House bill 5171 and Senate bill 1577, to authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of electronic data-processing equipment by Federal departments and agencies. We provided assistance to the Congress in connection with both of the bills that were introduced.

As of June 30, 1964, H.R. 5171 had been passed by the House of Representatives and both H.R. 5171 and S. 1577 were under consideration by the Senate Committee on Government Operations. Also, Federal agencies, during fiscal year 1964, made substantial purchases of installed automatic data-processing systems. The Department of Defense purchased about $200 million worth of equipment and civil agencies increased purchasing of this equipment so that, by the close of fiscal year 1964, Government ownership had increased from approximately 21 percent of installed equipment as of June 30, 1963, to approximately 39 percent by June 30, 1964. The Department of Defense estimates that the $200 million purchase will result in annual savings of over $60 million after the break-even point is reached.

During the past year we conducted audits of electronic data-processing equipment procurement practices at a number of Government contractor locations. These reviews disclosed that it is the general practice of Government contractors to lease rather than to purchase electronic data-processing equipment for use in performing Government contract operations. Our reviews showed that millions of dollars could be saved if the Government purchased electronic data-processing equipment and furnished such equipment for use by the contractors rather

than having the contractors rent the equipment directly from equipment suppliers. This subject is covered in more detail in Chapter Six, "Department of Defense—Other Activities," beginning on page 101.

On April 30, 1964, we submitted a report to the Congress entitled "Review of Problems Relating to Management and Administration of Electronic Data Processing Systems in the Federal Government" (B-115369). The problems covered in this report pertain to the acquisition and utilization of electronic data-processing equipment; contracting for its procurement; need for continuously updated centralized information on the availability, uses, and needs for this equipment; cost aspects of the use of data-processing facilities by Government contractors; and recording of machine use time.

Our report pointed out that our review of these problems and the manner in which they can be resolved to the maximum financial advantage of the Federal Government has reinforced our earlier conclusion that an effective centralized management organization with appropriate authority and responsibility is needed to exercise control over the procurement and use of data-processing facilities and the related costs being incurred by the Government.

ASSISTANCE THROUGH THE ADJUDICATION AND SETTLEMENT OF CLAIMS

Our function of adjudicating and settling claims by and against the Government of the United States assists the various departments and agencies in that it relieves them of the responsibility of determining the proper action to be taken when the facts and circumstances in particular cases are unusual or complicated, and when established administrative procedures are not applicable to the cases.

We examine and review the claims submitted to us by the various offices to assure that their procedures and operations are coordinated with those of this Office to the greatest extent possible and that their procedures comply with controlling statutes and with regulations of this Office. We suggest changes in administrative procedures whenever it appears that such

changes will facilitate and expedite the settlement of claims by and against the United States.

Our policy of requiring the departments and agencies to report their debt claims to this Office after they have completed reasonable collection efforts without success relieves them of the task of continued efforts when they have been unable to collect the full amount due the United States through means available to them.

ASSISTANCE IN THE TRAFFIC AND TRANSPORTATION FIELD

During the year we continued our assistance to various Government agencies in programs involving traffic and transportation matters. This assistance included (1) furnishing passenger fares and other data to the Department of Labor for their use in the preparation of the Department's monthly consumer price index; (2) compiling for the Bureau of the Budget, from military payments made in January 1964, pertinent information concerning the value of the different classes of air and excess baggage service furnished the Government; (3) meeting with the General Service Administration to facilitate their adoption of automatic data processing of bills of lading and related transportation documents in a manner that will serve their purposes and, at the same time, meet our audit criteria; (4) evaluating the economies available to the Department of Defense through the bulk purchase of tickets and authorizing this type purchase whenever it is administratively determined to be beneficial to the Government; (5) continuing the study of the simplification of documents and procedures for economies in the handling of small shipments by the military and civil agencies of the Government; (6) reporting to the various agencies instances of uneconomical transportation involving utilization of higher cost routes, modes, or services; and (7) furnishing guest lecturers at the State Department School of Foreign Affairs, Washington, D.C., and the U.S. Army Transportation School at Fort Eustis, Va.

ASSISTANCE IN THE LEGAL FIELD

In the exercise of our decision authority, assistance is given to all departments and agencies in the executive branch of the Gov-

ernment, including Government corporations, regulatory agencies and temporary boards, committees and commissions. Many of the decisions have the effect of establishing the legal bounds within which the departments and agencies may properly operate in carrying out their statutory functions. Notwithstanding that a decision is directed to one agency and concerns a particular factual situation, it nevertheless may have Government-wide precedent application. Some of the decisions resolve controversies involving two or more departments and agencies.

Legal advice is given to other agencies in their promulgation of administrative regulations and directives. Members of the legal staff confer with representatives of other agencies on litigation, questions pending for decision, and legal problems arising in the day-to-day operations of the Government.

Decisions of uniform application or general interest are published in monthly pamphlets and annual volumes. Digests of these decisions are distributed, and copies of unpublished decisions are made available on request. Also, in response to telephone inquiries there is provided a research service on published and unpublished decisions.

Department of Defense

GENERAL

During the fiscal year 1964 our audit efforts in the Department of Defense and the three military departments continued to be directed toward improving management and operating controls and financial administration of the complex operations of the Departments. Our audit efforts were directed generally to those programs having major significance. Where appropriate, we made concurrent and coordinated reviews of those departmental activities that are a part of, or are related to, broader activities and involve more than one military department or the Defense Establishment as a whole.

Our audits completed during the year or in progress at the close of the year included reviews of various aspects of (1) the management and operation of supply systems; (2) the negotiation of contract prices and the administration of contract terms and conditions; (3) the development and procurement of new types of equipment and systems; (4) the maintenance, repair, and overhaul of equipment; (5) the utilization of manpower; (6) the acquisition and use of automatic data processing equipment; (7) the administration of military pay and allowances; (8) the use of communication equipment; and (9) the administration of civilian pay.

In addition to these reviews, which are discussed in more detail in the later sections of this chapter and in the two chapters immediately following, we made a number of special audits, investigations, and surveys during the year at the request of various committees of the Congress and individual Members of the Congress. This special work related principally to (1) administration of such programs as procurement of the F-4 aircraft, construction of the Naval Radio Research Station ("Big Dish"), and operation of the commissary store system; (2) allegations of waste, extravagance, or other improper practices by the military departments in various areas of their

operations; and (3) procurement practices and circumstances surrounding awards of specific contracts.

During the fiscal year we submitted 225 congressional reports on our audits and investigations, 153 of which were submitted to the Congress and 72 to committees or Members of the Congress on special investigations made at their request. In addition, we transmitted 266 reports to officials of the Department of Defense and the 3 military departments. Most of the reports to the Department of Defense officials dealt with matters relating to local policies, procedures, and practices disclosed in our on-site examinations of civilian payrolls and related records.

The replies of the Department of Defense officials to our reports in which administrative action on the part of Defense officials are recommended have been generally responsive, indicating, in a large percentage of the cases, agreement with our findings and an intention to institute corrective measures. We have received numerous replies which indicate that new directives and instructions have either been issued or are intended to be issued. While these actions show good intentions, our experience gained through followup reviews has been that revision of directives and instructions cannot, alone, be relied upon to correct the inefficient administrative practices originally found. Accordingly we are now stressing in our reports the importance of independent reviews by higher echelons and by internal audit organizations to assure that the revised directives and newly announced policies are being carried out.

SUPPLY MANAGEMENT

During the fiscal year 1964 we submitted to the Congress 42 reports on our reviews of the policies, procedures, and practices followed by the Department of Defense and the military departments in the management of various types of supplies and equipment. The reports covered selected aspects of supply management relating to (1) determinations of stock requirements, (2) use of needed stocks and disposals of excess and surplus stocks, (3) noncompetitive procurement, (4) procurement through contractors rather than directly from suppliers, (5) storage facilities and practices, (6) determinations to make or buy, and (7) standardization of clothing.

Weaknesses in Determinations of Stock Requirements Resulted in Overbuying

We found weaknesses in the determinations of stock requirements which gave rise to procurement of excessive quantities, stocking items not required for the supply system, and procurement without valid requirements. Specific instances of these deficiencies follow.

1. *Procurement of excessive quantities.*—The Air Force revised its system for computing requirements for nonrecoverable spare parts (low unit-cost items which are either consumed in use or considered to be more economical to replace than to repair). Because of problems experienced in adapting the system for use with electronic data processing equipment, the Air Force decided to omit its semiannual review of requirements, scheduled to be made in the last months of calendar year 1962, without having considered alternative methods of making the review. In the absence of such a review, the Air Force was not aware that it had initiated procurement of about $13 million worth of spare parts which were already in long supply. As stated in our report submitted in April 1964, contracts had been awarded for $6 million worth of the unneeded parts and purchase requests had been issued for an additional $7 million worth. After we brought this matter to the attention of Air Force officials they took action to terminate the contracts and cancel the procurement requests. However, contracts for about $1.8 million worth of parts had progressed beyond the point of economical termination. The Air Force also took action to assure that reviews of requirements for nonrecoverable spare parts are conducted with greater frequency.

In another instance, the Army procured 557 unneeded 60,000-B.t.u. air conditioners costing about $2.1 million. In our report submitted in October 1963, we pointed out that the Army, in computing its requirements for this type of air conditioner, included 557 units for the U.S. Air Defense School, Fort Bliss, Tex., without an adequate investigation to determine what type of air conditioner was suitable to meet the needs of the school. After the 60,000-B.t.u. air conditioners had been procured, it was determined that they were not suitable and that the school needed 36,000-B.t.u. air conditioners. At the

time of our review the 557 unneeded 60,000-B.t.u. air conditioners were on hand and, as far as we could determine, the Army had no alternative plans for their use. In commenting on this finding and our proposals for corrective action, the Army stated that its regulations have been revised to preclude recurrence.

In still another instance, the Navy had issued contracts and purchase requisitions for 333 receiver/transmitter groups, valued at about $2.3 million, although it had sufficient stocks of this equipment to meet its needs. This came about because the Navy had overstated its needs. In projecting its future requirements on the basis of past issues the Navy was not aware that certain of the issues were of a nonrecurring nature. As stated in our report submitted in July 1964, field installations in reporting past issues failed to distinguish between recurring issues to replace worn or damaged equipment and nonrecurring issues for initial installation. After we brought our findings to its attention the Navy canceled the outstanding contracts and purchase requisitions for the 333 units. The Navy also took steps to improve its procedures for accumulating and reporting issue data.

The Navy also procured about $1 million worth of spare guidance components in excess of the quantities needed for maintenance of the *Improved Tartar* missile. The excess quantities were procured pursuant to a Bureau of Naval Weapons policy which required that spare complete guidance sections, in addition to spare guidance components, be stocked aboard vessels carrying the missiles. As stated in our report submitted in July 1963, the procurement of components for use in assembling spare complete guidance sections was unnecessary as the regular allowance of spare components, as computed on the basis of usage experience, was sufficient to cover maintenance requirements on board vessels. The Navy, in commenting on our findings, informed us that shipboard allowances for spare components have been reduced and that prompt action would be taken to terminate contracts for excess undelivered components and to divert to current production of missiles those excess components which have already been delivered.

2. *Stocking items not required for the supply system.*—The supply system of the Department of Defense includes hundreds of thousands of low-volume minor items of the type which are readily available to using activities from commercial sources and could be procured directly by the users as needed. These items include such things as screws, nuts, bolts, washers, pins, and the like. We estimated that direct procurement of such items would reduce supply management costs by about $50 million a year and the investment in supply inventories by about $275 million. In a report submitted in November 1963, we pointed out that the inventory control points within the Department of Defense had not given appropriate consideration to commercial availability and the costs of central management and distribution when determining whether an item of supply should be procured directly by using activities or should be procured for stock and furnished the users through supply channels. The Department of Defense promised that corrective action, substantially in agreement with the measure we proposed, would be taken to eliminate from the central supply system the maximum number of items practicable.

Our report was discussed in hearings held in February 1964 on the Department of Defense appropriations for fiscal year 1965. In testimony before the Subcommittee on the Department of Defense, House Committee on Appropriations, a representative of the Defense Supply Agency stated that about 200,000 items had already been decentralized. We estimate that decentralization of these items will result in savings in management costs of about $20 million a year and an ultimate reduction in investment in inventories of about $104 million after existing stocks have been exhausted.

3. *Procurement without valid requirements.*—In the closing months of fiscal year 1962, the Air Force procured office furniture costing $323,000 to replace furniture in the Pentagon that was in good serviceable condition. As stated in our report submitted in November 1963, there was no evidence that replacement was economically justified. Apparently, availability of unobligated funds, rather than the existence of valid requirements, was the overriding consideration in procuring the furniture. After our inquiries into this procurement, issuance of new furniture was

halted. Although the Air Force did not dispute our finding that the replaced furniture was generally in good serviceable condition, it nevertheless contended that there was no unnecessary procurement. However, the Air Force furnished no support of this contention other than abstract justifications as to improvements in utilization of office space and in employee morale and efficiency. The Air Force also advised us that it would reevaluate its criteria for replacement of furniture and that it had taken interim steps to limit further procurement.

On February 5, 1964, the Deputy Assistant Secretary of Defense (Supply and Services) informed us that the Department of Defense was reviewing its policy concerning office furniture, and the related directives of the Defense Supply Agency and of the individual military departments, to assure that procurement of new furniture and other office equipment is limited to properly justified requirements and that replacement and disposal of serviceable equipment are precluded.

The House Committee on Appropriations also took note of our finding and, in its report on the Department of Defense appropriations for fiscal year 1965, recommended a reduction of $1 million in the Air Force budget estimate for equipment.

Inefficient Management of Supply Inventory

Stocks excess to individual military departments are frequently needed by the other military departments to meet their supply requirements. Similarly, stocks excess to individual depots of a military department are frequently needed at other locations. Timely transfers of excess stocks to meet such requirements reduce expenditures for new procurement and assure the fullest utilization of the stocks available within the Department of Defense. Our reviews revealed instances where such transfers had not been made and other instances of uneconomical use and disposal of stocks.

1. *Excess stocks of individual military departments needed to meet other requirements within the Department of Defense.*—In a report submitted in September 1963, we stated that the Navy procured certain helicopter components which should have been obtained by transfer from the Army. The Navy procured rotor assemblies at a cost of about $1 million when similar assemblies,

although in unserviceable condition, could have been obtained from the Army and restored to serviceable condition for about $250,000. The Navy also awarded a contract for gear boxes which, as a result of our review, was later canceled and the gear boxes were obtained from the Army. This resulted in savings of about $137,000, after taking into account the cost to restore the Army gear boxes to serviceable condition.

In another instance, discussed in our report submitted in October 1963, the Army incurred unnecessary procurement costs of about $348,000 and repair costs of about $105,000 because the Army procured or repaired J–2 compass components although sufficient stock was available for transfer from the Air Force. In addition, the Army was planning further procurement of the J–2 compasses, valued at $920,000, although the stock to be procured was also available for transfer from the Air Force. After we brought this matter to the attention of the Army, the stock was transferred to the Army and the planned procurement was canceled. One of the factors which contributed to the unnecessary costs was the Air Force policy of not considering its stocks on a worldwide basis in determining its excess stocks to be made available to the other services. Accordingly, we recommended that the Secretary of Defense require all the military services to consider their worldwide assets as potentially available for transfer to the other services. The Secretary did not concur in our recommendation. He stated that alternative procedures now in existence would preclude recurrence of the deficiencies we disclosed.

2. *Excess stocks of individual supply depots and bases needed to meet requirements at other locations.*—At selected bases of the U.S. 5th Air Force in Japan and Korea, we identified over $4.3 million worth of excess stocks on hand or on order from U.S. depots. These excesses accumulated because stock was requisitioned from U.S. depots on the basis of overstated requirements. As stated in our report submitted in January 1964, the bases had projected their requirements without appropriate consideration of prior usage experience and the availability of substitute or repairable stock on hand. The bases were not aware of the excesses and thus had not made them available for redistribution to other locations which may have had need for the stock. We

recommended that the Secretary of the Air Force initiate a review of the need for all major items of stock at 5th Air Force bases and institute an adequate system of surveillance of base-level supply operations. On April 9, 1964, the Deputy Assistant Secretary of the Air Force (Supply and Maintenance) outlined to us the corrective measures taken and stated that one of the specific results of the corrective measures was the return of about $10 million worth of stock from 5th Air Forces bases to U.S. depots.

Similarly, the Navy's Western Pacific supply depots had on hand excessive quantities of spare parts for ships and submarines at the same time that additional quantities of identical parts were being procured to meet Navy's requirements in the United States. In our report submitted in May 1964 we pointed out that the depots had been erroneously authorized to retain as much as twice the quantities of stock for mobilization reserves as Navy records indicated were actually needed. After we brought this matter to the attention of the Navy, the stock requirements of the Western Pacific depots were recomputed. The recomputation showed that about $1 million worth of the stock on hand at those depots was excess to their needs and available to meet requirements at other locations. The major portion of the excess ($736,000 worth) was returned to U.S. depots.

3. *Accessories attached to uninstalled aircraft engines needed to meet operating requirements.*—In a report submitted in November 1963, we stated that, during the 12-year period ended December 31, 1962, the Army, Navy, and Air Force bought $9.4 million worth of accessories for jet aircraft engines which would not have been needed if the military services had removed accessories attached to uninstalled engines (except those needed for quick-change purposes) and had used the accessories so removed to meet operating needs for spare accessories. We pointed out that while the practice of leaving accessories attached to these uninstalled engines had already resulted in significant additional cost to the Government, even greater additional cost would be incurred if the practice were continued. In this respect, on the basis of the services' available predictions of future need, we

estimated that procurements of selected accessories during the period January 1, 1963, to June 30, 1968, could be reduced by about $42 million if this practice were discontinued.

We found that since 1950 the Navy had been following a policy called the "nude engine" concept, under which most accessories were separated from uninstalled reciprocating aircraft engines, and had found this concept to be feasible and economical. However, none of the three services had applied this concept to jet aircraft engines.

The Department of Defense agreed that, in general, it is practical to separate jet engine accessories from uninstalled engines and advised us that a study would be undertaken for the purpose of determining the extent to which this concept can be applied and of assessing the benefits or savings which can be expected.

On March 12, 1964, the Assistant Secretary of Defense (Installations and Logistics) reported to us the results of the study. He stated that it had been concluded from the study that with respect to jet engines the nude-engine concept (a) does not reduce the cost of the logistic system, (b) fosters a sluggish logistic pipeline with undesirable additional tests for jet engines, and (c) reduces ability to respond to emergency situations. We are doing additional work in this area to evaluate the study and the conclusions reached by the Department of Defense.

We examined also into the applicability of Navy's nude-engine concept to the reciprocating aircraft engines of the Army and Air Force. Our findings in the respective services were presented in two reports submitted in January 1964. We pointed out that, if the other services had adopted Navy's concept, the Army could have avoided about $1 million worth of procurement in the 6-year period ended December 31, 1962, and about $421,000 in overhaul costs in fiscal years 1961 and 1962, and the Air Force could have avoided about $3.3 million worth of procurement in the period 1950 to 1962 and about $2.8 million in overhaul costs in fiscal years 1961 to 1963. As a result of our findings, the Army adopted the nude-engine concept for all its reciprocating aircraft engines. The Air Force conceded that the concept had merit but expressed the belief that further study was necessary and advised us that such a study would be made.

4. *Premature disposal.*—Because of an unrealistically inflexible policy of the Air Force with respect to "age-controlled" aeronautical spare parts (deteriorable parts having a prescribed shelf life) many such parts were committed to disposal when only a minor component of the part, such as a gasket, seal, washer, or diaphragm had reached the end of its shelf life. As stated in our report submitted in March 1964, the four Air Force depots we reviewed had committed to disposal about $4.8 million worth of parts without an examination to determine whether the minor components could be economically replaced and the basic parts retained for future use. After we brought this matter to its attention, the Air Force revised certain of its regulations and directives. One of the revisions provides that disposition of age-controlled items with expired shelf lives is to be governed by the results of periodic engineering tests of the parts. The Air Force also returned to active stock about $3 million worth of the parts which had previously been condemned.

We found also that the U.S. 5th Air Force in Japan had prematurely disposed of certain usable military vehicles. As a consequence, commercial vehicles had to be procured and shipped to Japan as replacements at a cost of $1.7 million. This finding was discussed in our report submitted in February 1963. The vehicles disposed of had been used only about one-half of their estimated useful life. We estimated that at the time of disposal the remaining useful life of the vehicles had a value of about $1 million over and above the proceeds received from disposal sales. The disposals had been made pursuant to instructions of the Headquarters, Pacific Air Forces. These instructions, which were not in accord with the criteria prescribed by Air Force regulations, were rescinded during our review.

In another instance, reported in June 1964, the Army had earmarked for disposal about $414,000 worth of aircraft parts which were needed in its supply system. This resulted from the failure of supply analysts to follow instructions relating to disposal and from a lack of adequate supervisory review of disposal actions. After we brought this matter to its attention, the Army returned the parts to stock and took action to rescreen about $694,000 of other parts which also had been earmarked for disposal.

Failure to Get Competition Resulted in Higher Prices

In September 1961 we submitted to the Congress the first of a series of reports on noncompetitive procurement of spare parts by the military departments. That report, which covered procurement of aeronautical replacement spare parts, presented our findings that procurements were made without competition under circumstances where competition could have been obtained. We pointed out that the practice not only resulted in higher prices but ignored or circumvented a general policy of the Congress that all qualified suppliers have an equal opportunity to compete for the Government's business. The Department of Defense agreed that the military departments had not been obtaining competition to the maximum practicable extent in the procurement of spare parts and cited various programs undertaken by the Department to increase competitive procurement. Our examinations into the effectiveness of the programs undertaken by the Department of Defense to obtain greater competition in procurement indicate that the programs have resulted in increased competitive procurement and substantial dollar savings. We believe, however, that realization of the maximum benefits requires continued emphasis on reduction of noncompetitive procurement and on the need to improve procedures relating to acquisition, control, and use of the technical data essential to solicitation of competitive prices.

The position of the Department of Defense on the potential for savings through increased competitive procurement was expressed in hearings held in February 1964 on the Department of Defense appropriations for fiscal year 1965. In testimony before the Subcommittee on the Department of Defense, House Committee on Appropriations, the Secretary of Defense stated that in 1961 the Department of Defense had studied a large number of General Accounting Office and congressional committee reports which concluded that millions of dollars were being wasted because of the failure to obtain price competition more extensively in the procurement of spare parts and smaller end items. He stated further that the Department's own analysis of procurement procedures fully confirmed these

conclusions and that as a result he instructed the military departments to increase the proportion of the total value of contracts awarded on the basis of price competition. The Secretary presented statistics showing that the percentage of the total value of contracts awarded by competition was 32.9 percent in fiscal year 1961; had risen to 37.1 percent in fiscal year 1963; and was expected to reach 39.9 percent by fiscal year 1965. He pointed out that an analysis of a large number of cases, where price competition had been obtained, showed the average savings to be about 25 percent.

We are continuing our reviews of noncompetitive procurement. In a report submitted in September 1963, we pointed out that the Ships Parts Control Center, Mechanicsburg, Pa., failed to make the fullest use of competition in purchasing spare parts. This was the result of (1) failure to effectively utilize engineering and technical data to obtain competition, and (2) lack of adequate consideration of savings obtainable through competition on purchases under $2,500. We also found that, when competition was not practicable, the Center frequently did not attempt to buy parts directly from the actual manufacturer, since the Center considered the equipment manufacturer to be its sole-source supplier for these parts. Noncompetitive procurements of 282 parts during the period of our review totaled $3.4 million. We estimated that as much as $1.5 million could have been saved if the Center had purchased the parts competitively or directly from the actual manufacturer. The Navy's proposed action on our report included a decision to consider for competitive buying those parts having an annual procurement requirement of $2,500 or more. This we believe does not give adequate consideration to procurements under $2,500. We, therefore, recommended that competition be obtained for parts having annual procurement requirements under $2,500 when the necessary data are available and it is economical to do so, such competition to be obtained by informal solicitation of potential suppliers when that method of obtaining competition is deemed the most practical. We plan to review the effectiveness of the Navy's program of improving competition in our subsequent reviews.

Failure to Procure Directly from Manufacturers Resulted in Higher Costs

The Government frequently can obtain better prices through purchasing directly from the supplier of the goods than can be obtained by contractors purchasing for the Government. Although it would be prudent in these cases for the Government to purchase its supplies directly for its own use or for the purpose of furnishing the supplies to its contractor for use in the manufacture of other end items under contract to the Government, we found cases where military contracting officials had not availed themselves of the advantages of these lower prices. Specific instances follow:

1. *Failure to purchase initial range of spare parts at best available prices.*—In a report submitted in January 1964, we pointed out that the Government incurred unnecessary costs of about $18.7 million in the years 1959 through 1961 because the Air Force procured, as initial support for new items of aeronautical equipment, spare parts costing about $50.8 million under contracts for the related equipment although the parts could have been procured under spare parts contracts, generally from other suppliers, for about $32.1 million. Generally, when a new item of equipment is procured it is considered necessary to procure from the equipment contractor a complete range of spare parts to assure support of the equipment in the initial operating period—usually a year. However, where spare parts required for the initial period are of the type already in the supply system, procurement directly from manufacturers or suppliers, rather than the equipment contractor, is generally feasible and is the more economical method. Subsequent to our review the Air Force took actions designed to improve its performance in this area. We believe that these actions, if properly carried out, should result in substantial savings through decreased procurements of parts under equipment contracts. We plan to evaluate the effectiveness of these actions in our subsequent reviews.

2. *Failure to furnish repair parts to overhaul contractors.*—Contracts for overhaul of aircraft usually identify the parts needed in the overhaul operations and indicate which of the parts are

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UNITED STATES GENERAL ACCOUNTING OFFICE

to be procured by the contractor and which are to be made available to the contractor as Government-furnished equipment.

Our review of the cost of aircraft parts supplied by overhaul contractors under 58 selected contracts awarded by the Army showed that contractors were permitted to purchase parts which were available to the Army at substantially lower cost either under existing supply contracts or from stock on hand. In a report submitted to the Congress in May 1964, we stated that the Government incurred unnecessary costs of about $1.9 million with respect to those parts. We recommended and the Secretary of Defense agreed that reviews be made on a continuing basis at defense procurement centers to assure that the services made sound decisions as to whether material should be furnished by the contractor or the Government.

3. *Negotiations involving components that should have been Government-furnished material.*—The Air Force awarded a contract for the modification of a quantity of aircraft. In negotiating the price for the contract it was agreed that certain of the electronic equipment required for the modification would be procured by the contractor. At the time of the negotiation, both the Air Force and the Navy were procuring identical types of electronic equipment for their supply systems. Therefore, it would have been feasible for the Air Force to procure the equipment and furnish it to the contractor as Government-furnished material. As stated in our report submitted in November 1963, we found that the prices paid by the contractor were about $872,000 or 61 percent higher than the prices being paid by the Air Force and the Navy. Since the contractor received a profit of about $278,000 on the purchases, the total unnecessary cost to the Government was over $1.1 million. After we brought our findings to its attention, the Air Force arranged to supply as Government-furnished equipment much of the equipment needed under a current contract. We recommended and the Secretary of Defense agreed that reviews be made on a continuing basis at Air Force and other defense procurement centers to assure that the services furnish major equipment to contractors in all instances where it is feasible to do so.

Use of Government-owned Storage Facilities Would Have Avoided Payment of Unnecessary Rentals

We submitted two reports on our findings that the military departments had leased commercial storage facilities instead of using excess Government-owned facilities. One of the reports, issued in July 1963, covered the storage of petroleum products; the other, issued in October 1963, covered the storage of empty 55-gallon drums.

1. *Storage of petroleum products.*—Although an average of at least 450,000 barrels of tank capacity in Navy-owned petroleum facilities at Point Molate, Richmond, Calif., had been excess to the Navy's needs for Navy special fuel oil since December 1960, nearby commercial facilities with a storage capacity of 432,700 barrels were being leased by the Defense Petroleum Supply Center for the Air Force and the Navy in which to store aviation fuels at a minimum annual price of $305,500. If the unused Navy facilities at Point Molate had been converted for storage of aviation fuels and the commercial leases had been discontinued, the savings in lease costs could have offset the conversion costs in about 14 months. Thereafter, savings would have amounted to at least $305,500 a year. We were informed prior to the completion of our review that the Navy-owned facilities would be converted for storage of aviation fuels and that leases totaling $241,900 annually for commercial facilities would be terminated. In response to the findings and recommendations in our report, the Deputy Assistant Secretary of Defense (Supply and Logistics) informed us on October 1, 1963, that (a) the Department of Defense had established a policy which requires that any military department request to the Defense Petroleum Supply Center for leasing of commercial petroleum storage facilities must contain a statement that coordination has been effected with the other military departments and neither excess Government-owned nor excess commercial facilities currently under contract are available or suitable to satisfy the specific requirement and (b) the military departments had established procedures, in collaboration with the Defense Petroleum Supply Center, whereby each department having excess tankage, either Government-owned or commercially leased, promptly makes this fact known to the other departments.

2. *Storage of empty drums.*—The Army and the Navy incurred unnecessary costs of about $112,000 annually for storage of Government-owned empty 55-gallon drums at two commercial facilities in the Los Angeles, Calif., area although sufficient storage space was available at the nearby Naval fuel depot in San Pedro, Calif. The Army and Navy agreed that the number of drums in commercial storage could be reduced, and, prior to completion of our review, made plans which should result in annual savings in commercial storage costs of about $72,300.

Government Production Resulted in Costs Higher than Available Commercial Prices

The Army produced in its Springfield Armory, Springfield, Mass., certain repair parts for rifles at a cost of about $468,000. On the basis of the prices then being paid for procurement from commercial sources, the parts could have been bought for about $252,000—a saving of about $216,000. In our report submitted in February 1964, we pointed out that the production orders for these parts were placed with the armory without comparing the costs estimated to be incurred by the armory with the prices currently being paid to commercial sources. After we brought this matter to the attention of the Army Weapons Command, the command established a "make or buy" committee which will make decisions, after consideration of all pertinent factors, whether to place orders with Government arsenals or with commercial sources. We recommended to the Secretary of the Army that the same or similar procedures be established at other Army commands. On April 11, 1964, the Office of the Assistant Secretary of the Army (Installations and Logistics) informed us that this would be done.

Unnecessary Costs Resulted from Failure to Standardize Clothing

We submitted three reports on our findings of unnecessary costs resulting from failure of the military departments to standardize tropical wool trousers (October 1963), dress shoes (December 1963), and utility caps (June 1964). In the case of the trousers, the Army and the Marine Corps could not agree

on whether the hip pockets should or should not have flaps. The Defense Clothing and Textile Supply Center neither resolved this matter nor referred it to the Defense Supply Agency for resolution but continued to procure and supply both types of trousers. We estimated that the Government incurred additional supply management costs of about $68,000 annually. The Department of Defense agreed with our proposal that the Director, Defense Supply Agency, be required to assure himself that the Defense Clothing and Textile Supply Center is making prompt standardization decisions, in cases when operationally critical factors are not involved and unnecessary costs are being incurred, and stated that the hip pockets of the tropical wool trousers were being standardized.

The second case involved the Navy's refusal to discontinue use of brown dress shoes for officers and to accept the standardized black shoes agreed upon by the Army, Air Force, and Marine Corps. As a result, the Government incurred unnecessary supply management costs of about $158,000 annually. On February 26, 1964, the Deputy Assistant Secretary of Defense (Supply and Services) advised us that the Navy had accepted the black shoe and that brown shoes would not be used after the existing inventory is exhausted.

The third case involved the Army's decision, after the military services could not agree on a common utility cap, to develop and procure its own cap using material and a design significantly more expensive than that being used by the Marine Corps and the Navy. On the basis of the cost differential between the two caps, we estimated that the Army incurred unnecessary costs of about $1.4 million through December 1963 and will incur further unnecessary costs of about $1.3 million through fiscal year 1965. Neither the Defense Supply Agency nor its delegated agency, the Defense Clothing and Textile Supply Center, directed or controlled efforts to achieve standardization of utility caps. The Army was permitted to assume the dominant role in the standardization program. It unilaterally developed an expensive cap for its own use and classified the cap as the preferred item. We pointed out that, unless the Defense Supply Agency

directs and controls standardization projects, the services can continue to unilaterally develop items which are unacceptable to the other services. We recommended that the Secretary of Defense require the Director, Defense Supply Agency, to provide the necessary direction and control.

Department of Defense–Defense Contracts

The military departments are awarding contracts for weapon systems and related equipment and supplies at the rate of over $25 billion annually. The best available information indicates that as much as 80 to 90 percent of the dollar value of all military purchases are made by negotiated contracts. Procurement by negotiation is designed for use in situations, specified in the Armed Services Procurement Act of 1947, in which procurement on the basis of advertised bid and award procedures is either impracticable or inappropriate. Under these circumstances, there is not the assurance of fair and reasonable pricing normally obtained when procurement is made on the basis of advertised bid and award procedures. Therefore, negotiated prices must be based largely on actual or estimated costs of producing the articles required. Such cost information, therefore, must be sound and realistic to provide for the negotiation of reasonable prices.

Our examinations during the year into the financial aspects of contracts awarded by the military departments continued to be directed primarily to reviews of the negotiation of prices for selected major contracts and subcontracts awarded by the departments and their prime contractors. We found instances of excessive prices negotiated for both prime contracts and subcontracts. As noted in past years, the negotiation of unreasonably high prices may be attributed primarily to inaccurate, incomplete, or noncurrent cost information furnished by contractors or subcontractors in support of price proposals, deficiencies in the control by the military departments over the pricing of prime contracts, and deficiencies in the control by the departments and by their prime contractors over the pricing of subcontracts. We found, also, instances of excessive costs which may be attributed to laxity of the military departments in their administration of negotiated contracts during the period of contract performance.

During the fiscal years 1957 through 1964, we reported to the Congress findings of excessive prices and other excessive costs totaling over $109 million incurred under contracts negotiated by the military departments. As shown on page 383 of the appendix about $61 million of this amount had been recovered through June 30, 1964. In addition to obtaining price adjustments, the departments have made certain improvements in the negotiation and administration of contracts with regard to the deficiencies disclosed by our reviews. Despite these actions, our reviews continued to disclose instances of excessive negotiated prices.

To further strengthen contracting procedures, the Congress passed legislation, approved September 10, 1962 (Public Law 87-653), which amended the Armed Services Procurement Act of 1947. We assisted the House and Senate Armed Services Committees in developing this legislation prior to its enactment since it was based in part on our findings and recommendations. As stated by the chairman of the House Armed Services Committee, Public Law 87-653 is intended to do four important things: require more purchasing by formal advertised bidding; require clearer written justification when certain negotiating authority is used; require and produce more competition on negotiated purchasing; and safeguard the Government against inflated costs estimates on negotiated contracts.

We submitted to the Congress 48 reports during the fiscal year 1964 on our reviews of various aspects of defense contracts. The principal findings in these reports related mostly to contracts awarded prior to the effective date of Public Law 87-653.

Failure To Negotiate Reasonable Prices—Prime Contracts

During the fiscal year 1964 we submitted to the Congress 25 reports on our findings of excessive costs to the Government resulting from deficiencies in price negotiation of prime contracts. These reports covered such findings as (1) prices negotiated on the basis of erroneous cost information, (2) prices negotiated on the basis of cost information which was inconsistent with experienced costs, (3) prices negotiated on the basis of price proposals which contained unwarranted provision for contingencies, (4) final prices negotiated on a basis which was not

consistent with contract terms, and (5) negotiation of an inappropriate type of contract. Illustrative findings, selected from these reports, follow.

1. *Negotiations based on erroneous cost information.*—As reported in May 1964, a contractor and the Air Force negotiated excessive target prices under two incentive-type contracts for the production of missiles. As a consequence, unless an appropriate adjustment is made, the Government will incur unnecessary costs of at least $2.3 million in the form of an unwarranted profit to the contractor. The contractor included, in its proposed contract price, cost estimates that did not incorporate the most accurate, complete, or current information available at the time of negotiations; were not properly related to contract requirements; and were not based on reasonably firm designs and specifications. We expressed the belief that where realistic cost data are not available or where contract requirements are unresolved, pricing action should be deferred until realistic data become available and reasonably firm contract requirements are established. The contractor agreed to adjust certain of the overstatements disclosed in our review. The Air Force advised us that it intended to seek substantial additional adjustments but that it would defer negotiations for this purpose until complete Air Force audits of the contracts had been made and evaluated.

In another case, a contractor and the Navy negotiated excessive prices for aircraft engines and other aircraft products under a series of contracts of various types. As stated in our report submitted in June 1964, the cost proposals on which the price negotiations were based included excessive amounts for aircraft products liability insurance. Although the cost to insure products sold to the Government was lower than the cost to insure products sold commercially, the contractor's apportionment of the cost between Government work and commercial work did not take this factor into account. We estimated that in the period 1955 through 1961 the Government paid about $2.2 million of the insurance cost applicable to the contractor's commercial production. Both the contractor and the Navy recognized that the Government had borne an inequitable portion of the costs for aircraft products liability insurance and

measures were taken to preclude overcharges in 1962 and subsequent years. With respect to the overcharges in the years 1955 through 1961 the contractor took the position that there was no legal or equitable basis for changing the prices negotiated for the contracts involved because the contracts had been finally settled and because, under its accounting method consistently used in establishing Government contract prices, certain indirect expenses which were wholly military in nature had been allocated to its commercial business. The Department of Defense took a similar position, pointing out that the Navy's review of the contracts indicated a possibility that reopening them would expose the Government to counterclaims and offsets that would greatly outweigh the overcharges in question. We are continuing our review of the contracts with a view toward determining the reasonableness of the Department's position that it would not be in the Government's interest to seek recovery of the overcharges for the years 1955 through 1961.

We reported in January 1964, that the Army negotiated a contract price for tanks on the basis of a price proposal which included duplicate and excessive costs and increased the contract price by about $315,200. We found that the Army had accepted the price proposal without adequate review. After we brought our findings to the attention of Army officials they recovered the $315,200 from the contractor.

2. *Negotiations based on cost information inconsistent with experienced costs.*—A contractor submitted and the Air Force accepted an excessive price proposal for the negotiation of prices for spare aeronautical parts to be furnished under a fixed-price incentive contract. As stated in our report submitted in December 1963, the negotiated target prices were based on cost estimates that were about $736,000 higher than justified by the contractor's most current cost information. After we discussed our findings with officials of the Air Force and the contractor, the contractor agreed to reduce the target prices by about $736,000 which will result in net savings to the Government of about $201,000.

In another case, a contractor proposed, and the Navy accepted without adequate review, a fixed price for ship propulsion boilers which was overstated in relation to the contractor's prior cost

information. We stated in our report submitted in January 1964, that the contract price of about $1.7 million was at least $132,000 greater than the costs the contractor could reasonably expect to incur plus profit at the rate of 10 percent of such costs—the rate the contractor had included in its price proposal. We proposed, and the Navy agreed, that action be taken to obtain appropriate recovery from the contractor and that the action be coordinated with the Department of Justice.

In still another case, the Army negotiated fixed prices for modification kits which were excessive by about $143,000. In our report submitted in December 1963, we stated that the prices proposed by the contractor, and accepted by the Army without adequate review, were higher than justified by the latest cost information available to the contractor. The Army concurred with our findings and stated that the case was being referred to the Department of Justice for consideration.

3. *Negotiations based on price proposals containing unwarranted provision for contingencies.*—The Navy negotiated a fixed-price contract for the production of propulsion machinery for an aircraft carrier. We found that the price proposed by the contractor and accepted by the Navy included unwarranted provision for contingencies. The contractor's certified cost statement, submitted in support of the price proposal, indicated that no provision for contingencies was included. The Navy did not obtain and review the detailed cost estimates of the contractor and thus was not aware of the provision. In our report submitted in September 1963, we pointed out that had the Navy made such a review the provision for contingencies would have been brought to light and the Navy would have been in a sound position to have obtained a price about $1.3 million less than the price that was negotiated. We brought our findings to the attention of the contractor, the Navy and the Department of Justice. The Navy stated that it would review this case in cooperation with the Department of Justice and would make every effort to recover from the contractor any unwarranted contingencies included in the contract price. As of June 30, 1964 this case was still under study.

4. *Negotiations of final prices not consistent with contract terms.*—The Army negotiated two fixed-price redeterminable

contracts for the production of tanks and related spare parts. At the time of negotiations to redetermine the prices of these contracts it was found that the costs of certain components, procured under subcontracts which in most instances were also of the fixed-price redeterminable type, had not yet been established. Therefore, these components were included at tentative amounts in the redetermination of prices for the two prime contracts. A provision was made in the contracts for adjustment of the prices in the event that final prices for the components changed from those included in the prime contract prices. Exhibits in the contracts identified the components to be repriced and the tentative unit prices at which they purportedly had been included in the contract prices. As discussed in our report submitted in June 1964, we found that the unit prices listed in the exhibits were lower in most instances than those included in the prime contract prices. The understated prices listed in the exhibits were later used as a basis for adjustment of the prime contract prices to give effect to the differences between the tentative and the final subcontract prices. As a consequence, the Government was overcharged an estimated $4.78 million on the two prime contracts. The Army and the contractor subsequently agreed to reduce the contract prices by $4.5 million in settlement of the overcharges.

5. *Negotiation of an inappropriate type of contract.*—A contractor undertook construction of a ship for the Navy under a preliminary contractual arrangement (letter contract) which provided that the Government would reimburse the contractor for applicable costs until an appropriate price could be established and other necessary contractual arrangements could be made. In January 1962, after 3 years of price negotiations during which time numerous offers and counteroffers were made, a fixed price of $87 million was accepted by the Navy. In accepting the fixed price, the Navy contracted to pay the contractor about $5 million more for the construction of the ship than was warranted on the basis of available cost data and the circumstances existing at the time of negotiations. The circumstances surrounding this case were discussed in our report submitted in March 1964. We found that the contractor's statement of actual costs incurred and estimated costs to

complete construction, submitted in support of the price of $87 million, included a provision for contingencies of about $3.4 million and duplications and overstatements of costs of about $1.6 million. The Navy was aware that the contractor's estimates appeared high and had sought a more flexible pricing arrangement than the fixed-price terms proposed by the contractor. The contractor would not agree and the Navy concluded that it had no reasonable alternative to acceptance of the fixed price. In reaching this conclusion the Navy considered (a) that the letter contract was not a suitable contractual arrangement for completion and delivery of the vessel and (b) that the ultimate cost might be higher under a cost-type arrangement because the contractor would not have any incentive to reduce costs. In our opinion, the Navy was not compelled to accept an excessive price to obtain a definitive contract. Had further negotiations been unsuccessful, the ship could have been completed under the terms of the letter contract and the price and other terms could have been settled on a quantum meruit basis; that is, the Government would pay the reasonable value of the services performed. Furthermore, the extra motivation towards efficiency and economy which fixed-price contracting normally provides was greatly diminished in this case because three quarters of the work had already been completed on a cost reimbursable basis. We recommended that the Secretary of Defense take all action that is available to him to obtain a price adjustment from the contractor. We recommended also that the Secretary of Defense establish regulations to require that, if work is more than half completed under a letter contract, a fixed-price contract will not be used unless it can be affirmatively established that it is in the Government's interest to put the contract on a fixed-price basis and the use of a fixed price is specifically approved by the Secretary of Defense. The Secretary of Defense informed us in June 1964 that he did not agree that a price adjustment was appropriate or that regulations should be established as recommended. We are considering whether further action is warranted.

In another instance, discussed in our report submitted in February 1964, the Air Force negotiated a fixed-price contract for aerial reconnaissance cameras and related components under

circumstances which did not permit establishment of a reasonable fixed price. The contract price of about $2 million was about $814,000 or 64 percent greater than the costs incurred by the contractor in performing the contract. At the time of the negotiation, there was no adequate cost experience for the development of realistic estimates of costs. The Air Force did not make an adequate evaluation of the contractor's price proposal and supporting data and was not aware that the proposed price was based on cost estimates that included substantial provisions for contingencies and that information on previously experienced costs was not adequate. An adequate evaluation of the contractor's proposal by the Air Force would have disclosed that negotiation of a fixed-price contract was not appropriate. Recognition of this would have provided a basis for negotiation of a contract subject to price revision as accurate cost data became available. The contractor informed us that in its opinion the profit which resulted from the contract was due primarily to efficiency of its design and manufacture and that to request a price reduction was neither fair nor equitable. The Air Force stated that every effort would be made to obtain a refund from the contractor.

Failure To Negotiate Reasonable Prices—Subcontracts

The primary responsibility for negotiating fair and reasonable subcontract prices rests with the prime contractors. The Government's interest in the pricing of subcontracts stems from the fact that the prices of negotiated prime contracts usually include actual or estimated costs to the prime contractor for subcontracted items. Under firm fixed-price and price-redeterminable prime contracts, costs for subcontracted items are included in the prime contract price on the basis of subcontract prices known or estimated at the time of negotiation of the prime contract. Under incentive-type prime contracts the target prices are established on the basis of known or estimated costs, and the ultimate price borne by the Government, in effect, represents reimbursement for the prime contractor's actual costs, including subcontracted items, plus a portion of the amount by which actual costs are lower than target costs or less a portion of the amount by which the costs actually

incurred in performing the contract exceed the target costs. Under cost-plus-a-fixed-fee contracts, the contractor receives a specified fee and also is reimbursed by the Government for all costs incurred under the contract, including the costs of subcontracted items. Therefore, the military departments have a responsibility to protect the Government's interests by assuring themselves that the prime contractor's procedures for negotiation of subcontracts are adequate and effective.

During the fiscal year 1964 we submitted to the Congress nine reports on our findings of excessive subcontract prices which resulted in additional cost to the Government under the related prime contracts. The deficiencies we found in prime contractors' negotiations of subcontract prices parallel, to some extent, the type of deficiencies we found in the military departments' negotiations of prime contract prices as discussed in the preceding section of this report.

1. *Negotiations based on cost information inconsistent with experienced costs.*—A subcontractor submitted and a Navy prime contractor accepted an excessive price proposal for the negotiation of fixed prices for nuclear reactor components. We pointed out in a report submitted in February 1964, that the price proposal was based on higher cost estimates than justified by the subcontractor's most current cost information and cost data on a prior order. We estimated that, on the basis of the information available to the subcontractor at the time of negotiations, a price of about $3.2 million, or $705,000 lower than that negotiated, would have covered costs and afforded a profit at the 10 percent rate that the subcontractor usually represented as being included in its prices for such items. The prime contracts under which the subcontracts were awarded were cost-plus-a-fixed-fee type. This placed great reliance on the prime contractor and obligated it to exercise care in the expenditure of funds to be reimbursed by the Government. We proposed and the Navy agreed to take action, in coordination with the Department of Justice, to effect adjustment or recovery from the prime contractor. The Navy advised us also that, pending such settlement, it had withheld from the contractor sufficient funds to protect the Government's interest.

2. *Negotiations based on price proposals containing unwarranted provision for contingencies.*—A prime contractor, engaged in production of aircraft under cost-type contracts with the Air Force, issued purchase orders for aircraft components which we found to be overpriced. These purchase orders were of the cost-plus-incentive-fee type. We found that the target costs, proposed by the subcontractor and accepted by the prime contractor, were overstated by about $3.3 million primarily because the subcontractor arbitrarily applied an increase of 100 percent to its estimated cost of purchased parts and then added a 10 percent provision for contingencies to the already inflated cost estimates. We pointed out in our report submitted in April 1964, that,unless adjusted, these overstatements will result in increased costs to the Government of about $1 million in the form of unwarranted target and incentive fees. In commenting on a draft of our report, neither the contractor nor the subcontractor disagreed with the factual content of the report. They contended nevertheless that, under the circumstances, reasonable target costs had been negotiated. The Air Force withheld substantive comments pending its own investigation of our findings. We recommended that the Air Force, in cooperation with the Department of Justice, take action consistent with the Government's interests to recover the amount of the overpayment and such statutory penalties as may be appropriate. On June 30, 1964, the Air Force advised us that its investigation of this matter had been substantially completed and that its findings and conclusions would be coordinated with the Department of Justice before a final position is adopted.

In another instance, a prime contractor of the Navy negotiated a firm fixed-price subcontract for steam generators on the basis of cost data that included undisclosed contingency allowances and provisions for costs that in all likelihood would not be incurred, and in fact were not incurred, in producing the generators. The prime contractor did not obtain or review the subcontractor's cost estimates and therefore was not in position to take exception to any of the items in the subcontractor's price proposal. In our report submitted in March 1964, we stated that had this been done, there would have been a sound basis for negotiation of a price about $490,000 lower than the price of $4 million actually

negotiated. After we brought this matter to its attention, the Navy made a study of this procurement and on July 13, 1964, the Assistant Secretary of the Navy (Financial Management) reported to us on the results of the study. He stated that the judgment exercised by the prime contractor and by the Navy was found to have been reasonably supported by the pertinent circumstances then existing, that the prime contractor did not fail to discharge its responsibility for reasonable pricing, and that no basis exists for recovery of any amount from either the prime contractor or the subcontractor. We are giving this case further attention.

3. *Negotiation of an inappropriate type of subcontract.*—A prime contractor negotiated a firm fixed-price subcontract for components needed in the production of aircraft under a prime contract with the Air Force. The cost information available at the time of the negotiations was not adequate for establishing a reasonable fixed price. Therefore the subcontract should have included a provision for price revision. Although the subcontractor had certified that it had considered current, complete, and correct cost or pricing data in the preparation of its price proposal, it did not have cost data on prior production available in suitable form for use as a basis for estimating labor costs. Further, the subcontractor's cost estimates for material were overstated in relation to current cost or pricing information available prior to negotiations. In our report submitted in February 1964, we pointed out that the fixed price of the subcontract exceeded the subcontractor's costs by about $821,000 or 41 percent and that it appeared that a significant portion of this amount was attributable more to the basis of negotiation than to efficiency of the subcontractor's performance. The Air Force and the prime contractor advised us that they would perform a detailed audit of this subcontract and of prior orders for similar items with the view of seeking price adjustments. We recommended to the Secretary of Defense that, where meaningful data are not available for the development of realistic cost estimates or where other evidence is not available to support the reasonableness of the proposed prices, prime contractors be required to include provisions for price revisions in their subcontracts.

The Assistant Secretary of Defense (Installations and Logistics) advised us on April 20, 1961, that the Air Force had completed its study of the subcontract in question and of prior orders issued to the subcontractor and that the results of the study were being reviewed by the prime contractor. The Assistant Secretary informed us also that our report on this case was being studied by the Armed Services Procurement Regulation Committee.

4. *Negotiations with subcontractor who refused to submit cost data.*—We found that a subcontractor consistently quoted prices for military aircraft forgings which were substantially above its current and expected production costs. Even though competition was lacking, the subcontractor has refused to furnish cost data to its military customers thereby precluding open negotiation of prices. As stated in our report submitted in July 1963, we found that, on 27 subcontracts awarded by various Air Force prime contractors and their subcontractors during a 3-year period, the total prices of $2.6 million exceeded the subcontractor's known current production cost by $893,500, or an average of about 51 percent. Notwithstanding the absence of effective competition and the fact that its favored position stemmed in part from possession of special Government facilities, the subcontractor refused to accept subcontracts on any basis other than its own terms and rejected the inclusion of contract provisions granting the Air Force or its contractors the right to review actual cost data. The Air Force informed us that as a result of this position, and the pressure of time in the over-all production of the related aircraft, the prices offered had to be accepted without benefit of normal negotiation processes. We recommended that, in addition to taking immediate steps to effect equitable settlements on the contracts discussed in our report, the Department of Defense examine into prices negotiated with the subcontractor for other defense business.

On October 31, 1963, the Office of the Assistant Secretary of Defense (Installations and Logistics) advised us that the subcontractor had changed its position and would permit the Air Force to make a review of the cost-price relationships of the forgings. The subcontractor also assured the Air Force that if this was not satisfactory, it would cooperate to the fullest extent in a complete review of all business with the Air Force. The

Assistant Secretary stated further that a decision on seeking a refund had been deferred pending the completion of the review of the subcontractor's records. On August 28, 1964, we were advised that the review had been completed and that the findings were being evaluated.

Weaknesses in General Administration of Contracts

Our examinations into the effectiveness of the administrative controls exercised by the military departments to assure contractors' compliance with the terms and conditions of defense contracts revealed weaknesses which resulted in excessive costs or avoidable losses to the Government. During the fiscal year 1964 we submitted to the Congress nine reports on these examinations. The reports presented our findings of instances where (1) a contractor had interest-free use of Government funds in the form of excessive progress payments, (2) inapplicable costs had been charged to Government contracts, (3) applicable refunds had not been credited to Government contracts, (4) defective material had been accepted because of inadequate inspection procedures, (5) uneconomical practices had been followed in furnishing supplies to contractors, (6) a contractor used, without authorization, material acquired from a surplus parts dealer, and (7) a contract was awarded for items already property of the Government.

1. *Interest-free use of Government funds.*—In a report submitted in April 1964, we described the circumstances under which a contractor had had interest-free use of about $4.9 million of Government funds for periods ranging up to a year and a half. These funds represented excessive progress payments by the Army under three fixed-price redeterminable contracts. The contracts provided that the progress payments would be based on estimated unit prices for the items delivered and would be adjusted quarterly, on the basis of cost statements to be submitted by the contractor, to an amount not exceeding incurred costs plus applicable profit. The quarterly cost statements submitted by the contractor, and accepted by the Army without adequate review, contained overstatements of incurred costs and the Army was not aware that the progress payments were excessive. We pointed out that, based on the

interest rates paid by the United States Treasury on marketable obligations during the periods the excessive payments were retained by the contractor, the Government incurred unnecessary interest costs of over $208,000. After we brought this matter to the attention of the Army, action was initiated to recover the interest costs from the contractor. We recommended that prior to negotiation of any settlement, the Army coordinate its actions with the Department of Justice to assure that any interests or rights of the Government that may be available under existing statutes are not jeopardized. As of June 30, 1964, this matter was still under consideration.

2. *Inapplicable costs charged to Government contracts.*—In one instance, discussed in our report submitted in April 1964, a contractor improperly charged Government cost-type and incentive-type contracts with $188,000 of costs that were incurred under other contracts. The other contracts covered certain research and development projects in which the Government and the contractor were jointly interested. The Government had agreed to provide Government-owned technical data and to pay a portion of the costs of the projects; the contractor had agreed to absorb the remainder of the costs. However, the contractor redistributed its share of the costs to other contracts. Inasmuch as the Government had met its contractual obligations for the research and development projects there was no basis for charging any of the project costs to other Government contracts. Prior to our review, Navy auditors had questioned, and the contractor had adjusted, the portion of the costs of the research and development projects totaling $93,000 that had been charged improperly to incentive-type contracts. However, the auditors had not questioned and the contractor had not adjusted the remaining $95,000 of these costs which had been charged to cost-type contracts. After we brought our findings to the attention of the contractor, the contractor made adjustments for the $95,000 of improper charges.

In another instance, we found that a contractor paid to its employees, and charged to the Government under defense and space contracts, relocation allowances for greatly longer periods than needed to establish residence at the new locations. Employees transferred from one location to another received reloca-

tion allowances for periods of up to 30 days after they had obtained and occupied permanent living quarters at the new locations. In a report submitted in May 1964, we pointed out that, at one of the contractor's divisions, these excessive payments resulted in unnecessary costs to the Government totaling $101,000 during a 12-month period. After we brought our findings to the attention of the contractor and the Government agencies involved, the contractor revised its relocation policy to preclude excessive payments in the future and the Department of Defense and the National Aeronautics and Space Administration informed us that action would be taken to seek adjustment of the excessive costs charged to Government contracts. Inasmuch as our review covered only one division of the contractor, we recommended that the Department of Defense and the National Aeronautics and Space Administration examine relocation practices of other divisions of the contractor with a view toward seeking adjustment of unnecessary costs borne by the Government as a result of the contractor's relocation policies and practices. On August 28, 1964, we were advised by the Department that such an examination had been completed and that the findings were being evaluated.

3. *Applicable refunds not credited to Government contracts.*—A contractor had made no disposition of a portion of the refunds of group insurance premiums that it had received and accumulated over the 10-year period ended June 30, 1963. Most of the accumulated refunds, totaling about $1,256,000 were applicable to Government contracts as adjustments of the premium costs that had been borne by the Government. As stated in our report submitted in January 1964, about 90 percent of the contractor's work was on Government contracts—principally cost-reimbursable contracts of the Navy—and the Government had borne a major share of the cost of the premiums at the time they were paid. After we brought our findings to its attention, the contractor applied $807,000 of the premium refunds to the reduction of the overhead costs chargeable to current contracts. With respect to the remaining portion of the refunds ($449,000), the contractor took the position, with which we did not agree, that the refunds were applicable to the premium costs borne by its employees. We found that, under the contractor's group

insurance plan, employees paid their portion of the premium cost at fixed rates; the contractor assumed the remainder of the cost and the risk of premium rate fluctuations. Under these circumstances it appeared to us that no portion of the refunds was applicable to the premium costs borne by the employees. We recommended that the Navy take action to recover the Government's share of the premium refunds totaling $149,000 which the contractor contends are applicable to the premium contributions of its employees. On March 26, 1964, the Assistant Secretary of the Navy (Financial Management) advised us that the cognizant Navy auditor had been instructed to disapprove an appropriate amount of group insurance premiums as an allowable cost.

4. *Acceptance of defective material.*—The Army procured a quantity of rocker arm assemblies for combat vehicle engines. The assemblies produced by the contractor were defective but the Army did not perform an adequate inspection and accepted them. Efforts to rework the assemblies and make them usable were unsuccessful and the Army had to procure additional assemblies from another contractor to meet its needs. As stated in our report submitted in September 1963, the defective assemblies cost the Government about $156,000 including the costs incident to unsuccessful efforts to rework them. We proposed and the Army agreed to initiate action to recover these costs from the contractor and that it review the contracting and contract administration procedures of the responsible procurement office and take appropriate corrective action.

On November 14, 1963, the Deputy Assistant Secretary of the Army (Installations and Logistics) informed us that the case was being referred to the Department of Justice for analysis and determination of available legal recourse and for assistance in recoupment from the contractor, and that further efforts at recovery by the Army and disposal of the defective material were being deferred pending advice from the Department of Justice.

5. *Uneconomical practices in furnishing supplies to contractors.*—The Army incurred unnecessary costs of about $145,000 because of the method used in furnishing ammunition to a contractor for use in test-firing newly produced M-14 rifles.

The contractor was the producer of the rifles and the ammunition for the rifles. Therefore, the Army could have furnished the ammunition by diverting unpackaged quantities from the contractor's own production. We found, however, as stated in our report submitted in March 1964, that significant quantities of the ammunition furnished to the contractor either had been (a) produced by the contractor, shipped to Army depots and then returned, (b) unnecessarily packaged by the contractor and then unpackaged, or (c) produced by another contractor. As the result of our bringing this matter to its attention, the Army modified its ammunition contract to provide for the diversion of unpackaged ammunition for test-firing rifles being produced by the same contractor.

In another case, discussed in our report submitted in May 1964, the Air Force incurred unnecessary packaging costs in furnishing repair parts to a contractor for use in overhaul and repair of aircraft equipment. The overhaul and repair contractor was also the Air Force's major supplier of repair kits. The contractor's records showed that from December 1957 to September 1962 about 27,500 packaged repair kits had been used as Government-furnished property in connection with overhaul work performed for the Government. We estimated that the Government paid about $200,000 for packaging the kits. These costs could have been avoided by the use of appropriate contract provisions which would have precluded the packaging of kits destined for use at the contractor's plant. We found also that the Government paid $144,000 for the packaging of about 12,500 kits which had not in fact been packaged. The parts for the kits had either been merely moved in bulk quantities from the contractor's storerooms to its overhaul department or had been shipped to Air Force installations in bulk quantities to save time in meeting critical needs. After we brought this matter to the attention of the contractor, the Government received credits of about $144,000 for the packaging which the contractor had charged but had not performed. The Deputy Assistant Secretary of Defense (Procurement) advised us that corrective action had been initiated essentially in accordance with suggestions we had made. He stated that the military departments had been

directed to incorporate provisions, in current and future contracts whenever applicable, to the effect that material ordered by the Government but used by the contractor in connection with other activities or services performed for the Government would not be packaged.

6. *Contractor's unauthorized use of material acquired from surplus parts dealer.*—The Army awarded a contract for the overhaul of aircraft engines which contained a provision that contractor-furnished parts would be charged to the Government at replacement cost, if acquired prior to the contract date, or at acquisition cost, if acquired after the contract date. The contract also provided that, if use of former Government surplus property were contemplated by the contractor, a complete description of the parts and circumstances of acquisition should be disclosed; the parts should meet quality control standards as approved by a Government inspector; and written authorization for use of the parts should be obtained from the contracting officer. Prior to the date of the contract the contractor purchased, from a supplier which the contractor knew or should have known to be a dealer in Government surplus parts, 352 different parts at a price of $71,858 for the entire lot. At least some of these parts were former Government surplus. In a report submitted in October 1963, we pointed out that the contractor used parts out of this lot in the performance of the engine overhaul contract without disclosure to the Government or approval of the contracting officer as required by the terms of the contract. We identified 15 such parts for which the Government was charged $321,854—the replacement cost. We were denied access to pertinent cost records and were unable to determine what portion of the $71,858 paid by the contractor for the entire lot of 352 parts was applicable to the 15 parts used on the Government contract and what rework costs, if any, were incurred. We brought our findings to the attention of the Army and were informed that the Army was reviewing the legal aspects of this case in coordination with the Department of Justice. We recommended, and the Department of Defense concurred, that procedures be strengthened to assure compliance with contract provisions pertaining to the use of surplus parts.

7. *Award of contract for items already property of the Government.*—The Navy awarded a contract in the amount of $1.01 million for a technical data package comprised of technical information developed by the contractor in connection with its work on a Government-financed military gas turbine engine program. We found that the Navy had already acquired, under prior contracts, unlimited rights to use all the significant data included in the data package. We found also that the Navy had reimbursed the contractor, under other contracts, for the actual costs of reproducing, assembling, packaging, and delivering the tangible items which comprised the technical package. We concluded, and so stated in our report submitted in December 1963, that the Navy had received no consideration for the contract price of $1.01 million. Accordingly, action has been taken which has resulted in recovery of the improper amount paid. In addition, we recommended that the Secretary of Defense direct that, prior to the purchase of data and other recorded technical information, the military departments determine whether the data and information are essential and, if so, whether the Government had previously acquired the data and information or the right of access to it. The Department of Defense concurred in our recommendation and informed us that appropriate directives have been issued.

Illegal Award of Advertised Contract

The Army Corps of Engineers, acting as contracting agent for the Air Force, awarded an advertised contract which differed so substantially from that advertised that the contract must be considered as having been illegally awarded. The circumstances surrounding the award were discussed in our report submitted in June 1964. The contract, in the amount of about $12 million after modifications, covered construction of a runway and operational apron. Prior to award of the contract the Air Force decided that it required a new narrow-gauge-type runway lighting system and a decision was made to incorporate the change through a change order after award of the contract. The contractor also knew that this significant change would be made to the lighting system. The new narrow-gauge lighting

system that was later added to the contract was estimated to cost $1.2 million. The estimated cost of the remainder of the lighting system included in the work for which bids were solicited was about $911,000. The known change in the scope of the work therefore was of such significance that it was inappropriate and illegal to award the contract in an unrevised form. To allow such a procedure would be grossly unfair to other bidders and would not afford the Government the full advantages of true competition. Instead of awarding the contract for work significantly different from that known to be required, the contracting officials should have followed other methods available to them to assure the best possible price to the Government. For example, they could have reissued invitation for bids after all known requirements had been incorporated therein or, if time or other circumstances did not permit procurement by formal advertising, they could have used the competitive negotiation method for the procurement.

We stated that under the circumstances the only proper method of payment to the contractor was on the basis of the fair value of the work performed and that the Army should make a study to determine the value of the work performed and recover any amounts paid to the contractor in excess of reasonable value. We have requested that the Secretary of the Army furnish us the results of the study.

Unwarranted Fees Paid as a Result of Erroneous Classification of Industrial Facilities and Special Tooling by Contractors

Contractors are frequently authorized to procure, at Government expense, facilities and equipment needed in the performance of Government contracts. Such items are classified either as industrial facilities (general-purpose items) or special tooling (specialized items peculiar to the needs of the work for the Government). Procurements of industrial facilities, when authorized, are required to be made under facility contracts and normally are not subject to allowance of profit or fee. Procurements of special tooling, however, are generally made under the related production contracts and are subject to profit or fee

consideration. We found that a contractor had acquired, under various cost-plus-a-fixed-fee contracts with the Air Force and Navy rather than under no-fee facility contracts, about $1.5 million worth of test equipment. In a report submitted in July 1963, we stated that, if the equipment had been appropriately identified and described, it would have been classified as industrial facilities, deleted from the fee-bearing contracts, and acquired under the contractor's no-fee facility contracts. We estimated that a proportionate reduction in the contractor's fees would have amounted to about $289,000. We brought our findings to the attention of the contractor and of the Air Force and the Navy and, prior to the completion of our review, the Navy recovered $16,852 of the unwarranted fees.

We recommended that the Secretary of Defense provide in procurement regulations and instructions a clear and unequivocal basis for identifying and classifying as industrial facilities those significant items of general-purpose test equipment which are not limited to use in production of supplies peculiar to the needs of the Government. We recommended also that the Secretary of Defense take such action as may be necessary to effect an equitable adjustment in fees allowed the contractor where such fees include amounts attributable to the procurement of industrial facilities.

On October 3, 1963, the Deputy Assistant Secretary of Defense (Procurement) informed us that a proposed revision of the Armed Services Procurement Regulation includes a new definition of special tooling and special test equipment which, together with related policy treatment of such property, will provide the necessary criteria and procedure for identifying general or multipurpose test equipment as facilities rather than as special tooling or special test equipment. The Deputy Assistant Secretary stated also that the Air Force was reexamining the entire area of policies, procedures, and industry practices on acquiring, classifying, and controlling special tooling and that the issue of seeking equitable adjustments will be considered as information develops in the course of the project. As of June 30, 1964, this matter was still being studied.

Air Travel Policies of Certain Contractors Still Permit Uneconomical Use of First Class Accommodations

In August 1963, we submitted a report on our followup review of the air travel policies of selected defense contractors. Our findings in the earlier review, reported to the Congress in June 1961, indicated a potential for savings to the Government of millions of dollars annually through greater use by contractors of accommodations less costly than first class. In response to our recommendations in the report on that review, the Department of Defense urged its contractors to adopt policies to assure the use of accommodations less costly than first class wherever feasible.

Our followup review, to determine the extent of the application of the policy urged by the Department of Defense, covered the air travel policies and practices of 20 defense contractors. We found that, although substantial savings were being achieved, certain policies and practices of nine of the contractors resulted in continued uneconomical use of first class air accommodations. These practices included (1) travel, by a major aircraft manufacturer, on customer airlines regardless of availability of less costly accommodations, (2) blanket authorization of first class travel on propeller-driven aircraft, including prop-jet service, (3) unrestricted use of first class travel on flights taken after business hours, (4) exclusion of a group of contractor employees from the economical air travel policy, and (5) failure to effectively enforce the economical air travel policy. In bringing these findings to the attention of the Department of Defense, we pointed out that if the practices disclosed by our review were allowed to continue, other contractors might consider the practices permissible and establish their policies accordingly. We suggested that the Department of Defense provide closer surveillance over the air travel practices of defense contractors and disallow any unreasonable air travel costs included in contract prices to the extent that contractors had not exercised due care in expenditures to be reimbursed by the Government. On November 15, 1963, the "Armed Services Procurement Regulation" was revised to provide for the disallowance, under certain circumstances, of the difference in cost between first class and less than first class air accommodations.

Department of Defense—Other Activities

PREMATURE VOLUME PRODUCTION AND PROCUREMENT OF NEW TYPES OF EQUIPMENT AND SYSTEMS

Our reviews of the development and procurement of new types of equipment and systems, such as missiles, aircraft, a naval radio research station, and various types of supporting equipment, disclosed weaknesses in the management of the programs. We found that hundreds of millions of dollars were committed to volume production or construction of items without reasonable assurance that known problems and deficiencies, revealed in the developmental and test stages, could be solved and that the items would have the required performance characteristics. Furthermore, when it became obvious that a program should be curtailed or canceled, because the problems could not be solved and the deficiencies could not be corrected, such action was not taken promptly.

Missile System

In February 1964, we submitted two reports on our review of the development, procurement, and deployment of an Army missile system: a detailed report ("Secret") and a summary report (unclassified). We stated in the unclassified report that the Army spent about $300 million for the development and production of a missile system which had not met the required performance characteristics and had not improved the Army's capabilities. The system was an unsatisfactory weapon because of its unreliable accuracy and because of the tactical problems related to unusually stringent maintenance requirements and a high degree of susceptibility to electronic interference. Because of these deficiencies the tactical units, to which the system was deployed, requested existing older weapons as replacement of the system.

The unsatisfactory characteristics of the weapon were known at the points in time when the Army ordered successively in-

creasing quantities of the weapon. At least $100 million, of the $300 million spent for the missile system, was a clear waste of funds. This amount represents the cost of missiles and related equipment procured for issue to the troops after it became known that the weapon was unsuitable for tactical use. A substantial but undetermined portion of the remaining $200 million spent for the system was also wasted.

The failure of this program and the resulting waste of funds were caused by fundamental deficiencies in the Army's management of the program, namely the lack of effective methods for gathering and considering available and essential information, for relating such information to program objectives, and for assuring that program decisions further these objectives by specifying minimum results to be obtained. Accordingly, we recommended to the Secretary of Defense that the management control of weapon systems programs be strengthened by improvements in the decisionmaking processes to provide for closer accountability for program decisions and program actions.

On April 13, 1964, the Director of Defense Research and Engineering outlined to us certain projects which had been put into effect to improve management control of weapon system programs. He stated also that the Secretary of Defense had directed that a Defense Weapons Systems Management School be established.

Aircraft

The Navy's P6M seaplane program was begun in 1951 to fulfill a need for a fast jet-powered seaplane for laying mines. Because of delays, increased costs, and unexpected difficulties with the aircraft, the program was terminated in 1959 without having produced a single serviceable aircraft. In our report submitted in March 1964, we stated that about $445 million was spent on the program: $236 million for development, engineering, and fabrication of experimental and prototype aircraft and $209 million for 24 production aircraft. At the time the contracts for the 24 production aircraft and for related supporting items were awarded, it was known that serious problems had developed in the prototype aircraft and that the problems had not been solved.

In commenting on our findings and conclusions, the Navy conceded that the problems were serious, that their solution was uncertain, and that considerable risk was taken in proceeding with production. Nevertheless the Navy expressed the belief that its decision to proceed with production, until termination of the program in August 1959, was appropriate in the light of the then existing situation. The Navy acknowledged, however, that, on the basis of a current assessment, it should have terminated the program at an earlier date. The Navy agreed with our proposal that, in the future, costly quantity production of new weapon systems not be authorized until the contractor has given adequate evidence that a satisfactory operational product has been developed.

Naval Radio Research Station ("Big Dish")

The Naval Radio Research Station, Sugar Grove, W. Va., was conceived as a project for detecting radio emanations from outer space by means of a large steerable radio telescope. The project, commonly referred to as the Big Dish, was subsequently canceled. As of March 11, 1964, the Navy estimated that the total expenditures for the project, including contract termination claims not yet settled, would amount to about $63 million.

The Chairman, Subcommittee on Reorganization and International Organizations, Senate Committee on Government Operations, requested that we examine into certain aspects of the project. Our findings in response to the request were reported to the chairman in July 1963. However, in view of the significance of the facts disclosed in our review and the concern expressed by the Congress in appropriation hearings on budget requests for the Big Dish project, we presented our findings in a report submitted to the Congress in April 1964.

Unnecessary costs were incurred in the construction and cancellation of the radio telescope and related facilities because of the decision to concurrently design and construct the project, to meet what was stated to be an urgent military need, and the delay by the Department of Defense of almost 2 years in reaching its decision that the project should be canceled. The project was canceled in July 1962 after a comprehensive scientific and engineering review and evaluation had been made of the

utility, capability, and estimated costs of the project. Two of the factors that led to the decision to cancel the project were the decrease in the potential usefulness of the Big Dish because of other scientific advances and the constant increase in the estimates of total costs which had reached the range of $200 to $300 million. We believe that, if a similar review had been made in 1960, the project would have been canceled almost 2 years earlier and a significant portion of the $52 million paid or payable after fiscal year 1960 would have been saved.

Radio Transmitters

The Navy purchased about 1,100 militarily developed radio transmitters during the period June 1958 to July 1962. During the period of these purchases, the Navy was aware that a commercially developed radio transceiver, with practically equal operational capabilities, was available at less than one-half the cost. In our report submitted in May 1964, we pointed out that the 1,100 militarily developed communication systems cost about $29 million more than an equal number of the available commercially developed systems. Furthermore, at the time of our review, the Navy had plans for future purchases of 768 additional militarily developed systems which, if carried out, could result in costs of as much as $20 million more than the costs of the same number of the less expensive systems.

The militarily developed systems possessed greater power. The Navy believed that this factor represented an advantage that outweighed the additional cost. However, in reaching this conclusion, the Navy apparently disregarded the results of comparative tests of the two systems and the experience of the fleet under actual operating conditions. These showed that the advantage was largely theoretical and that as a practical matter there was no significant difference in the capabilities of the two systems.

In response to our findings, the Navy restated its original position that military necessity required the more expensive system because its higher power output rating would give reasonable assurance that communication requirements would be met under many adverse conditions. Inasmuch as the Navy's tests and fleet experience failed to support this position,

we recommended that the Secretary of Defense appoint a panel of technically qualified personnel to make an independent and objective evaluation of the relative capabilities of the two systems and determine which of them should be procured. The Department of Defense has informed us that neither of the systems will be procured in the future. The Department informed us further that as a result of our review of this matter the last procurement of one of the systems was made on a competitive basis and savings of about $900,000 were realized.

Rocket Handling Units

The Army designed and developed a new and more expensive trailer for handling the *Honest John* rocket and procured a quantity of them at a cost of about $10.4 million. The new trailer was intended to be an improvement over an existing trailer. However, because of design limitations, the new trailer did not represent an improvement over the existing one. In our report submitted in March 1964, we stated that information as to the design limitations was available at the time of procurement. Had the Army acted on this information and procured the type of trailer already in use it could have avoided incurring unnecessary costs of about $7.4 million representing the difference between the cost of the new trailers ($10.4 million) and the cost of an equal quantity of the existing trailers ($3 million). The Secretary of the Army agreed with our recommendation that continuous surveillance be maintained over future development and procurement programs and periodic evaluation reports be made which place emphasis on unsolved problems and performance deficiencies.

Radiation Measuring Instruments

In a report submitted in December 1963, we stated that the Army undertook volume procurement of a newly developed radiation measuring instrument (radiacmeter) even though tests performed on the experimental models showed that the instrument was inaccurate and had other deficiencies which made it unsuitable for its intended purpose. A series of five production contracts were awarded for a total of 59,776 instruments at a cost of about $2.9 million despite continuing evidence that the deficiencies had not been corrected. At the time of our review,

the 10,800 instruments produced under the first production contract, at a cost of about $606,000 had been scrapped; the units produced under the second and third contracts had been modified, at a cost of about $663,000 for rework, but had not yet been field tested; and production under the fourth and fifth contracts had been suspended pending a technical investigation of the deficiencies. The suspension of production will result in additional costs of about $200,000.

These unnecessary costs were incurred because responsible Army officials (1) were overly optimistic that deficiencies identified in tests of experimental model radiacmeters could be corrected in production despite a recommendation by the using organization not to enter into volume production until deficiencies were corrected, (2) accepted preproduction and initial production models and approved volume production without adequate and timely coordination of test data between the using organization and the engineering and procurement agencies, (3) awarded additional production contracts even though previously identified deficiencies had not been corrected, and (4) generally did not exercise their personal responsibilities to assure that Government funds were expended properly. We recommended to the Secretary of the Army that (1) those cases where supply management officials, because of the urgency of requirements for equipment, elect to overrule the recommendations of the using forces with respect to performance of the equipment and elect to enter into production before all known deficiencies are corrected be referred to the Assistant Secretary of the Army (Installations and Logistics) for his approval, (2) in the investigation of the specific causes for the deficiencies in the radiacmeters, the Department of the Army determine, and advise us, whether the deficiencies resulted from the contractors' production practices or from the Government's design specifications, and (3) consideration be given to taking disciplinary measures against management officials whose actions in this matter were not prudent. We have been informed subsequently that action is being taken in accord with our recommendation.

Radar Altimeters

The Navy spent about $1.1 million for the design, development, and limited-quantity production of a radar altimeter

which proved to be of no value to the Navy. In our report submitted in August 1963, we pointed out that the altimeter was designed to operate in a frequency band which was not suitable for operational purposes and had not been authorized by the Director of Naval Communications. After a suitable frequency band had been selected and authorized, it became necessary to completely redesign the item. The contractor stated that the redesign changes were so extensive that the experience gained under the original design and development contracts was of little or no value. We proposed, and the Navy concurred, that the Office of Naval Material be in possession of written approval by the Director of Naval Communications before it approves any contracts for electronic equipment using frequency bands.

UNECONOMICAL AND INEFFICIENT MAINTENANCE, REPAIR, AND OVERHAUL OPERATIONS

During fiscal year 1964 we submitted to the Congress 14 reports on our reviews of maintenance, repair, and overhaul operations of the military departments. Most of the deficiencies identified in the operations were attributable to a lack of training and supervision of personnel, failure to follow existing procedures, and the failure of higher responsible officials to make periodic reviews of the manner in which the work was being performed and to evaluate the condition of the equipment subjected to maintenance, repair, or overhaul. The principal findings contained in the reports are presented below.

Aircraft

We found instances of unnecessary costs incurred because of uneconomical use of parts kits in overhaul operations and failure to furnish repair parts to overhaul contractors. Equally important we found also instances of impaired combat readiness because the aircraft assigned to the combat units were not maintained effectively.

1. *Uneconomical use of parts kits.*—In a report submitted in July 1963, we stated that millions of dollars of unnecessary costs had been incurred by the Air Force because insufficient management attention had been devoted to the use being made

of repair parts kits in the repair and overhaul of aircraft. As a consequence, kits were procured which contained a great many parts that were not used, or were used only rarely, in the repair and overhaul operations. Most of the new unused material was disposed of as scrap along with the used parts that had been replaced. We analyzed the volume and cost of the unused parts from 1,527 individual repair kits, representing 144 different types of kits in use at 4 overhaul centers at the time of our review. Although our review covered only a small part of the total kits bought and used at these four locations, we had no reason to believe that the results of our tests were not representative of conditions with respect to all kits. A projection of the results of our tests indicated that the cost of kit parts procured unnecessarily during fiscal year 1962 at these locations exceeded $10 million. Other unnecessary costs were also incurred because kits had been used to support certain types of overhaul activities in which their use was neither logical nor economical.

The basic weakness in the kit policies and regulations was that the criteria prescribed for determining which parts would be included in repair kits were unrealistic. This was compounded by the failure of the regulations to provide for periodic analysis of actual usage experience with kits so that the kit contents and packaging could be revised to suit the needs of the overhaul activities. When our findings were brought to the attention of the Air Force, a reevaluation of the existing kit policies was promptly undertaken, and significant revisions were made in the regulations and procedures affecting the use of depot repair kits.

The Departments of the Army and the Navy also have significant programs involving overhaul of aircraft and other types of equipment. A preliminary review in the Navy disclosed that the Navy policies and regulations relative to repair kits were essentially the same as those used by the Air Force prior to our review.

Accordingly, we recommended that the Secretary of Defense direct that a review be made of the use of repair kits in both the Army and the Navy and requested that we be advised of the results of that review. The Acting Assistant Secretary of

Defense (Installations and Logistics) informed us on March 23, 1964, that the Army and the Navy had completed such reviews and had made appropriate revisions in their policies and regulations.

2. *Failure to furnish repair parts to overhaul contractor.*—A contract for the overhaul of helicopter engines provided that certain of the parts needed in the performance of the contract would be Government-furnished material. However, the Army failed to furnish the parts on a timely basis and the contractor was therefore unable to meet the delivery schedules. The failure was attributable to a lack of coordination among responsible officials of the Army Aviation Materiel Command. Delays in delivery ranged from 7 months to 1 year. In a report submitted in June 1964, we pointed out that, because of these delays, the 22 helicopters assigned to the United States Army Aviation School, Fort Rucker, Ala., were grounded about 60 percent of the time for lack of serviceable engines. As a consequence, many training courses were either canceled or curtailed in fiscal years 1962 and 1963. The Army concurred in our proposals for coordination between materiel management and procurement personnel of the Army Aviation Materiel Command.

3. *Inadequate maintenance.*—Our review of the combat readiness of the armored divisions at Fort Hood, Tex., revealed that the aircraft were not adequately maintained and, to the extent that aircraft are used in combat, the combat readiness of the divisions was impaired. As stated in our report submitted in June 1964, most of the aircraft of the 1st Armored Division required extensive maintenance at the time of the preparations for emergency deployment during the Cuban crisis. Deployment occurred intermittently over a 26-day period and not all of the maintenance was performed before deployment. The aircraft of the 2d Armored Division were in similar condition. The factors contributing to the unsatisfactory condition of the aircraft included (a) failure to follow prescribed procedures in performing daily inspections, (b) lack of adequate training and qualifications of the personnel assigned to inspection and maintenance operations, (c) failure to take timely action after the need for maintenance became apparent, and (d) lack of

repair parts. We proposed to the Army certain corrective measures. The Army considered the measures to be generally sound and informed us that directives to implement the proposals had been issued.

Combat and Combat-Support Vehicles

Our review of maintenance, repair, and overhaul of combat and combat-support vehicles, as in the case of aircraft, showed that because of inefficient practices combat readiness was impaired. We found also that unnecessary costs were being incurred.

1. *Uneconomical rebuild of track for tanks.*—The Government incurred unnecessary costs of about $7.2 million because the Army rebuilt used track for tanks instead of procuring new track. In a report submitted in June 1961, we stated that the Army had overlooked the fact that the low-grade steel in the used track precluded economical rebuild of the track. When the rebuilt track was installed in tanks it failed prematurely, creating safety hazards to personnel and impairing the combat effectiveness of the Army. In many instances the rebuilt track failed after less than 500 miles of service as compared with the life expectancy for new track of at least 1,500 miles. We estimated that the Army could have procured a substantially lesser quantity of new track and obtained at a cost of about $5.3 million the same total mileage that it obtained from the track that was rebuilt at a cost of about $12.5 million. In conformance with our recommendation the Secretary of Defense agreed to bring our report to the attention of appropriate officials in the military departments to emphasize the importance of determining relative costs of rebuild and new procurement.

2. *Inadequate maintenance.*—During preparation for deployment to Berlin in the fall of 1961, most of the combat and combat-support vehicles of the 3d Armored Cavalry Regiment, a Strategic Army Corps Unit, were out of commission and were not made completely battle ready after 18 days of intensive effort. In our report submitted in July 1963, we stated that the vehicles had been in poor condition as far back as 1959. This resulted from inefficient inspection practices and from failure to maintain stocks of repair parts at adequate levels. Further-

more, the system of reporting had indicated to higher authority a much better situation as to the readiness of the vehicles than actually prevailed. The Army agreed that the combat-support vehicles of the 3d Armored Cavalry Regiment were not in as high a state of combat readiness as was desirable, but stated that the unit was equipped with "combat serviceable" vehicles when deployed. The Army also recognized that problems existed and cited several Army regulations and current programs for improvement in procedures and practices.

We found unsatisfactory conditions in the Marine Corps also. In October 1963 we submitted a report on our review of combat vehicles and other combat equipment assigned to the 3d Marine Division (Reinforced), Okinawa. We found that large quantities of combat equipment had been out of service for extended periods in fiscal year 1962. The unsatisfactory condition of the equipment was attributable to inadequate emphasis on maintenance and to shortages of needed repair parts. We found also that the quarterly reports on combat readiness, submitted by the division to higher headquarters, did not contain sufficient information for the proper evaluation of the condition of the equipment. We returned to Okinawa after we had informally brought our findings and proposals for corrective action to the attention of the Marine Corps and the Department of Defense and had been informed of the actions the Marine Corps had taken or planned to take. Our follow-up showed that the division's equipment and material readiness had improved substantially.

In a report submitted in June 1964 we disclosed that deficiencies in the supply management of repair parts had caused a high deadline rate of essential equipment representing an investment of over $30 million. Repair parts that, because of frequent demand, should have been stocked at the using unit level had not been authorized for stockage; about one-third of the repair parts requisitioned by using units were not stocked by their direct support units although, based on past demand, they should have been; unserviceable repair parts and components were not repaired on a timely basis by the oversea supply depots; and known shortages of repair parts were not given prompt attention by oversea supply depots.

The supply deficiencies not only contributed to a high nonoperational rate because of shortage of repair parts but resulted also in an accumulation of stocks, for which there was little or no demand at the oversea location, which were needed to meet requirements elsewhere. We recommended and the Army agreed that the Chief of Staff of the U.S. Army institute periodic and continuing reviews of the adequacy of the functioning of all units, involved in the supply support of the air defense system discussed in our report, and that the inspections be formal and in depth and be used as a basis for corrective action.

Communication and Electronic Equipment

We found that the capability of certain units of the U.S. 8th Army in Korea to perform sustained combat was seriously impaired because significant quantities of essential communication and electronic equipment were inoperable. In our report submitted in April 1964, we stated that some of the equipment had been inoperable for periods as long as 150 days. This condition existed because (1) personnel responsible for maintenance operations had failed to stock adequate quantities of repair parts, (2) maintenance personnel were misassigned and were lax in performing their duties, and (3) unit commanders were not sufficiently aggressive in correcting known deficiencies in the maintenance operations. In response to our findings and proposals for corrective action, the Department of the Army informed us of the measures being instituted by the 8th Army. These included (1) unannounced maintenance management inspections, (2) aggressive followup of deficiencies identified during the inspections, (3) unannounced alerts to test operational readiness, and (4) reassignment of military personnel not properly carrying out their assigned functions.

INEFFICIENT UTILIZATION OF MILITARY AND CIVILIAN MANPOWER

We submitted to the Congress eight reports on our reviews of several aspects of manpower utilization by the military departments. The reports presented our findings of inefficient and uneconomical use of military and civilian personnel.

Reserve Recovery Squadrons of the Air Force

The Reserve recovery squadrons were established at civilian airports as a part of the Air Force Reserve Forces to carry out certain missions in the postattack period: namely, to recover aircraft and aircrews unable to land at their home bases by providing them with ground support, and to assist in regrouping, and evacuation of Air Force residual resources after an enemy attack. In January 1964 we submitted a "Secret" report on our review of the planning of the program and the utilization of personnel assigned to the program. The following comments were selected from the unclassified matters discussed in the report.

The Air Force established 200 such squadrons at various airports in the United States. The selection of the airports was made before ascertaining the needs of the major Air Force commands which the squadrons were intended to serve. As a result, the airports selected for over 100 of the squadrons reduced the squadrons to a doubtful usefulness in the event of an emergency. These airports (1) are located in areas of high vulnerability to enemy attack, have inadequate facilities, or otherwise do not meet requirements, (2) are at unreasonably long distances from the home cities of the units thus reducing the units' capabilities to react quickly in the event of an emergency, or (3) are already occupied by military units capable of performing the mission assigned to the squadrons. Unless the Air Force can find some way of effectively using these squadrons, more than half of some $30 million appropriated to date for the Reserve recovery program will have been largely wasted.

We found also that the premature establishment of squadrons brought about the development of manning tables that were not based on the actual needs of the major using commands. As a consequence, the manning tables may include positions that are not likely to be necessary during periods of emergency. To the extent that unneeded positions are filled or will be filled, the costs of drill pay and other expenses involved in training these personnel are largely wasted.

We therefore recommended that the Secretary of Defense consider for immediate inactivation those Air Force Reserve re-

covery squadrons for which there is no foreseeable need and that further inactivations be made as necessary upon completion of a study being made by the Air Force. Since the Air Force has for more than a year been seeking ways to support retention of improperly located squadrons, we recommended further that the Secretary of Defense require the Air Force to fully document the need and justification for any new missions proposed for these squadrons.

Also, inasmuch as planning for survival in the event of an enemy attack would concern the Army and Navy as well as the Air Force, and duplicating or overlapping capabilities may develop both within and among the military services, we recommended and the Secretary of Defense agreed that the Joint Chiefs of Staff should review the Air Force survival plans in conjunction with the plans of the other military services. This review should include consideration, on a location-by-location basis, of not only the capability of Air Force Reserve recovery squadrons to perform their missions, but also whether the existing capability of Air National Guard, Army, Navy and Marine units at the designated airports can be used to handle the Air Force dispersal and recovery missions.

Subsequently the Air Force announced that, beginning on July 1, 1964, 91 of the Reserve recovery squadrons would be inactivated.

Trained Enlisted Army Personnel

We reviewed the Army's utilization of its trained enlisted personnel and presented our findings in a report submitted in April 1964. We found that about 35,000 of such personnel were not utilized in duties commensurate with their military or civilian training and experience. The training which the 35,000 men had received at a cost of about $48 million was being wasted. This condition stemmed primarily from the fact that (1) assignments of enlisted personnel to installations were made on the basis of data that did not accurately reflect the true needs of those installations and (2) installation commanders were permitted to utilize the personnel assigned to them in any duties they deemed appropriate. The Army advised us that the rate of misassignments disclosed by our review was consistent with

its own findings but that it did not consider the rate (about 4 percent) to be excessive. We expressed the belief that the rate could be reduced through more effective controls and cited the Air Force, whose controls were more effective and the rate of misassignments was significantly lower than those of the Army, as an example. Accordingly, we recommended that the Secretary of the Army (1) revise current regulations to preclude installation commanders from changing the primary occupational specialty of enlisted personnel without obtaining authorization from higher commands on the basis of clear justification, and (2) require installation commanders to report to higher commands all enlisted personnel who are not being utilized in their primary military occupational specialties. The Secretary of the Army did not concur in our recommendation but informed us that other actions were being taken to improve the effectiveness of controls over personnel.

Unqualified Enlisted Navy Personnel

We pointed out in a report submitted in February 1964, that the Navy did not adequately screen applicants for the Regular and Reserve Forces to determine whether they were mentally qualified to absorb naval training. Tests and examinations to measure mental qualifications and learning ability were given after the applicants had been accepted for enlistment and had commenced active duty. In calendar year 1962 the Navy discharged about 1,900 Regular and Reserve recruits while undergoing basic training because the Navy found that they lacked the necessary mental capacity or the ability to absorb training. The Navy estimated that it expended about $1.2 million on these 1,900 recruits.

The Navy took certain steps during our review to strengthen the preenlistment mental screening of its Regular and Reserve applicants.

Public Information Offices

During the last half of fiscal year 1963, there were approximately 450 persons engaged in public information activities, in the Office of the Assistant Secretary of Defense (Public Affairs) and in the public information offices at the headquarters level

of military departments, at a total cost of about $3.8 million annually. We pointed out in a report submitted in April 1964, that consolidation of these activities under a single defense organization would permit improved distribution of workload and more efficient utilization of personnel and would save about $1 million annually.

On May 16, 1964, the Assistant Secretary of Defense (Public Affairs) informed us that the Secretary of Defense had approved the consolidation of public information functions relating to liaison with magazine and book media, with national organizations, and with industry, and that consolidation of other functions was under study.

Supply Management at the Atlantic Missile Range

The Atlantic Missile Range provides facilities and support for missile and space programs conducted by the Air Force, Army, Navy, and National Aeronautics and Space Administration. Each of these agencies has one or more contractors who also use the range in connection with tests and development of missiles and space vehicles. Many of the users of the range operate their own supply organizations. At the time of our review there were 22 separate supply organizations at the range. In a report submitted in March 1964, we stated that, if a single organization were assigned management responsibility for all supply items except those peculiar to the needs of individual contractors using the range, the annual administrative costs of $7.5 million, incurred by the 22 separate organizations, could be reduced by more than $1 million principally by reduction in personnel. Additional significant savings would likely accrue from a consolidation of supply requirements of all organizations which would permit the lowering of stock levels and a consequent reduction in funds invested in inventories. Reductions in inventories and their management by a single organization should, in turn, minimize the accumulation of excess stocks and result in more economical utilization of available storage facilities and in reduction in the cost of supporting equipment, maintenance, and utilities. We therefore recommended that the Secretary of Defense designate a single organization to provide supply support to all organizations at the Atlantic Missile Range and take

action to effect the consolidation of all supply activities at the range. The Secretary of Defense agreed in principle with the recommendation.

Military Maintenance Personnel

In a report submitted in May 1961, we stated that aircraft mechanics of the 101st Airborne Division, Fort Campbell, Ky., were deprived of experience and training essential to the accomplishment of the unit's mission because they were assigned duties unrelated to their primary qualifications. Most of the aircraft maintenance work which they could have and should have performed was performed by a commercial contractor at a cost of about $237,000 annually. The Army agreed with our proposal that (1) action be taken to assure that military maintenance companies perform at maximum capability and (2) a review be made of maintenance contracts, at Fort Campbell and at other installations, with a view of eliminating unnecessary contracts.

Contractor-furnished Personnel

We found that certain technical services needed by the Ground Electronics Engineering Installation Agency at the Fuchu Air Force Base, Japan, were being performed by contractor-furnished personnel at higher cost than if the services were performed by Government personnel. In our report submitted in March 1964, we stated that the estimated additional cost was about $230,000 in fiscal year 1963. The Air Force did not agree with our conclusion that it would be more economical to use civil service employees, in the positions occupied by contractor-furnished employees, and furnished us cost estimates on which it based its position. Our analysis of these cost estimates did not change our conclusion. Accordingly, we recommended to the Secretary of Defense that the Air Force undertake measures to assure conversion of contract positions to civil service positions wherever and whenever practicable.

On June 4, 1964, we were informed by the Office of the Assistant Secretary of the Air Force (Installations and Logistics) that a special review was being conducted at all levels of the Ground

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Electronics Engineering Installation Agency to insure full understanding and compliance with existing policy relating to use of contractor-furnished personnel.

UNNECESSARY COSTS RESULTING FROM FAILURE TO PURCHASE AUTOMATIC DATA PROCESSING EQUIPMENT

The use of automatic data processing systems in Federal Government operations is expanding and the related costs are becoming increasingly significant. Because of these factors, we are conducting continuing reviews of specific systems in Federal agencies and studies of related management problems. Our overall findings, conclusions, and recommendations are discussed in Chapter Three, "Assistance to the Agencies," beginning on page 49.

In the Department of Defense, which is the largest user of automatic data processing equipment in the Federal Government, our efforts during the fiscal year were directed primarily toward reviews of the effect on costs to the Government of the practice of leasing rather than purchasing such equipment. These reviews included Government-leased equipment in selected military installations and contractor-leased equipment in plants or offices of selected defense contractors engaged solely or predominantly in work for the Government under negotiated contracts. We found that in most instances the practice of leasing, rather than purchasing, resulted in additional costs to the Government.

Leased by the Government

Our reviews at selected military installations which were using leased automatic data processing equipment disclosed that this method of procurement of the equipment installed at those installations was substantially more costly to the Government than procurement by purchase. In several instances, the military departments purchased the leased equipment prior to completion of our review at that installation. One such instance which we reported in December 1963 involved the leased equipment installed at the Kirtland Air Force Base, N. Mex. The Air Force purchased the equipment as of July 1, 1963. We

estimated that the purchase would result in savings of about $1.78 million in the first 3 years and about a million dollars each year the equipment is used thereafter. Another instance which we reported in June 1964 involved the leased equipment installed at the Army Finance Center, Indianapolis, Ind. The Army purchased the equipment in February 1964. We estimated that the purchase would result in savings of about $1.15 million in the first 5 years and about $485,000 each year the equipment is used thereafter.

In response to our reports, the Department of Defense advised us that it had made its own study for the purpose of evaluating the financial advantages of purchasing the automatic data processing equipment it was leasing. Following the study, the Department purchased at a cost of about $200 million some of the equipment which theretofore was leased. We estimated that purchase of the equipment would result in savings of about $282 million over a 10-year period.

Leased by Defense Contractors

During the year we submitted 10 reports on our reviews, conducted at plants and offices of selected contractors which were leasing automatic data processing equipment primarily for use in performance of Government contracts, of the costs to lease as compared with costs to purchase such equipment. The reports presented our findings that leasing by these contractors resulted in greater costs to the Government, in the form of reimbursable costs and as elements of contract prices, than would have been incurred if the Government had purchased the equipment and furnished it to the contractors for use on Government work. We estimated that, with respect to the leased equipment installed in the plants and offices of these contractors at the time of our review, the costs being incurred by the Government would exceed purchase costs by about $18 million over a 5-year period. Furthermore, the Government would not own the equipment at the end of that period and would continue to bear rental costs for further use.

In our reports on these reviews we recommended that the Secretary of Defense consider either purchasing the leased equipment we identified or limiting the amounts the contractors

are permitted to charge to Government contracts to an appropriate allocation of the cost of ownership. We have been advised that the military departments have initiated studies to reappraise leases of automatic data processing equipment of Government contractors and that, upon completion of the studies, the Department of Defense will take the necessary action to realize financial savings that may be available. We have been further advised that the Department of Defense is considering a revision of the "Armed Services Procurement Regulation" that will, under certain conditions, limit reimbursement of lease costs to the equivalent of contractor ownership costs.

WEAKNESSES IN ADMINISTRATION OF MILITARY PAY AND ALLOWANCES

The accounts of military disbursing officers are examined on a continuing basis by our audit staffs at the four military finance centers located at Indianapolis (Army), Cleveland (Navy), Denver (Air Force), and Washington, D.C. (Marine Corps). In addition, at selected military installations, we make on-site reviews of the management controls and of the procedures and practices followed in maintaining the records and preparing the documents which support the accounts of the disbursing officers. The scope of our examinations includes a review of the internal audits made by the military departments at the installations and at the finance centers, and consideration of the findings disclosed in internal audit reports. Erroneous or illegal payments of military pay and allowances and our suggestions for corrective measures to preclude recurrence are continually being reported to and discussed with the military departments. However, overpayments continue in significant amounts despite the attempts at corrective efforts by the military departments. It is our opinion that the administration of military pay and allowances will not be improved significantly until legislation is obtained which will simplify the present complex laws that must be considered in determining the proper entitlements of a member of the Armed Forces.

During the fiscal year 1964 we submitted to the Congress 15 reports on our reviews of various aspects of operations relating to military pay and allowances. The principal findings selected from those reports are presented below.

Temporary Duty Assignments

Our review of the Navy's administration of temporary duty assignments disclosed practices which resulted in millions of dollars of unnecessary per diem payments to military personnel. Our findings, presented below, were discussed in three reports submitted to the Congress during the year.

1. *Prospective crewmembers on temporary duty during submarine construction.*—The Navy assigned prospective crews of nuclear-powered submarines to construction sites for the purpose of observing and familiarizing themselves with construction details during the construction period, checking technical drawings and instruction manuals relating to the equipment being installed, and acting as additional inspectors to assure proper installation and functioning of the equipment. The crewmembers were assigned under temporary duty orders and were paid per diem. We found that in the period March 1959 to October 1963 the Government incurred unnecessary costs of about $6.1 million in per diem payments because the crewmembers had been placed on temporary duty rather than permanent duty at the construction sites. As pointed out in our report submitted in March 1964, it was known at the time the crewmembers were placed on temporary duty that (a) the duty at the particular shipyard sites would be for extended periods, (b) the crewmembers could, and in fact did, live under permanent-type duty conditions, and (c) the crewmembers would not, and did not, incur extra living expenses. We proposed to the Secretary of Defense that the Navy be directed to assign prospective crewmembers to construction sites under permanent-duty orders when the duty would exceed a reasonable period. The Department of Defense agreed and advised us that the Navy was taking the necessary action. The Navy's action should result in a saving of about $9.2 million in per diem payments to prospective crews of nuclear-powered submarines under contract at the time of our review.

2. *Personnel reporting early for temporary duty.*—In a report submitted in March 1964, we stated that the Navy was making unnecessary per diem payments of about $600,000 annually to military personnel who reported to temporary duty stations prior to the dates the temporary duty was scheduled to begin. We found (a) that personnel who had been authorized to take leave prior to the temporary duty did not take the leave and elected, instead, to report early, and (b) that some order-issuing commands had established reporting dates that were in advance of the dates the temporary duty was scheduled to start. We recommended that the Secretary of the Navy issue definitive instructions and guidelines which will provide for uniform implementation of Department of Defense policy relating to payment of per diem for early reporting at temporary duty stations. On May 18, 1964, the Assistant Secretary of Defense (Manpower) replied to our report and informed us that the Navy was developing instructions to meet the objectives of our recommendation.

3. *Illegal payments to personnel on temporary duty.*—We found that military personnel of the Navy and the Marine Corps, serving as military inspection representatives at plants of Japanese contractors in Tokyo and Osaka, Japan, had been placed on temporary rather than permanent duty although they had been assigned to the same locations for continuous periods of up to almost 4 years. In our report submitted in October 1963 we stated that these personnel were improperly placed on temporary duty and that the per diem received by them in that status was illegally paid by the Navy. We identified about $265,000 of such payments made to 40 inspectors in the period July 1, 1959 to June 30, 1962. Of this amount, the unnecessary cost to the Government was about $203,000 since the Navy would have paid the inspectors allowances of about $62,000 had they been placed on permanent duty. After we brought our findings to its attention, the Navy placed the inspectors on permanent duty and revised its instructions to clearly prohibit consecutive periods of temporary duty at the same station. However, the Navy did not agree with our proposal that the illegal payments be recovered from the individuals involved.

The Navy stated that it recognized the dictum that no one may retain that to which he is not entitled, but felt that recovery action was unconscionable since competent officials had administratively misinterpreted the spirit of the "Joint Travel Regulations" although they had complied with the letter of the law. Contrary to the Navy's view, the record shows that the Navy did not comply with the law. Accordingly, we issued formal exceptions against the accounts of the disbursing officers who made the illegal payments. We advised the disbursing officers that the amounts of the exceptions may be reduced by the permanent duty allowances to which the inspectors would otherwise have been entitled.

Payments to Reserve Officers on Annual Active Duty Training

Naval Reserve officers on annual active duty training were paid for days on which no training or necessary travel was performed. We found instances where officers traveled by privately owned automobiles and were paid for up to 5 days' travel time in excess of that which would have been required by air common carrier. We found also that officers residing within commuting distance of their active duty training sites were unnecessarily required to report the day before training started and were not released promptly after training was completed. In our report submitted in September 1963, we stated that these practices resulted in unnecessary costs to the Government of as much as $600,000 a year.

We extended our review to the Army and the Air Force and found similar practices with respect to pay and allowances of Army and Air Force Reserve officers on annual active duty training. In our report submitted in May 1964, we stated that the practices of the Army and the Air Force resulted in unnecessary payments totaling about $620,000 in fiscal year 1963.

In response to our findings and recommendations, the Department of Defense instructed the military departments to revise their regulations so as to preclude unnecessary payments of the type disclosed in our review. The military departments have revised their regulations pursuant to the instruction.

Shipment and Storage of Household Goods for Military Personnel

In a report submitted in December 1963, we pointed out that the Government was incurring unnecessary costs of about $1.2 million annually because shipments of household goods arriving at servicemen's new duty stations were placed in temporary storage even though Government quarters or civilian housing were available when the shipments arrived. We proposed to the Department of Defense certain specific measures to improve coordination among transportation officers, housing officers, and service personnel in order to minimize unnecessary storage of household goods. The Department of Defense advised us that instructions were being issued in conformity with our proposals.

In another report, submitted in March 1964, we pointed out that the Government was incurring unnecessary costs of about $250,000 annually because Army military personnel avoided excess weight charges for shipment of household goods by improperly claiming weight for more professional books, papers, and equipment than they actually had shipped. (Household goods shipped at Government expense are subject to weight limitations; professional items are not subject to weight limitations.) Improper claims for professional items were allowed because transportation officers had not examined the shipments to satisfy themselves that the weights claimed were actually for professional items. Furthermore, the travel regulations did not clearly define what constituted professional books, papers, and equipment. We recommended certain corrective measures and on May 6, 1964, the Assistant Secretary of Defense (Manpower) advised us of the actions taken on the recommendations. He stated that the Joint Travel Regulations were being amended to more clearly define items which may properly be classified as professional items and that instructions were being issued by the Defense Traffic Management Service to insure inspection and an appropriate certification in those cases where the weight of professional items claimed would affect assessment of excessive weight charges against servicemen.

Reports of Taxable Income and Taxes Withheld

The Air Force inaccurately reported to the Internal Revenue Service the taxable income and the taxes withheld from the pay

of its military personnel. We stated in our report submitted in December 1963 that about $2.7 million of service members' income subject to Federal income tax was not reported for 1961 and that about $780,000 of income not subject to tax was reported. The same errors were included in the statements furnished to the individual service members for their use in filing income tax returns. If the taxable income not reported were taxable at the minimum rate of 20 percent, the potential loss of revenue to the Government for 1961 would be about $540,000. The Government could be required to make refunds of about $156,000 to those service members whose taxable incomes were overstated. Also, errors in the reporting of taxes withheld for 1961 resulted in certain members' receiving credit for about $158,000 of taxes not actually withheld, while others did not receive credit for about $212,000 that had been withheld.

Similarly, because of improper determinations of wages subject to social security tax, the Government did not collect taxes in 1961 on wages of approximately $164,000 from some members, while others paid taxes on wages of about $123,000 for which they were not actually liable. These errors also resulted in erroneous payment by the Air Force to the Internal Revenue Service of its share of social security taxes. A further consequence of the incorrect reporting of wages is the possible effect on the amount of social security benefits to which individual service members may eventually become entitled.

After we brought our findings to the attention of the Department of Defense, the Air Force issued instructions emphasizing the necessity for review of the taxable nature of items of entitlement in the audit of military pay records and provided for reconciliation of the income and tax data appearing on military pay records with the data submitted to the Internal Revenue Service. The Air Force also undertook a review of its records for 1962 to identify discrepancies between the pay records and the data submitted to the Internal Revenue Service for that year and is making arrangements to report the discrepancies for both 1961 and 1962 to the Internal Revenue Service. We also brought our findings to the attention of the Commissioner of Internal Revenue. In reply, he stated that, upon receipt of the report of discrepancies from the Air Force, appropriate action

would be taken to protect the interests of both the Government and the taxpayers.

NEED FOR CLARIFICATION OF CRITERIA FOR OPERATING MILITARY COMMISSARY STORES

At the recommendation of the Joint Economic Committee of the Congress, we reviewed the criteria established by the Secretary of Defense for the authorization of military commissary stores in the continental United States. Our report on the review, addressed to the chairman of that committee, was issued in April 1964. We believed that the contents of the report would be of interest to other committees and members of the Congress. Accordingly, and by prior agreement with the chairman, we made a concurrent distribution of the report to the Congress.

We found that, although competitive food stores are located near most military commissary stores in the United States, commissary stores have continued in operation and increased in number despite the statutory requirement since 1953 that such stores be authorized only if reasonable prices are not otherwise readily available. The authorization of commissary stores has continued each year because the criteria established by the Department of Defense defeat the purpose of the law. Under these criteria, for example, the prices at all commercial food stores surveyed in the United States during recent years have been found to be unreasonable. In view of the strong competition among commercial grocery stores and their resulting low profit margins, it is apparent that the criteria are illogical. Under any realistic criteria more than half the commissary stores in the United States would be closed. The manpower expended by the Department of Defense each year in conducting surveys at all commissary stores in the United States for compliance with its criteria, even though it was obvious that the surveys would not in any way restrict commissary operations, has been a waste of effort. We estimated that the wasted effort cost the Government about $100,000 annually or about $1 million since 1953. We found also that the operation of the commissary store system in the United States resulted in loss to the Government of almost

$150 million a year because commissary store sales prices excluded major operating expenses.

The justification advanced over the years by the military departments for maintaining a widespread commissary store system has been that the fringe benefit has become, as a practical matter, a part of the pay structure for military personnel. We expressed the belief that any inadequacy of pay and allowances to military personnel should be brought to the attention of the Congress as a matter to be decided on its merits, apart from the need of commissary stores.

We suggested to the chairman, Joint Economic Committee, that the committee consider recommending to the Congress the enactment of legislation to establish precise conditions under which the operation of military commissary stores may be authorized. Also, to the extent that the operation of commissary stores may be authorized, the Congress may wish to consider providing for selling prices to be set at the level of competitive commercial retail prices in order to avoid inequities between personnel at installations having commissary stores and personnel at installations not having commissary stores. We expressed the belief that, pending action by the Congress to clarify its position with regard to commissary stores, it would be desirable to omit from future appropriation acts for the Department of Defense the requirement for the annual certification of commissary stores by the Secretary of Defense. This will avoid the expenditure of about $100,000 a year for surveys of the type now conducted for the purpose of authorizing commissary stores.

On May 14, 1964, a member of the Joint Economic Committee introduced a bill in the House of Representatives to restrict the operations of commissary stores and to provide for the charging of approximately commercial prices by the commissary stores that would be operated This bill was referred to the House Committee on Armed Services for consideration.

EXCESSIVE COSTS FOR TRANSPORTATION

Our report on excess costs because of overstated weights by carriers in billing charges on military shipments of household

goods was submitted to the Congress in July 1964. The report shows that the Department of Defense is paying over $5 million annually in excess charges on household goods shipments because of (1) erroneous weights used by carriers for billing their charges, (2) improper practices by carriers in following Interstate Commerce Commission weighing regulations designed to protect the interests of shippers, and (3) failure of Department of Defense and the military services to maintain adequate controls over carriers' weighing practices. The Department of Defense agreed with our findings and proposals and is taking remedial action which should result in significant savings in transportation costs.

We also reviewed unnecessary and unauthorized expenditures for intercoastal and coastwise shipments in the United States of military shipments of privately owned vehicles received from overseas origins. Our findings transmitted to the Secretary of Defense for comment show that excess costs of more than $1 million were incurred from 1960 through 1963 because of these expenditures.

Our review of Army shipments bearing a high security classification shows that excess costs of about $250,000 per year were incurred from using Railway Express Armed Guard Service instead of the lower cost Railway Express Armed Surveillance Service utilized by the Air Force and Navy for articles carrying the same general security level as Army shipments. Our report on this review was in progress at year end.

In addition, as part of our centralized review of transportation payment documents, we identified numerous individual instances of traffic management errors involving the procurement of transportation services at excess costs to the Government. These errors were brought to the attention of responsible transportation officials of the Department of Defense for corrective action.

EXCESSIVE COSTS FOR COMMUNICATIONS SYSTEMS

Our reviews of selected communications systems disclosed instances where facilities were duplicated and equipment was being leased when identical or functionably equivalent Government-owned equipment was available.

Duplicated Communication Facilities

The military services operate teletype switching centers adjacent to each other on the west coast and on the east coast. We found that the operations on each coast could be handled by two instead of three switching centers and proposed to the Department of Defense that the switching functions at Stockton, Calif., and at Cheltenham, Md., be eliminated. The Department agreed that these switching centers should be closed. However, the Department felt that this could not be done before the calendar year 1966 because the other centers lacked some of the equipment necessary to absorb the Stockton and Cheltenham operations. We did not agree. In our report submitted in April 1964, we stated that the Stockton and Cheltenham functions could be systematically phased out during calendar year 1964. We pointed out that delay would cause the Government to incur unnecessary costs of about $3.6 million, in the period July 1964 through December 1966, and recommended to the Secretary of Defense that immediate steps be taken to transfer the switching functions of Stockton and Cheltenham.

Leased Communication Equipment

The military services use thousands of leased and Government-owned teletypewriter machines interchangeably in the operation of their teletype communication systems within the continental United States. We found, and so reported in May 1964, that the Government incurred unnecessary costs of about $750,000 annually because machines were leased while identical or functionally equivalent Government-owned machines were available. The Department of Defense agreed that Government-owned machines on hand could replace leased machines in some instances but questioned whether such replacements could be made on a large scale because of certain problems that would be encountered. We expressed the belief that the problems cited by the Department could be overcome. We recommended but the Secretary of Defense did not agree that the military departments should be required to use excess Government-owned teletypewriter equipment in lieu of leased equipment wherever possible.

The civilian payrolls and related records of the military agencies and installations in the United States, including Alaska and Hawaii, are examined at the sites by our regional offices and our Washington office. An off-site examination of oversea Army, Air Force, and attaché payrolls is made by our Washington staff, and a similar examination of oversea Navy payrolls is made by our staff at the Navy Finance Center in Cleveland. These examinations are made on a selective basis. In our site examinations, we also review procedures and internal controls as part of our evaluation of the effectiveness of civilian payroll administration.

As a result of our selective examinations, we continued to find and report to installation officials many instances of misinterpretation and misapplication of laws and regulations which gave rise to erroneous payments and erroneous credits and charges for leave. The principal deficiencies found during the fiscal year 1964 involved erroneous salary rates, improper payments for holidays and overtime work, improper processing of scheduled step increases, and various inaccuracies in time reports and leave records. These instances were brought to the attention of appropriate officials and corrective action was taken.

Our examinations disclosed also that the internal audit agencies of the military departments were not devoting sufficient audit effort to payroll operations in the belief, apparently, that such audits could be curtailed because of the auditing work performed by us. Inasmuch as we had found similar conditions in other departments and agencies of the Government we issued a circular letter on September 3, 1963, to the heads of all departments and other Federal agencies, pointing out their responsibilities in this area and requesting them to review their internal audit procedures with respect to civilian pay matters and to strengthen their procedures wherever necessary. On October 23, 1963, we were advised by the Office of the Assistant Secretary of Defense (Comptroller) that the internal audit programs of the Department of Defense were being reappraised to assure adequate coverage in the civilian pay area.

Departments of Agriculture and Commerce and Related Agencies

DEPARTMENT OF AGRICULTURE

Our work during the fiscal year 1964 at the various agencies and offices of the *Department of Agriculture* was undertaken in the central offices in Washington, D.C., and at 86 field offices. We submitted 29 reports to the Congress, to congressional committees, or to Members of the Congress. These reports included those on the activities of the Commodity Credit Corporation and the Federal Crop Insurance Corporation which are audited annually under the Government Corporation Control Act. Five reports were issued to agency headquarters officials, and 18 reports were issued to the heads of agency field installations. In addition, we assisted various congressional committees on matters under their jurisdiction and discussed with the staff of the House Committee on Agriculture the contents of audit reports to the Congress.

DEPARTMENT-WIDE ACTIVITIES

We examined into certain aspects of the Department's activities in consolidating individual agency payroll systems under a centralized payroll system utilizing electronic data processing equipment at the Department's Management Data Service Center, New Orleans, La. The new system is scheduled to eventually process the payrolls of all the agencies in the Department. At the close of the year we were preparing a report on deficiencies noted in the establishment of this system.

Unnecessary costs incurred in mailing informational material to the public.—At June 30, 1964, we had in process a report to the Congress on unnecessary costs incurred in mailing informational material to the public by the Washington, D.C., headquarters office of the Department of Agriculture. Our review

disclosed that because most of the Department's mailing lists in Washington, D.C., had not been maintained in a current status, substantial costs were incurred in mailing informational material to addressees who no longer had an interest in such information. We estimated that 2,400,000 unnecessary mailings were made in fiscal year 1963 at a cost of about $180,000. We proposed that the Secretary of Agriculture establish adequate controls to provide for the annual revision of the Department's mailing lists as required by the Government Printing and Binding Regulations. We were advised that an annual revision would be made an integral part of an automatic data processing system which the Department stated was being established for its mailing lists and which was scheduled to be placed in operation in September 1964.

Our review also disclosed that the Department incurred unnecessary insertion and envelope costs, amounting to about $35,000 in fiscal year 1963, by not using the technique of imprinting to the maximum extent practicable the penalty or postage indicia and mailing address directly on printed materials. We were advised that, in accordance with our proposal, steps were being taken to bring about maximum use of this technique.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE AND COMMODITY CREDIT CORPORATION

During the fiscal year audits were made at the Washington, D.C., office of the *Agricultural Stabilization and Conservation Service* (ASCS), and at a number of its field locations. Specific reviews included those relating to title I of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), the feed grain programs, the dairy products price-support program, the cotton price-support program and related warehousing operations, the management of grain inventories, the use of electronic data processing (EDP) equipment, and the accounts and financial statements of the Commodity Credit Corporation (CCC).

We submitted six reports to the Congress. These reports covered our audits of CCC for the fiscal years 1962 and 1963, inadequate controls for determining compliance by foreign gov-

ernments with restrictions placed on agricultural commodities made available under title I of Public Law 480, understatement of claims against certain countries for recovery of excessive ocean transportation costs financed by CCC under title I of Public Law 480, inadequacies in the planning and operation of EDP systems at the Kansas City and Evanston ASCS commodity offices, and unnecessary costs incurred through leasing rather than purchasing EDP equipment at the Evanston commodity office.

In addition, we submitted two reports to the Intergovernmental Relations Subcommittee of the House Committee on Government Operations at its request for information on cotton warehousing and on internal audit work relating to certain CCC grain exchange contracts. Three reports were submitted to Members of the Congress in response to inquiries concerning a referendum under the proposed wheat program for 1964, the administration of the soil bank program, and procedures followed in the exportation of bulk rice.

We issued four reports to agency officials. Three of these reports dealt primarily with inaccuracies in accounting records and other weaknesses in the performance of fiscal functions at certain of the agency's field offices. The fourth report related to weaknesses in controls over participation in agricultural programs by lessees of Government-owned farmland.

Following are some of the audit findings and developments reported during the year.

Inadequate controls under Title I of Public Law 480.—In a report submitted to the Congress in October 1963, we pointed out that inadequate controls existed within the Department of Agriculture for determining compliance by foreign governments with statutory restrictions placed on the disposition of agricultural commodities made available under title I of the Agricultural Trade Development and Assistance Act of 1954, commonly known as Public Law 480. See Chapter Eleven, page 221, for further discussion of this report.

Understatement of claims for recovery of excessive ocean transportation costs.—In a report submitted to the Congress in March 1964, we pointed out that claims originally processed by the Department of Agriculture against the United Arab Republic (U.A.R.) and the Federal People's Republic of Yugoslavia (Yugoslavia)

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for the recovery of excessive ocean transportation costs financed by CCC under title I of Public Law 480 were understated by about $278,000. This report is discussed more fully in Chapter Eleven, page 223.

Inadequacies in planning and operation of EDP systems.—In a report submitted to the Congress in October 1963, we commented on certain inadequacies in the planning and operation of electronic data processing (EDP) systems at the ASCS commodity offices in Kansas City, Mo., and Evanston, Ill. Between 1956 and 1961, ASCS made four installations of EDP equipment at these commodity offices. The agency was unable to make sufficient use of the first system installed and, of the other three, two proved to be inadequate for the purposes for which they had been acquired. The problems encountered in these installations were due, in major part, to ASCS's failure to make adequate feasibility and application studies. We found also that EDP equipment had been selected without soliciting competitive proposals and that decisions to use such equipment were made without comprehensive studies of the effect of its use on costs of operations. We made certain recommendations to the Administrator, ASCS, in order that a repetition of these deficiencies might be avoided.

The need for carrying out such studies was recognized by the Department of Agriculture's Office of Management Appraisal and Systems Development which was given centralized staff responsibility in the Office of the Secretary for the general direction, coordination, and technical guidance of electronic data processing activities in the Department. We were informed subsequent to the issuance of our report that the regulations then being written would reduce the probability of such inadequacies occurring again.

We also pointed out in our report that improved procedures were needed to obtain more effective and economical use of magnetic tapes and that unnecessary costs had been incurred for rental of certain EDP equipment because of uneconomical scheduling of work. ASCS replaced this equipment with less expensive equipment and took steps to improve the usage of its magnetic tapes.

Unnecessary costs incurred through leasing rather than purchasing EDP equipment.—Our review of the cost of leasing compared with the cost of purchasing certain EDP equipment used by the Department of Agriculture disclosed that unnecessary costs of about $56,000 were incurred because the Department continued to lease various components of an EDP system at the Evanston ASCS commodity office through November 30, 1963—the date the equipment was removed from rental—rather than purchasing the components at reduced prices 25 months earlier when it appeared reasonable and financially advantageous to do so.

In order to obtain increased assurance that future decisions of agencies of the Department as to the relative advantages of leasing or purchasing EDP equipment are wholly in the interest of the Government, we suggested in our report, which was submitted to the Congress in May 1964, that the Secretary of Agriculture have such decisions reviewed at the highest practicable level of responsibility. We also suggested that, in view of the constantly changing conditions under which the agencies' operations are carried on, the Secretary should require periodic reexaminations of decisions to purchase or lease equipment, particularly whenever significant changes in operating procedures or conditions occur.

Savings resulting from cancellation of insurance promptly after cotton is acquired by CCC.—For a number of years we pointed out in reports to the Congress and to the agency on our audits of CCC activities that delays in canceling insurance on cotton acquired by CCC at the expiration of the price-support loan period resulted in CCC incurring unnecessary costs because warehousemen continued to carry insurance on the cotton at CCC expense. The cancellation delays were caused by delays on the part of CCC in furnishing warehousemen with detailed listings (tag lists) identifying bales of acquired cotton. These lists were required by the warehousemen to effect cancellation of insurance on CCC-owned cotton.

By letter dated November 15, 1963, the President of CCC advised us that, regarding the 1962-crop cotton placed under price support, CCC had, for the first time, furnished warehousemen the detailed tag lists in time to enable cancellation

of insurance as of the July 31 acquisition date. CCC canceled insurance on about 4 million bales of cotton as of July 31, 1963, and on about 700,000 bales as of August 31, 1963. These cancellations occurred a month earlier than comparable cancellations in the past, thereby saving insurance costs of about $154,000. In addition, because the tag lists were available sooner, CCC sold about 329,000 bales of 1962-crop cotton in August 1963, at least one month earlier than in previous years, resulting in savings of about $124,000 in storage charges. To the extent that CCC continues to furnish tag lists promptly, similar savings will be realized in the future.

Elimination of payment of storage charges on cotton for overlapping periods.—In our annual report for the fiscal year ended June 30, 1963, we referred to our report submitted to the Congress in January 1963, wherein we pointed out that in CCC's cotton storage operations, storage charges for overlapping periods were paid when CCC-owned cotton was sold and when CCC moved or reconcentrated cotton from one warehouse to another. We questioned the equitableness of the provisions of CCC's storage agreement for cotton which, on CCC sales, permitted the warehousemen to receive storage payments from two parties on the same bales of cotton for the same periods of time and which, on reconcentrations from one warehouse to another, resulted in CCC's paying two separate warehousemen storage charges on the same bales of cotton for the same periods of time.

We recommended that CCC review the provisions of the then existing CCC storage agreements for cotton and determine the need for revisions aimed at eliminating the apparent inequities described above. The Under Secretary of Agriculture advised us by letter dated June 4, 1964, that, in line with our recommendation and in the interest of economy in Government, it was determined that CCC should not pay duplicate charges on the same bales of cotton. In the future, the Department intends to pay storage only through the day the cotton is sold or moved instead of paying for the entire month's storage as it had been doing. The Department estimated that this change should result in savings to CCC of about $1.2 million for the storage year beginning August 1, 1964.

FOREST SERVICE

During the fiscal year 1964, we reviewed selected timber management activities of the *Forest Service* in the three regions administered by agency regional offices in Missoula, Mont., Portland, Oreg., and San Francisco, Calif. At the close of the year, fieldwork was in progress with respect to two of these regions. In the Pacific Northwest, we also reviewed certain aspects of the timber management activities of the Bureau of Land Management and the Bureau of Indian Affairs of the Department of the Interior. We completed examinations for the settlement of accounts of accountable officers at two Forest Service regional offices and similar reviews were in progress at two other regional offices at the close of the fiscal year.

We submitted two reports to the Congress during the fiscal year. One related to the unauthorized use of Federal funds advanced to the Organizing Committee, VIII Olympic Winter Games, for construction of a sports arena. The other report covered certain wage overpayments made to firefighters by the Forest Service. Four reports were submitted to Members of the Congress on reviews undertaken at their request. Two of these reports contained information regarding Forest Service adjustments of annual fees for permits for summer-home sites in national forests. The other two reports related to (1) the policies and procedures of the Forest Service regarding periodic adjustments of timber payment rates under Forest Service timber sale contracts, and (2) certain matters regarding volume and grade determinations made by a private organization authorized by the Forest Service to scale timber removed from certain national forests. One report, relating to the release of a timber purchaser from a contract requirement without consideration to the Government, was issued to the Chief of the Forest Service in May 1964. In addition, two reports were issued to regional foresters commenting on a number of deficiencies which indicated a need to strengthen procedures relating to leave, payrolls, accounts receivable, and travel.

RURAL ELECTRIFICATION ADMINISTRATION

During the fiscal year we completed a review of selected aspects of the *Rural Electrification Administration*'s (REA) electric

loan program and, in November 1963, submitted a report to the Congress concerning possibilities for reducing Federal expenditures under this program. A review of selected aspects of the agency's telephone loan program was in progress at the close of the fiscal year.

Four reports were submitted to Members of the Congress in response to inquiries on various aspects of certain electric loans approved by REA. At the request of the chairman, we furnished the Subcommittee on Department of Agriculture and Related Agencies, Senate Committee on Appropriations, a report and other data pertaining to the REA electric loan program. This information was used by the subcommittee in its deliberations on the REA segment of the Department of Agriculture Appropriation Bill for 1964 and in the preparation of the committee's report thereon. We also issued a report to the Administrator, REA, on discrepancies noted in the use and application of loan funds by a borrower under the telephone loan program.

Possibilities for reducing Federal expenditures under the electric loan program.—In our report to the Congress on this subject we expressed the belief that, in certain circumstances, Federal expenditures under the electric loan program could be reduced without adversely affecting the accomplishment of program objectives. We stated that some loans might not have to be made and that some might be made for shorter periods than the maximum authorized 35-year loan repayment period.

We pointed out that in arriving at its decision to approve or disapprove requests for loans, REA considers the amount of general funds (cash and investments) which borrowers have on hand at the time of loan application. However, REA does not consider the funds expected to be generated by the borrowers' income-producing operations except to determine that the borrowers will be able to repay the proposed loans within the required period. We explained that for this reason it is possible for borrowers to obtain REA loans even though it appears that their financial needs could be satisfied from funds expected to be generated by their income-producing operations in ensuing years. We also commented on the inadequacy of the criteria used by

REA in reviewing loan applications to determine whether loans should be made.

To place REA in position to encourage and bring about the fullest use of a borrower's own capital in lieu of Government loan funds, when warranted, and thereby reduce interest costs incurred by the Government, we recommended that the Secretary of Agriculture institute appropriate action to provide that REA impose a requirement upon borrowers to prepare and submit long-range financial plans and forecasts in support of loan applications. Our recommendation included a provision for careful analysis by the agency of such plans and forecasts before approving loans or granting loans for the maximum 35-year repayment period. We stated that particular attention should be given to the availability of funds expected to be generated by borrowers' income-producing operations and to the planned disposition of borrowers' expected operating margins.

Another matter covered in our report concerned the need for full consideration by REA of all offers by existing power suppliers to provide power requirements of its borrowers before making generation and transmission loans.

AGRICULTURAL RESEARCH SERVICE

During the fiscal year we submitted two reports to the Congress on activities administered by the *Agricultural Research Service*. One report, issued in May 1964, covered weaknesses in animal disease control activities involving primarily the eradication of brucellosis in cattle. The other report, issued in June 1964, disclosed unnecessary expenditures of Government funds and violations of law relating to facilities leased to provide electric power for the Agricultural Research Center located at Beltsville, Md. We also submitted a report to a Member of the Congress on a review, undertaken at his request, of certain aspects of meat inspection activities.

In connection with the facilities for providing electric power at the Agricultural Research Center, we noted that savings of about $288,000 could be realized if the agency purchased, as of July 1964, an electric substation which had been placed in service under a lease agreement in July 1961. The Administrator of

the Agricultural Research Service advised us that, in accordance with our proposal, the agency would seek to obtain the necessary funds to purchase this substation.

AGRICULTURAL MARKETING SERVICE

During the year we completed a review, made at the request of a Member of the Congress, of activities of a distributing agency in one particular county participating in the program administered by the *Agricultural Marketing Service* for the direct distribution of Federal surplus commodities. At June 30, 1961, we were preparing a report to the Congress on the results of our review. We also completed during the year a review for the settlement of accounts of accountable officers at the Western Area Administrative Division office located at Berkeley, Calif. In a report issued to the agency in June 1961 on the results of this examination we commented on opportunities for economy in travel by plane through greater use of less costly service and on the need, when making long-distance calls, to utilize to a greater extent the less costly telephone lines leased by the General Services Administration.

FARMERS HOME ADMINISTRATION

A review of selected loan activities of the *Farmers Home Administration* (FHA) was in progress in five States at the end of the fiscal year. Also, at the end of the fiscal year we were preparing a report to the FHA State Director on our examination at the agency's county office in Hillsboro, Tex.

In a report issued in March 1961 to the FHA Director, National Finance Office, St. Louis, Mo., on an examination made in connection with the settlement of accounts of accountable officers, we commented on certain weaknesses in the agency's travel procedures which allowed improper per diem payments to be made to FHA employees. The agency subsequently issued instructions aimed at preventing the recurrence of such payments. We also recommended that the agency review its travel vouchers to ascertain whether any other improper payments of this type had been made and that action be taken to recover the

amount of the improper payments. However, the agency had not undertaken such a review by the close of the fiscal year.

OTHER AGENCIES

Our annual audit of the *Federal Crop Insurance Corporation*, required by the Government Corporation Control Act, was made at the Corporation's headquarters office in Washington, D.C., and at its branch office in Kansas City, Mo. A report on this audit, which covered the fiscal year 1963, was submitted to the Congress in April 1964. We also issued a report to the manager of the branch office on certain inaccuracies in accounting records and other weaknesses in the performance of fiscal functions.

During the fiscal year 1964, we completed examinations in connection with the settlement of accounts of accountable officers at eight State offices of the *Soil Conservation Service*. We issued reports to the State conservationists in nine of the State offices. The deficiencies commented on in our reports related to such matters as failure to obtain full reimbursement from the Agricultural Stabilization and Conservation Service for costs incurred in connection with the agricultural conservation program, payment of excessive prices for gasoline, assignment of motor vehicles to field offices in excess of prescribed quotas, and weaknesses in payroll procedures and leave practices. Corrective action was initiated with respect to these matters. At the request of a Member of the Congress we made a review and issued a report regarding engineering services provided under Soil Conservation Service programs. We also submitted a report to a congressional committee on an examination, made at its request, of contracting practices relating to the procurement of soil maps.

In November 1963 we submitted a report to the Administrator of the *Federal Extension Service* in connection with the settlement of accounts of accountable officers of the agency. We commented in the report on the need for reduction in the use of first-class air travel and on the need for the agency to make more of its long-distance telephone calls over the less costly telephone lines leased by the General Services Administration. The agency took steps to implement our proposals.

We completed an examination for the settlement of accounts of accountable officers relating to financial transactions of the *Office of the Secretary* and the *Office of Information*. Our report to the Administrative Assistant Secretary, issued in January 1964, commented on such matters as the need for strengthening controls to minimize travel advances and expenditures, and on certain deficiencies in accounting for nonexpendable personal property. Corrective action was being taken on these matters.

FARM CREDIT ADMINISTRATION

We completed and reported to the Congress, in January 1964, on our annual audit for the fiscal year ended June 30, 1963, of the *Farm Credit Administration*, the 25 farm credit banks supervised by it, and the Banks for Cooperatives Investment Fund administered by it.

In reporting on our audit for the previous fiscal year, we stated that farm credit banks had substantial amounts of cash in depository accounts with commercial banks and that many of these accounts were inactive, nearly inactive, or had excessive balances. We pointed out that by closing accounts not essential to the clear operating needs of the banks and by reducing excessive balances in active accounts, funds could be made available for normal bank operations and thus enable a reduction in the amount of future borrowings by the banks. During our audit for fiscal year 1963 we noted that officials of the Farm Credit Administration and the farm credit banks were giving special attention to this matter and that 11 inactive or nearly inactive commercial bank accounts had been closed, thereby making the funds available for other bank purposes.

DEPARTMENT OF COMMERCE

Our work in the various agencies of the *Department of Commerce* resulted in our issuing 12 reports to the Congress and 21 reports to local agency officials during the fiscal year 1964.

We concentrated our audit efforts primarily on the administration by the Bureau of Public Roads of the Federal-aid highway

program and the Inter-American Highway program and on the operations of the Area Redevelopment Administration. In the U.S. Travel Service, we reviewed certain contracting practices employed in negotiating the procurement of sales promotion and other services. Also we made audits of the Saint Lawrence Seaway Development Corporation for the calendar year 1962 and the Inland Waterways Corporation for the fiscal year 1963.

BUREAU OF PUBLIC ROADS

During the fiscal year 1964, our audit effort at the *Bureau of Public Roads* was concentrated on reviewing operations of the various highway programs administered by the Bureau, and the administrative policies, procedures, and practices under which they are carried out. Our work was directed principally to the review of activities being carried out under the $41 billion interstate highway program. In our fieldwork, the reviews were extended to various State highway departments inasmuch as these organizations have primary responsibility for the planning, construction, and relocation of highways under the Federal-aid highway program.

During the year, we completed reviews of various aspects of (1) right-of-way, construction, and contract administration activities of the Federal-aid highway program in several States; (2) the Inter-American Highway program in Panama and Costa Rica; and (3) financial management activities at the Bureau's Washington office and at five regional offices. At the close of the fiscal year, we had underway reviews of selected aspects of construction and design activities of the Federal-aid highway program in the States of Maryland, Colorado, and Utah.

We submitted five reports to the Congress on our reviews of selected areas of the Federal-aid highway program. Also, during the year we submitted to the Congress a report on inadequacies in the administration of right-of-way activities of the Inter-American Highway program in the Republic of Costa Rica and a report on deficiencies and problem areas concerning the direct Federal highway construction program in the Eastern United States.

Our reports on the Federal-aid highway program dealt with a wide range of matters including the need for certain amendatory legislation to allow the Federal Government to share in revenues derived by States or their political subdivisions from the use of right-of-way airspace above and below interstate highways, improper waiver of Bureau policy requirements, questionable design practices, extensive use of consultant engineering firms, and deficiencies in the administration of highway right-of-way activities and in contract administration.

In October 1963 the Congress enacted amendments to the Federal-aid highway laws which were substantially in accordance with recommendations we had made in a previous report. These amendments (1) eliminated a financial preference accorded the States of Connecticut and Vermont in the apportionment of Federal-aid urban highway funds, (2) provided for the apportionment of Interstate System funds on the basis of the Federal share of the estimated cost of completing the Interstate System in the several States; and (3) corrected a technical defect in the previous legislation, thereby permitting the Secretary of Commerce to apportion and to certify the apportionments of Interstate System funds authorized for fiscal years 1967 through 1971.

In February 1961, we reported to the Congress that existing Federal-aid highway legislation, and the related legislative history, does not indicate whether the Federal Government should participate in the revenues derived by the States or their political subdivisions from the use of right-of-way airspace above and below interstate highways. In accordance with our suggestion, the Department of Commerce drafted and submitted to the Congress proposed legislation to provide that the Federal Government shall share in revenues derived from the nonhighway use of right-of-way airspace.

In the previously mentioned report, we also pointed out the need for the Bureau to modify its policies and procedures relating to the extent that Federal funds may participate in certain highway construction costs under the governing Federal legislation. We commented on excessive Federal participation in severance damage costs pertaining to remainder lands acquired by a State which were not actually costs of the State and on excessive Federal participation in utility relocation costs resulting from

the application of Bureau policies which were not in accordance with the limiting provisions of the Federal-aid highway law. The Bureau advised us that its policy with respect to participation in severance damages would be changed and that, following the issuance of our report, it had revised its policy governing reimbursement of utility relocation costs.

In another report submitted to the Congress in February 1964, we commented on the retroactive waiver of policy requirements imposed upon the States by the Federal Highway Administrator in connection with their entitlement to Federal participation under Federal-aid highway legislation. Actions of this nature have resulted in Federal reimbursements to certain States under circumstances where such payments were specifically prohibited by Bureau policy. We brought this matter to the attention of the Secretary of Commerce in July 1963 and advised the Secretary that we would be required to disallow all future payments made on the basis of such retroactive waivers. On June 12, 1964, the Federal Highway Administrator established a policy to be followed by the Bureau in determining the eligibility of costs for Federal participation in the event a question arises concerning a State's failure to comply with a requirement prescribed by the Administrator.

Other reports submitted to the Congress during the fiscal year 1964 covered deficiencies and problem areas which we observed in connection with our examinations of the Bureau's reviews of right-of-way and construction activities, including inspection and testing operations and design features provided for certain Interstate System projects. Specifically, we commented on (1) inadequately documented appraisal reports submitted as support for Federal participation in right-of-way costs, (2) the failure to properly dispose of improvements acquired within the rights-of-way, (3) inadequacies in Bureau and State inspection and testing procedures which are intended to provide assurance that a contractor is fully complying with the contract specifications, (4) the approval of a restrictive contract provision without an adequate showing that the cost of the highway project would not be adversely affected, (5) the rejection of bids without a proper basis, (6) questionable justifications for certain apparently elaborate interchange design

features, and (7) improper Federal participation in utility relocation costs. While the Bureau was not in complete agreement with our views and proposals on all the matters presented in these reports, appropriate corrective actions were taken on many of the items and, for most of the remaining items, the Bureau was considering our suggestions on means of correcting the reported weaknesses.

In a report submitted to the Congress in May 1964 on the Inter-American Highway program in the Republic of Costa Rica, we identified several inadequacies in the administration of right-of-way activities that had resulted in unnecessary costs to the United States and in delays in the construction of the highway. This report is discussed further in Chapter Eleven, at page 231.

In a report to the Congress on our review of the direct Federal highway construction programs in the Eastern United States we pointed out the lack of delineation of the respective roadbuilding responsibilities of the Bureau of Public Roads and the National Park Service, and the potential savings and improved manpower utilization that might be possible through realinement of the existing Bureau organizational arrangement. The report, issued in September 1963, contained a recommendation that Congress consider the enactment of legislation that would require the National Park Service to transfer funds appropriated for the construction of parkways and park roads and trails to the Bureau of Public Roads, to be expended in conformity with revised regulations jointly approved by the Secretaries of Commerce and the Interior. We suggested also that such legislation might provide for clarifying the respective roadbuilding responsibilities of the two agencies, and perhaps other agencies, by identifying the Bureau of Public Roads as the agency of the Federal Government primarily responsible for coordinating the planning and construction of all public highways financed in whole or in part with Federal funds.

With respect to our proposals for a realinement of the Bureau's organizational structure for administering the direct Federal highway program in the Eastern United States, we were advised that a reorganization, partially in accordance with our proposal, had been effected with estimated annual savings of about

$150,000. We pointed out, however, that the study which led to the reorganization was not fully responsive to our recommendation and that the Secretary of Commerce had requested the Federal Highway Administrator to pursue the matter in greater depth.

AREA REDEVELOPMENT ADMINISTRATION

During 1964 we intensified our review efforts with respect to the programs administered by the *Area Redevelopment Administration* in aid of areas burdened by conditions of substantial unemployment. These programs include financial assistance under the Area Redevelopment Act for projects which will create permanent employment, and financial assistance under the Public Works Acceleration Act for projects which will provide immediate temporary employment.

We submitted reports to the Congress on our review of the estimated number of jobs which would be created by accelerated public works projects and on our review of grants-in-aid for accelerated public works projects in areas no longer burdened by substantial unemployment. At the close of the fiscal year 1964, reviews were being made of selected projects approved under the Area Redevelopment Act for loan and/or grant assistance and the number of jobs estimated to be created as a result of such assistance. With respect to the Public Works Acceleration Act, we were examining accomplishments of the program with respect to creating jobs for residents of depressed areas and the designation of areas eligible for assistance under the act.

In one of our reports, submitted to the Congress in June 1964, we stated that information reported to the Congress and other interested parties by the Area Redevelopment Administration pertaining to the progress and accomplishments of the accelerated public works program in creating employment contained significant overstatements of the estimated number of jobs which would be created by accelerated public works projects. If what we found in our tests was representative, it would appear that the estimate that 55,300 man-years of employment would be created by projects approved as of November 1, 1963, was overstated by 31,000 man-years or 128 percent. In addition, our

tests showed that reports of employment which had been created were overstated by 83 percent. Although the Area Redevelopment Administration took certain corrective measures after we brought our findings to its attention, we concluded that these measures were inadequate. Accordingly, we made recommendations to improve the quality of reporting on the progress and accomplishments under the program.

Also in June 1961, we reported to the Congress that under the accelerated public works program as administered by the Area Redevelopment Administration and other Federal agencies, grants of over $21,000,000 had been made for 85 projects in areas which were no longer burdened by conditions of substantial unemployment at the time the grants were consummated. Under the policies followed by the agencies involved, grants were consummated for such areas if they were qualified at the time their applications were approved. In addition, processing appeared to have been expedited on applications from such areas before the areas were officially declared ineligible.

Officials of the agencies concerned stated their opinion (1) that it would be unfair to deny assistance to such areas in view of their investment of time and money in the projects, (2) that a firm cutoff date for determination of eligibility was necessary because areas were frequently being designated and redesignated as eligible areas, and (3) that their policies were legally sound, in accordance with the reasonable exercise of administrative judgment, and in accordance with the letter and the spirit of the law.

Although we do not consider such grants to be illegally made, we believe there is considerable doubt that the Congress intended that assistance under the Public Works Acceleration Act could be granted under the circumstances we noted. Furthermore, in view of the large backlog of applications for assistance, which could not be met because of insufficient funds, it appeared that the agencies should have concentrated their resources on processing applications from eligible areas rather than expediting the processing of applications from areas whose ineligibility was imminent. Accordingly, we recommended that the Secretary of Commerce adopt a policy to preclude grants to areas which become ineligible during the grant processing procedures and

that applicants be advised that all approvals are conditional upon the areas being eligible for assistance at the time of the formal grant agreement.

U.S. TRAVEL SERVICE

In April 1964 we submitted to the Congress a report on our review of certain contracting practices employed by the *U.S. Travel Service* in negotiating with several advertising firms for the procurement of sales promotion and other services during the fiscal years 1962 and 1963. A discussion of this report is presented in Chapter Eleven, page 231.

MARITIME ADMINISTRATION

During the fiscal year 1964, we completed reviews of the administrative operations and related financial practices at each of the *Maritime Administration's* three district offices. At the close of the fiscal year, reports were in process on our reviews of certain aspects of the Federal ship mortgage and loan insurance program, certain contracts relating to the construction and outfitting of the nuclear-powered merchant vessel NS *Savannah*, and the Administration's procedures and practices in the computation of operating-differential subsidy rates for wages.

We issued a report to the Assistant Secretary for Administration, Department of Commerce, relating to rental charges to civilian employees occupying houses at the Merchant Marine Academy, Kings Point, N.Y. In addition, we issued reports to the District Directors at each of the three district offices on our review of administrative operations and related financial practices.

INLAND WATERWAYS CORPORATION

The *Inland Waterways Corporation* had been in process of liquidation since 1953 when the Secretary of Commerce sold the Corporation's transportation facilities and operating rights to a private company. In accordance with the act of July 19, 1963, Public Law 88-67, the Corporation liquidated its affairs

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as of July 19, 1963, and responsibility for accounting for the collection of principal and interest from the purchaser was assigned to the Office of Budget and Finance, Office of the Secretary of Commerce.

In February 1964, we submitted a report to the Congress on our audit for the fiscal year 1963. We stated in our report that inasmuch as our examination disclosed that the Corporation's affairs were liquidated in accordance with the requirements of Public Law 88-67, we did not contemplate any further reporting on the Corporation.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Our report on the audit of the financial statements of the *Saint Lawrence Seaway Development Corporation* for the year ended December 31, 1962, was submitted to the Congress in February 1964. In accordance with provisions in the Department of Commerce and Related Agencies Appropriation Act, 1961, audits by our Office are made on a calendar-year basis. In the report, we expressed the opinion that the Corporation's financial statements presented fairly the financial position of the Corporation at December 31, 1962, and the results of its operations and the sources and application of its funds for the year then ended.

SMALL BUSINESS ADMINISTRATION

Our work during the year at the *Small Business Administration* (SBA) was concerned primarily with reviews of losses incurred under the business loan program and the disaster loan program and the proposed acquisition of new automatic data processing equipment. These reviews were in process at the end of the fiscal year.

In January 1964 we submitted a report to the Congress on the need for better supervision and administration of SBA's business loan activities. We pointed out that SBA had incurred losses on some of its business loans because inadequate consideration was given to the applicants' ability to repay. We found that applicants for large loans were generally not required to submit financial statements audited by independent certified or licensed

public accountants, that compliance by borrowers with the conditions and restrictions of loan agreements were not being enforced effectively by SBA, and that SBA was not adequately supervising loan servicing by banks participating with SBA in the business loan program. We also expressed the opinion that consideration should be given to charging a loan application fee to applicants for business loans.

The Administrator stated that corrective measures had been taken on certain deficiencies of a similar nature which had been cited in one of our previous reports and that, although the deficiencies had not been entirely eliminated, the corrective measures had a substantial effect. We were informed that appropriate additional corrective or preventive measures would be taken based on the current materiality of the deficiencies cited in our report.

In response to requests from Members of the Congress, we furnished information regarding the proposed closing of the SBA Procurement Advisory Center and the offering for sale of certain property acquired by SBA as the result of a foreclosure action against a defaulted borrower.

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Department of the Interior and Water Resources Development Programs

DEPARTMENT OF THE INTERIOR

During the fiscal year 1964, our work in the various bureaus and offices of the *Department of the Interior* included reviews of selected activities of the Office of the Secretary, the United States Fish and Wildlife Service, the Bureau of Mines, the Bureau of Indian Affairs, the Bureau of Land Management, the Geological Survey, and the National Park Service. Also, we made an audit of the Virgin Islands Corporation and reviewed certain activities of the Government of the Virgin Islands and the Government of American Samoa. In addition, we reviewed water and power resources development programs of the Department of the Interior and the Corps of Engineers, Civil Functions.

We submitted 6 reports to the Congress, to congressional committees, or to Members of the Congress, and issued 46 reports to agency officials in Washington, D.C., or to local agency officials.

U.S. FISH AND WILDLIFE SERVICE

During the fiscal year we completed reviews of selected administrative operations and related financial practices in three regional offices of the Bureau of Commercial Fisheries and issued two reports to the Bureau's regional directors. We also issued reports to the Commissioner, *Fish and Wildlife Service*, and the area director on our review of financial practices in the Honolulu, Hawaii, area office. In these reports we called attention to various weaknesses in accounting and financial practices and, in most instances, Bureau officials took or agreed to take the necessary corrective action.

Reports were in process at June 30, 1964, on the Bureau of Commercial Fisheries' procedures and practices in connection with the construction of research facilities and the gathering and

disseminating of market information. Reports also were in process on our review of the Bureau's Columbia River fisheries development program and on our review of Federal participation in the migratory fish culture and preservation program.

We completed reviews of selected administrative operations and related practices in two of the Bureau of Sport Fisheries and Wildlife offices and issued a report to a regional director on one of these reviews. A report to the Commissioner, Fish and Wildlife Service, was in process on the other review. A report to the Congress was in process on our review of the Bureau's administration of its national fish hatchery program.

BUREAU OF MINES

During the fiscal year we completed reviews of the unit sales price established by the *Bureau of Mines* for refined helium and the procurement of helium-bearing natural gas under negotiated, noncompetitive, fixed-unit-price contracts awarded by the Bureau. Reports on these reviews were in process at the end of the fiscal year.

We also completed reviews of selected administrative operations and related financial practices in one regional office and in the Bureau's Helium Activity. Reports on these reviews were issued to the Bureau's regional director and General Manager, respectively. In these reports we called attention to various weaknesses in accounting and financial practices. Local officials took or agreed to take corrective action on most of these matters.

At the close of the fiscal year, we had in progress a review of the Bureau's compiling and collecting of statistical data.

BUREAU OF INDIAN AFFAIRS

During the fiscal year we issued seven reports to area office directors of the *Bureau of Indian Affairs* on reviews of selected administrative operations and audits of financial transactions to settle the accounts of the accountable officers at the area offices. We also issued a report to the Chief of the Bureau's Branch of Plant Design and Construction on our review of selected administrative operations and related financial transactions at the Branch.

At the close of the fiscal year, we had in process a report to the Congress on our review of the Bureau's Gallup, N. Mex., area office road construction program for the Navajo Indian Reservation. The review disclosed certain deficiencies in administrative controls and procedures at various levels of responsibility that resulted in excessive costs and a lack of reasonable assurance that the quantity and quality of workmanship and materials paid for had in fact been obtained. The Department and the Bureau advised us that corrective actions had been or would be taken on most of the matters we brought to their attention.

The number and nature of the deficiencies we observed in the administration of the road construction program for the Navajo Reservation point to a need for more penetrating reviews and evaluations by the Bureau of Public Roads, Department of Commerce, of the adequacy and effectiveness of the techniques, controls, and procedures used by the Bureau of Indian Affairs in supervising, inspecting, and testing Indian road construction. We proposed in our report, therefore, that the Bureau of Public Roads exercise closer supervision of the road programs of the Bureau of Indian Affairs than it has in the past.

At the close of the fiscal year, we also had in process reports on the procurement and utilization of vehicles, Government expenditures incurred in the management of Indian timber enterprises, and construction of employees' quarters in the Phoenix and Muskogee areas. In addition, work was continuing on our comparison of the Bureau's administration of selected timber management activities in the Pacific Northwest with the administration of similar activities by the Forest Service, Department of Agriculture, and by the Bureau of Land Management.

GEOLOGICAL SURVEY

In February 1964, we issued a report to the Secretary of the Interior on our review of travel by *Geological Survey* employees to meetings held in foreign countries. As a result of our review, Survey officials took action to recover amounts improperly paid, and charged employees with annual leave or leave without pay for excessive travel time.

A report to the Congress was in process at June 30, 1964, on our review of deficiencies in the financial management of oil and gas activities on certain leased Government and Indian lands. At the close of the fiscal year, we had in progress reviews of selected procurement activities and of the Survey's administration of water resources activities.

NATIONAL PARK SERVICE

In March 1964, our representatives testified before the Subcommittee on National Parks, House Committee on Interior and Insular Affairs, on five bills relating to *National Park Service* concession contracts. In general, the proposed legislation would enact into statutory law various concession policies and practices followed by the Park Service and would provide that the Federal Government guarantee loans incurred by private concessioners to finance the construction of facilities. We commented on those portions of the bills which, in our opinion, would prevent the Congress from exercising adequate control over Park Service expenditures. Also, in line with recommendations we had previously made in a report submitted to the Congress in June 1963, we proposed certain revisions in current concession policies and practices which we believe would provide greater safeguard of the Government's investment and provide the Park Service with increased flexibility in concession operations.

We issued reports to seven regional directors during the fiscal year on our reviews of selected administrative operations and related financial practices. At the close of the fiscal year, we had in progress reviews of the timber disposal program and other administrative activities of the National Park Service, the rehabilitation and improvement of Government-owned facilities under a concession contract, the construction of certain employee housing at various park locations, the propriety of charges made for utility services furnished concessioners and other parties, and the adequacy of the equipment replacement program.

VIRGIN ISLANDS CORPORATION AND GOVERNMENT OF THE VIRGIN ISLANDS

Virgin Islands Corporation

A report on our audit of the *Virgin Islands Corporation* for the fiscal year 1963 was submitted to the Congress in April 1964. We commented on plans to transfer the Corporation's electric power and salt water distillation facilities to the Government of the Virgin Islands at a price based on the facilities' appraised value, rather than on their fair market value as determined by competitive bidding processes. We believe the Corporation should have offered to sell the facilities under provisions of the Virgin Islands Corporation Act, as amended, which authorizes the Government of the Virgin Islands to acquire corporate assets offered for public sale by matching the highest responsible bid therefor. Had this been done, the fair market value could have been determined by competitive bidding processes and it would have been possible to compare the financial terms offered by responsible private enterprisers with the 20-year payment terms proposed by the Chairman of the Corporation's Board.

We also stated our belief that the insular government, rather than the Corporation, should have been called on to finance planned expenditures totaling about $800,000 to purchase a new generating unit and to expand the Corporation's salt water distillation facilities, inasmuch as the Board of Directors had voted to transfer the power and water facilities to the Government of the Virgin Islands.

Government of the Virgin Islands

A report on our review of certain activities of the *Government of the Virgin Islands* for the fiscal year 1962 was submitted to the Congress in January 1964. Our review centered on the Office of the Government Comptroller, an official appointed by the Secretary of the Interior who audits and settles the insular government's accounts. We commented on inadequate action taken by the insular government to recover cash losses of the government-operated Virgin Islands lottery. Because of the general delay by insular government officials in taking follow-up action after the Government Comptroller had informally advised the Governor that the cash shortage had been detected, we

suggested that the Government Comptroller confirm, in writing, matters communicated to the Governor in advance of formal audit reports.

Other matters commented on in this report concerned the need for improvements in administration of revenue laws and the numerous administrative problems resulting from the installation of a centralized accounting system.

OTHER AGENCIES

Our work in the *Bureau of Land Management* during the fiscal year 1964 consisted principally of the continuation of a review in which we are comparing the Bureau's administration of selected timber management activities in the Pacific Northwest with the administration of similar activities by the Forest Service, Department of Agriculture, and by the Bureau of Indian Affairs, and the initiation of a review of selected range management activities in the Colorado area. During the year we issued a report to the Bureau's field administrative officer at Denver, Colo., on a review of selected administrative operations.

In October 1963, we issued a report to the Division of Information, in the *Office of the Secretary*, on our review of the Department's procedures for distributing press releases. Revised procedures adopted by the Department should result in savings of about $23,000 annually.

During the fiscal year we completed a review of selected activities of the *Government of American Samoa* and a review of contract negotiation practices and procedures in the *Office of Coal Research*. Reports on these reviews were in process at the end of the fiscal year.

A review of the Department's acquisition, utilization, maintenance, and rental of aircraft was in progress at the close of the fiscal year, and a report on a review of the Department's employee housing rental program was in process.

BUREAU OF RECLAMATION

Much of our work in the *Bureau of Reclamation* during the year related to water resources development programs. This work is described in this chapter beginning on page 160. In addition, we reviewed selected administrative activities and

financial practices of the Bureau of Reclamation at 10 of the 23 field locations where accounting records of the Bureau are maintained and issued 8 reports to the appropriate regional directors on these reviews. At the close of the fiscal year we had a review underway of policies and practices in connection with the construction of transmission lines. A review of the financial statements and selected activities of the Colorado River Storage project was completed during the year and a report on this review was in process.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Our reviews of activities of the *Corps of Engineers (Civil Functions)* were made at the Corps' headquarters, Washington, D.C., at 7 division offices, and at 21 of the 37 district offices. We reviewed water resources projects as described in the following section on interrelated water resources development programs. In addition, we made examinations of selected administrative operations, including examinations for the purpose of settling accounts of accountable officers. We issued 11 reports to division engineers and 1 report to a district engineer on these examinations. Certain of these reports contained recommendations for correcting various administrative practices. At the close of the fiscal year a review of leasing and licensing practices at reservoir lands was nearing completion.

In April 1964 we submitted to the Congress a report on our review of the computation of the Federal contribution to the State of California for flood control at the Oroville project. Our review showed that the omission by the Corps of Engineers of recreation as a primary project purpose in the allocation of joint costs resulted in an increase of about $9 million in the Federal contribution. We expressed the belief that an allocation to recreation should have been included in determining the amount of the Federal contribution. In addition, the use in the mathematical allocation procedures of a compromise rate of interest higher than the Federal rate of interest on long-term borrowings increased the Federal contribution by about $4,650,000. We stated that, in our opinion, the Federal rate of interest should have been used.

INTERRELATED WATER RESOURCES DEVELOPMENT PROGRAMS OF THE DEPARTMENT OF THE INTERIOR AND THE CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Water resources development activities of the *Department of the Interior* are, in many instances, interrelated with the civil works activities of the *Corps of Engineers*. For this reason, we report on a combined basis the results of our audits of hydroelectric power, irrigation, flood control, and similar interrelated activities of the two agencies in the various river basins.

COLUMBIA RIVER POWER SYSTEM

We completed an audit of the financial statements of the *Columbia River Power System* for the fiscal year 1963 and, at the close of the fiscal year, were preparing reports to the Congress and to the Secretary of the Interior on this audit. The Columbia River Power System, located in the Pacific Northwest, consists of the Bonneville Power Administration and the power-generating facilities of the Bureau of Reclamation and the Corps of Engineers.

The proposed reports contain our opinion that the financial statements, which were prepared by the Bonneville Power Administration, do not present fairly the financial position and results of operations of the integrated power system. Our opinion was based on the fact that firm cost allocations had not been made for 9 of 12 projects in operation, the cost of generating project construction work in progress was omitted from the statement of financial condition, generating costs were not disclosed, and the effect of changes in accounting practices and the amounts to be repaid from power revenues were not properly disclosed.

SOUTHEASTERN POWER SYSTEM

We completed an audit of the *Southeastern Power System* and related activities for the fiscal years 1961, 1962, 1963. A report to the Congress on this audit was in process. The Southeastern Power System consists of multiple-purpose projects constructed and operated by the Corps of Engineers in the Southeast and the Southeastern Power Administration which markets the hydroelectric power generated at these projects.

CENTRAL VALLEY BASIN, CALIFORNIA

In a report submitted to the Congress in April 1962 on our audit of the *Central Valley Basin*, California, for the fiscal year 1960, we recommended that the Secretary of the Interior have the Bureau of Reclamation record Court of Claims settlement costs arising from project activities and provide for the recovery by the Government of these costs in the same manner as other costs paid by the Bureau of Reclamation. Accordingly, the Bureau of Reclamation revised its procedures to provide for the inclusion of court settlement costs as project costs or expenses and, as of January 1961, recorded a total of over $2 million as project costs. Based on the current average percentage of project costs being recovered from project beneficiaries, we estimate that about $1,800,000 of these court settlement costs will be recovered.

U.S. STUDY COMMISSION, SOUTHEAST RIVER BASINS

The *U.S. Study Commission, Southeast River Basins* was established on August 28, 1958, to formulate a basic comprehensive and integrated plan of development of the land and water resources within certain designated river basins and intervening areas in the States of South Carolina, Georgia, Florida, and Alabama. The Commission was terminated on December 23, 1963. We made an audit of the Commission and submitted our report to the Congress in June 1964. Our audit indicated that the Commission properly administered its activities and accounted for the funds under its control.

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UNITED STATES
GENERAL ACCOUNTING OFFICE

TENNESSEE VALLEY AUTHORITY

Our audit of the financial statements of the *Tennessee Valley Authority* for the fiscal year 1963 was made at Knoxville and Chattanooga, Tenn., and at Florence, Ala. Under authority of Public Law 86–137, TVA employed a firm of certified public accountants to audit its accounts and financial statements. This audit did not replace the audit required by our Office under the Government Corporation Control Act. However, to avoid unnecessary duplication of audit procedures, our audit was limited to observations and tests of the audit work of the firm of certified public accountants and to such other auditing procedures as we considered necessary in the circumstances. Our report on this audit, which was submitted to the Congress in February 1964, contained our opinion that the financial statements presented fairly TVA's financial position at June 30, 1963, except for the lack of disclosure of a contingent liability resulting from a possible retroactive rate adjustment, and the results of its operations and the sources and disposition of its funds for the year then ended.

Health, Education, Welfare, Labor, and Veterans' Services

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Our principal work during the fiscal year 1964 in the *Department of Health, Education, and Welfare* (HEW) covered selected activities of the Office of Education, the Public Health Service, the Welfare Administration, the Office of the Secretary, and the Social Security Administration.

We submitted 11 reports to the Congress or to committees or Members of the Congress, one report to agency officials at the headquarters office, and 40 reports to the heads of agency field installations. We testified on phases of our work before the Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations; the Subcommittee on Science Research and Development, House Committee on Science and Astronautics; and the Special Subcommittee on Education, House Committee on Education and Labor.

Comments on the principal work done and our audit findings follow.

OFFICE OF EDUCATION

During the year we had under review selected aspects of the program relating to Federal grants for school construction authorized by Public Law 815, 81st Congress, as amended, in areas in which the activities of the Federal Government have caused increases in school enrollment. Our work was done at agency headquarters in Washington, D.C., at the HEW regional office in San Francisco, Calif., and at selected school districts.

In January 1964 we submitted a report to the Congress on our review of the administration of Federal grants under title III of the National Defense Education Act of 1958. Title III

authorizes financial assistance to States for strengthening instruction in science, mathematics, and modern foreign languages. Our review disclosed (1) Federal participation of $161,840 in expenditures which the *Office of Education* subsequently determined to be ineligible under the provisions of the law and regulations and for which recoveries have been or will be sought from the States and (2) Federal participation of over $295,000 in expenditures essentially similar to those considered ineligible for which the Office of Education will not seek recoveries. We pointed out in our report that, in our opinion, most of the expenditures of $295,000 could reasonably have been regarded as ineligible and subject to recovery if the Office of Education had administered eligibility requirements in a more consistent and effective manner. In addition, we questioned Federal participation of over $270,000 in expenditures for which the Office of Education had not made final determinations as to eligibility.

In response to our proposals for strengthening administration of the program, HEW issued revised regulations and instructions designed to give the States more complete and specific information as to eligibility requirements. Also, the Department informed us that a study was being made to strengthen and improve its audit operation to insure proper safeguards over the use of Federal grants to the States.

We commented also on excessive accumulation of grant funds in States and inaccurate financial reporting by States. Partial corrective action taken on these matters resulted in the recovery of over $390,000 of lapsed Federal funds. We expressed the view that excessive accumulations would be much less likely to occur if title III funds were advanced to the States more frequently than twice a year. A change in procedures designed to preclude excessive accumulations was subsequently made. This change is described on page 166.

PUBLIC HEALTH SERVICE

Our work in the *Public Health Service* included reviews of certain medical care benefits provided Public Health Service field employees and rental rates for employee housing in Alaska. Also, we started a review in HEW's Chicago, Dallas, and San

Francisco regional offices of programs under which grants are made to States to assist in providing various public health services. These reviews were in process at the end of the fiscal year.

In October 1963 we submitted a report to the Congress on our review of the hospital research grant program carried out pursuant to section 636 of the Public Health Service Act. We pointed out that specific program goals and priority areas needing research had not been established, that completed research projects had not been systematically evaluated and beneficial research results had not been disseminated, and that control over expenditures by grantees was weak. HEW agreed to adopt our recommendations to establish a specific timetable for the actions necessary to complete the development and issuance of program goals and priority areas needing research and to establish procedures to systematically review reports on completed research projects so that significant research results can be promptly translated, where appropriate, into revised or additional instructions for the hospital survey and construction grant program. Also, in response to our findings, the Secretary, HEW, issued instructions to the heads of HEW operating agencies emphasizing the importance of good financial administration.

In March 1964 we submitted a report to the Congress on our review of the accountability for and management of Government-furnished and contractor-acquired property under Public Health Service cost reimbursement research and development contracts. Our report pointed out that property records were incomplete or were not kept, controls over disposition of property at termination of contracts were generally inadequate, property settlements with contractors generally were not made in a timely manner, and no systematic screening procedures existed to enable a matching of equipment requirements with Government-owned equipment no longer needed for use on other contracts. We commented that, under these circumstances, appropriate safeguards against loss, unnecessary procurement, and unauthorized use of property were lacking, and management had been unable to make reliable determinations that the property furnished or acquired under the contracts

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continued to be effectively used. The Public Health Service acknowledged the need for strengthening procedures and practices relating to contractors' inventories of nonexpendable property and advised us that corrective action had been or was being taken in line with our proposals.

National Institutes of Health

During the year we reviewed the policies and procedures of the *National Institutes of Health* (NIH) relating to the advancing of funds to recipients of research grants, payments of indirect costs under research project grants, and certain procurement activities. Our work was performed at NIH headquarters in Bethesda, Md., and at selected grantee organizations.

In May 1964 we testified before the Subcommittee on Science Research and Development, House Committee on Science and Astronautics, concerning our findings and the action taken to minimize the making of advance payments to grantees in excess of their current requirements. We stated that our reports on NIH and other HEW grant programs since 1958 disclosed that portions of funds paid to grantees in advance were not needed for current grant requirements, and that such advances were disadvantageous to the Federal Government because they tended to accelerate the Treasury's cash requirements and to increase related interest costs. We stated also that, during our recent review, we found that certain institutions receiving NIH research grants had accumulated sizeable balances of grant funds and were investing these funds and retaining the earnings thereon, although the earnings should have been returned to the Government according to the terms and conditions of the grants.

As a result of our observations and information obtained from other sources, a project to explore ways and means by which advances could be minimized was instituted in September 1963 by the Steering Committee of the Joint Financial Management Improvement Program. This project resulted in the development of a new letter of credit and draft procedure, which was issued in May 1964, under which funds to finance programs carried out by State and local governments and other institutions will be disbursed only as required for grant purposes. It

has been estimated that, as a result of this procedure, funds withdrawn from the Treasury in advance of need will be reduced by several hundred millions of dollars and that the Government will save about $8 million a year in interest costs.

In December 1963 we issued a report to the Secretary, HEW, on our review of the practices followed in calling commissioned officers of the Public Health Service Reserve Corps to active duty at NIH. Our report pointed out that overpayments of pay and allowances had been made to commissioned officers because of excessive travel time allowed them in reporting to duty and because of the establishment of incorrect effective dates of their appointments. We were informed that corrective action had been or would be taken to correct the deficient procedures and thereby preclude similar overpayments in the future.

WELFARE ADMINISTRATION

During the year we continued our review of selected aspects of the federally financed Cuban refugee program, and we started reviews of Federal participation in costs of nursing home services and drugs provided to welfare recipients, State payments into pooled funds for medical care provided to welfare recipients, and costs of automatic data processing and office duplicating equipment used in State and local welfare offices. Our work was performed in the *Welfare Administration* headquarters offices in Washington, D.C., and in six States.

In October 1963 we submitted a report to the Senate Committee on Appropriations, pursuant to its request, containing our observations on the adequacy of the nationwide review performed by HEW and the States of eligibility in the program for aid to families with dependent children. In addition, we submitted reports to the Congress in February 1964 and March 1964 commenting on various matters relating to Federal financial participation in public assistance programs in several States. Following are some of the findings included in the reports to the Congress.

Excessive Federal payments for State administrative expenses.—Our reports commented on deficiencies in the methods used to allocate State administrative expenses between the public

assistance activities subject to Federal matching and those activities not subject to Federal matching. We found that, for one State, HEW approved a cost allocation plan even though it contained deficiencies which we estimate resulted in the Federal Government paying over a 4-year period about $1 million in excess of its fair share of State administrative expenses.

After our findings were discussed with the State agency and the HEW regional office, the regional office approved a revised cost allocation plan submitted by the State agency which for one year retroactively reduced the Federal Government's payment by about $190,000. The Department stated, however, that overpayments during the preceding 4 years could not be recovered because the State was operating under an approved plan. The fact that the funds cannot be recovered points up the importance of eliminating defects in cost allocation plans before the plans are unconditionally approved. We therefore recommended to the Secretary, HEW, that all plans be thoroughly reviewed before unconditional approval is given.

Although it did not agree that the plan referred to was inadequate at the time of approval, HEW stated, in response to our recommendation, that it had issued instructions to its field representatives designed to strengthen the review procedures for such plans. Also, inasmuch as we had noted that plans had been approved or continued in effect even though they contained known deficiencies, we recommended that if it is necessary to proceed with such plans, provisions be made for retroactive adjustments if the States do not take timely action to correct the defects.

Excessive Federal payments for medical care.—In our February 1964 report we pointed out that excessive Federal payments were made to a State because HEW did not take timely action to adjust contributions into a pooled medical care fund to reasonably approximate actual expenditures. Although HEW eventually obtained a refund of about $982,000, we noted that HEW did not compute the refund in accordance with its policy which required that the Federal share of the excess balance in a pooled fund be determined on the basis of actual expenditures. We recommended, therefore, that HEW seek an additional

refund from the State which, if computed in accordance with its policy, could amount to as much as $639,000.

Need for adequate justification for installation of automatic data processing equipment.—We found that HEW approved Federal matching for the cost of automatic data processing (ADP) equipment installed in a State welfare department without requiring adequate justification of the need for the equipment. Further, the HEW administrative procedures did not contain instructions to the States or special requirements concerning justification of ADP costs claimed for Federal matching despite the substantial costs associated with such equipment. In response to recommendations in our February 1964 report, HEW informed us that it agreed that additional instructions should be issued to the States making feasibility studies a basic requirement and that HEW would review the adequacy of States' compliance with these instructions before approving claims for Federal financial participation.

OFFICE OF THE SECRETARY

During the year we began a review of the administration of the program under which surplus Federal personal property is transferred to tax-supported and nonprofit educational and health institutions and civil defense organizations for use in States for educational, public health, and civil defense purposes. A principal purpose of this review will be to follow up on the effectiveness of the actions taken by HEW to correct deficiencies disclosed in a previous report we issued on this subject. Our field work was performed at HEW's regional office in Kansas City, Mo., at selected State surplus property distribution agencies, and at certain donee health educational institutions. Our work during the year also included a review of certain public information activities of HEW and its operating agencies. Reports on these reviews were being prepared at the close of the fiscal year.

SOCIAL SECURITY ADMINISTRATION

During the fiscal year 1964 our audit work in the *Social Security Administration* (SSA) was performed at the agency's

central office in Baltimore and at its payment centers in Birmingham, Chicago, Kansas City, New York, Philadelphia, and San Francisco. Our reviews were concerned principally with SSA's procedures for establishing entitlement to monthly benefits, with the selection and performances of persons designated to receive payments on behalf of beneficiaries, and with payroll activities.

In June 1964 we submitted a report to the Congress in which we pointed out that, under SSA's existing concepts and procedures for determining claimants' entitlement to social security benefits, findings of entitlement to certain types of benefits were based largely on the claimants' representations. We commented that the propriety of awards in such cases depends to an extent on the integrity of the claimants, a factor which lies beyond the influence of the agency's administrative controls over claims processing. In making recommendations to strengthen evidence requirements, we pointed out that adequate safeguards to determine that each award is legally due the recipient is especially important in a program where the claims approved in only one year will, over the remaining lifetime of the claimants, require cash outlays aggregating more than $33 billion, and where even a small percentage of invalid payments would represent a significant dollar amount.

Also, we issued reports during the fiscal year to agency officials on our audits of payrolls processed by the six SSA payment centers. We noted, principally, a need to strengthen controls over overtime work, distribution of salary checks, and timekeeping practices. We had in process at June 30, 1964, a report on an examination into the practice of paying social security benefits to relatives or other persons on behalf of minor beneficiaries and incompetent adult beneficiaries. Our examination was concerned principally with the criteria followed in selecting persons to receive payments on behalf of the beneficiaries and with the scope and timeliness of reviews made by the Social Security Administration of the manner in which such persons were discharging their fiduciary responsibilities.

Our work during the fiscal year also included followup reviews to ascertain and evaluate the progress of corrective actions taken in response to recommendations we made in prior fiscal years.

We noted that SSA had taken action to reduce its administrative costs and to improve the accuracy of earnings records by instituting an educational program aimed at employers who report earnings improperly. As of May 1964, more than 35,000 employers had been identified and contacted under this program. We also noted that action had been taken to strengthen administrative controls over and to reduce travel costs by curtailing the use of blanket travel orders, by reducing the use of first-class air accommodations, and by emphasizing the use of faster modes of transportation to reduce unnecessary loss of time by employees traveling long distances to perform short periods of temporary duty. We also noted compliance with recommendations that economical locations be selected for the many conferences held by SSA field employees and that effective accounting control over office furniture and fixtures be established.

DEPARTMENT OF LABOR

During the fiscal year 1964, our work in the *Department of Labor* was concerned principally with reviewing activities of the Bureau of Employment Security, department-wide financial and administrative practices, policies and procedures for the administration of programs under the Manpower Development and Training Act of 1962, and determinations of prevailing wage rates made by the Secretary of Labor. Our reviews were made at headquarters and selected field locations.

We issued five reports to the Congress, three reports to Members of the Congress on reviews made at their request, and three reports to agency officials. As of June 30, 1964, reports to the Congress were in process on our reviews of (1) certain aspects of the Department's financial and administrative practices, (2) determinations of prevailing wage rates made by the Secretary of Labor under the provisions of the Davis-Bacon Act and certain other laws involving federally financed construction, (3) certain activities carried out under the Manpower Development and Training Act of 1962, (4) selected practices relating to the administration of the employment service program, and (5) the payment of unemployment benefits to Federal civilian and military retirees.

The more significant findings contained in our reports submitted to the Congress during the fiscal year 1964 are summarized below.

Concurrent payments of unemployment benefits and military retired pay.—In a report submitted to the Congress in August 1963, we pointed out that it has been the practice of the Bureau of Employment Security and certain State employment security agencies to consider retired members of the Armed Forces eligible for unemployment compensation under the Ex-Servicemen's Unemployment Compensation Act of 1958, although the retired servicemen receive Federal retirement pay. Although many States deduct from ex-servicemen's unemployment compensation the amount they receive as retirement pay during the compensation period, the laws of 26 States have no such provisions. Hence, for claims filed in these States, the Federal Government is bearing the cost of dual benefits to retired servicemen. We expressed the belief that this practice is not in harmony with the intent of the Ex-Servicemen's Unemployment Compensation Act of 1958 which, in our opinion, primarily contemplated the payment of unemployment compensation for separated noncareer servicemen during the period of their economic readjustment to civilian life. We stated that if this practice of making dual payments is continued, the Federal Government will pay an estimated $33 million for unemployment compensation to career ex-servicemen retiring in fiscal years 1963 through 1970, in addition to paying the same persons $48 million in retirement annuities.

In passing the Temporary Extended Unemployment Compensation Act of 1961 and in amending the District of Columbia Unemployment Compensation Act, the Congress acted to preclude, with certain exceptions, concurrent payments of retirement pay and unemployment compensation. Therefore, in the interest of precluding payment of dual benefits from Federal funds, and in order to implement a general policy similar to that thus enacted, we suggested that the Congress might wish to amend the Ex-Servicemen's Unemployment Compensation Act of 1958 to specifically provide that members of the Armed Forces who retire for reasons other than disability shall receive unemployment benefits based on military service only in the amount

by which the unemployment benefit rate exceeds the retired pay rate.

Use of funds appropriated for prior years.—In a report submitted to the Congress in September 1963, we commented on the practice followed by the Bureau of Employment Security of making available to State employment agencies for expenditure in the current fiscal year uncommitted funds which had been granted to them in prior fiscal years. We pointed out that during the period from July 1, 1957, through January 31, 1963, the Bureau of Employment Security authorized the State agencies to use in succeeding years about $32.4 million of such funds. This practice reduced congressional control over the funds made available because funds appropriated for a single year, in effect, were treated as no year funds, which are available until expended. We also pointed out that the amounts of uncommitted funds made available to the State agencies were not adequately disclosed to the Congress for its consideration in determining the amounts which should be appropriated for employment security administration for the new fiscal year.

We recommended that the Congress consider including suitable language in the Department of Labor appropriation acts which would specifically limit the annual appropriations to use by the State agencies only for obligations they incur during the specified fiscal year. Subsequently, in the Department of Labor appropriation act for fiscal year 1964, the Congress provided that funds unobligated by the States in that year shall be returned to the Treasury.

Ineffectiveness of procedures for reporting on training programs under the Manpower Development and Training Act.—In a report submitted to the Congress in April 1964, we commented on the ineffectiveness of the reporting system of the Department of Labor concerning the training programs established under the Manpower Development and Training Act of 1962. Under the procedures followed, after a trained person obtained employment, it was assumed, for reporting and evaluating purposes, that he remained in the same job regardless of whether he changed jobs or was unable to hold the job for which he had been trained.

Training results cannot be adequately measured nor judged as to their effectiveness, nor can directors of the programs make timely adjustments in program emphasis or direction or make reliable reports to the Congress without knowledge of the trainees' subsequent experience in the labor market. We therefore proposed that the Secretary of Labor have the Bureau of Employment Security arrange for periodic followups, at least during the first post-training year, of all trainees to ascertain their employment status and the reasons for any shifts from training-related employment or to an unemployed status. We were subsequently informed that new procedures, which appeared to comply generally with our proposal, would be placed into effect.

Unnecessary costs incurred in distributing news releases and publications.—We reported to the Congress in June 1964 that the Department of Labor had been mailing publications and news releases to persons who had not recently expressed an interest in receiving the material. We pointed out that, except in one instance, the mailing lists had not been updated since 1959. We estimated that about $41,000 could be saved each year by updating all of the Department's mailing lists on file in the Washington office. In response to our report, the Department informed us that it was updating its mailing lists and that the results indicated that about 40 percent of the names would be dropped from the lists.

We pointed out also that unnecessary costs were incurred because unrequested copies of booklets and publications issued by the Department of Labor were being attached to and mailed with certain news releases announcing and summarizing the publications. We recommended generally that the distribution of such material be confined to those who request it. The Department informed us that it was correcting this situation and that about 3,600 copies of the booklets and publications would no longer be distributed with news releases. We estimate that this will result in saving about $10,000 a year.

Ineffective administration of travel advances and purchase of transportation.—In a report submitted to the Congress in June 1964, we stated that the Department of Labor had frequently made travel advances to its employees without adequate regard

to the character and probable duration of travel to be performed. Advances remained outstanding for extended periods during which the employees either did not travel or performed only limited travel. Our examination of selected transactions indicated that a substantial part of the total advances of $307,000 outstanding at June 30, 1963, was in excess of travelers' needs. We commented upon the need for the Department to provide for adequate periodic review in order to control and limit the advances to amounts necessary, as provided by the Travel Expense Act of 1949 and the "Standardized Government Travel Regulations."

We also found that the Department had failed to collect a large number of refunds from carriers for unused transportation tickets or portions thereof because the unused tickets and related documents had been misfiled or otherwise overlooked. After we brought this condition to its attention, the Department found documentation upon which refunds of about $15,000 were claimed and collected on over 650 unused tickets. The Department informed us that the deficient practices disclosed in our report would be corrected.

During the fiscal year we submitted a report to the Department on our review of the proposed installation of a second automatic data processing center in the Department and a report on the use of out-of-date information for computing amounts payable to the Post Office Department for the cost of postage used by State employment security agencies. We also submitted to individual Members of the Congress a report on wage rate determinations in connection with the construction of an interstate highway bridge and two reports on administrative costs incurred and personnel engaged in employment security operations in certain years.

During the fiscal year 1964 the Bureau of Employment Security initiated certain corrective action regarding deficiencies in State employment security administration which we had pointed out in a report submitted to the Congress in May 1963. The Bureau was revising its manuals of procedure relative to the procurement, utilization, and relocation of office space in order to avoid unnecessary rental costs, was developing procedures for stronger controls over the purchase of equipment, and had re-

vised its internal audit reporting procedures. In addition, the Bureau had recovered by June 30, 1964, $314,000 of Federal grants spent by State employment security agencies but disallowed by the Bureau.

VETERANS ADMINISTRATION

During the fiscal year 1964, our audit work in the *Veterans Administration* (VA) consisted principally of reviewing selected activities relating to the compensation and pension, insurance, and loan guaranty programs of the Department of Veterans Benefits and the hospital operations of the Department of Medicine and Surgery. Our work was performed in Washington and at 168 VA field installations.

We submitted ten reports to the Congress. Reports relating to the compensation and pension program covered excessive disability pension payments resulting from inadequate procedures for reviewing annual income questionnaires and the establishment of a memorial certificate program without legal authority. A report on the loan guaranty program covered excessive costs incurred in maintaining and managing properties acquired upon default of loans. Under the medical program, we submitted reports on opportunities for reducing costs by filling prescriptions of private physicians in VA pharmacies, excessive costs incurred by VA hospitals and domiciliaries in procuring milk, and inadequate rental rates charged by the VA for garages used by field station employees. Other reports related to our audit of the Veterans Canteen Service for the fiscal year 1963, the procurement of unsatisfactory equipment for developing X-ray film, VA's practice of including voluntary workers as employees in determining the maximum number of personnel workers it was legally permitted to have, and the proposed move of a VA regional office from Dallas to Waco, Tex.

We submitted an interim report to the chairman, House Committee on Veterans' Affairs, on the need for a new VA hospital. We also submitted reports to two individual Congressmen, one on the cost and date of initiation of the VA program for providing certificates honoring the memory of deceased members of the Armed Forces and one on Federal funds appropriated and

disbursed for the Rhode Island Veterans' Home, Bristol, R.I.

Fifty-two reports were issued to the heads of VA field installations on reviews of accounts of the accountable officers at hospitals, centers, supply depots, domiciliaries, regional offices, and the Veterans Benefits Office. These reviews dealt primarily with payrolls, travel, and other administrative expenses. At June 30, 1964, similar reviews were in progress at five hospitals, four regional offices, and three centers.

DEPARTMENT OF VETERANS BENEFITS

Compensation and pension program.—During the year we completed a review of selected compensation and pension cases at eight VA regional offices. The review was directed primarily toward evaluating the reasonableness of the amounts of benefits awarded. Also, review work in addition to that undertaken during the previous fiscal year was performed at the Veterans Benefits Office in Washington with respect to certain compensation awards to veterans under 55 years of age.

At the end of the year a review was in process at two VA regional offices to determine whether economies could be effected by consolidating certain activities of the two offices and whether consolidation would have any significant effect on the quality of services provided to veterans.

In May 1964, we submitted a report to the Congress on our review of the memorial certificate program administered by the VA. This program was established to honor the memory of deceased members of the Armed Forces by providing memorial certificates to their next of kin and, in some instances, to other relatives and to friends. In our report on the review, which was made at the request of a Member of the Congress, we stated that we could find no statutory authority for conducting the program. Subsequent to our review, a bill was introduced to provide such authority.

In June 1964, we submitted a report to the Congress, based on the review we made at eight VA regional offices, in which we stated that excessive disability pension payments were being made to veterans because the regional offices had not adequately reviewed annual income questionnaires submitted by the veterans

as a basis for determining the amounts of pension benefits to which they are entitled. A projection of the amounts and frequency of the incorrect payments we found during our review indicated that excessive payments of about $2.1 million were made to approximately 9,200 veterans whose awards originated during the fiscal year 1962 and that excessive payments of about $1.9 million were made to approximately 8,100 veterans whose awards originated during the fiscal year 1963. The overpayments occur mainly in the year the awards are originated and in the following year. Inasmuch as there are now about 21 million veterans who may become eligible to receive pension benefits in later years, the need for corrective action was apparent.

The prescribed questionnaire did not require sufficient information and the VA Central Office had not provided the regional offices with specific instructions requiring that the necessary additional information, some of which was already in the veterans' claim folders, be obtained or reviewed. As a result, the regional offices overlooked reported income which exceeded the limitations on which the awards are based and continue awards on the basis of insufficient information. After we brought our findings to the VA's attention, we were informed that certain actions had been taken and others would be taken which, in our opinion, should correct these deficiencies.

During the fiscal year 1964 we also completed a review of the compensation and pension program at the Milwaukee VA regional office. Our review disclosed that although standards for evaluating certain disabilities had been revised from time to time previously existing disability compensation awards had not been adjusted to conform to the new standards. This resulted in paying veterans with comparable service-connected disabilities different amounts of compensation benefits.

We were unable to fully assess the total effect of the VA policy of not reviewing awards relating to these revisions, which include both liberalizing and restrictive changes. However, as a means of demonstrating the effect in terms of probable dollar amounts involved, we reviewed awards relating to two major restrictive revisions which, we were informed, would affect the greatest number of veterans' awards. Because the policy followed by the Milwaukee regional office applies to all other region-

al offices, we believe that the results of our review should be representative of all 65 regional offices. We estimated that, if the results are representative, compensation benefits ranging from $63 million to $182 million will be paid by the VA in excess of the amount that would be paid under the revised standards for the two types of disabilities which we reviewed.

We believe that, to avoid the continuation of a substantial number of such inequitable payments of compensation benefits, the Administrator of Veterans Affairs should revise VA's policy to require that, when rating standards are revised, all disability ratings be adjusted to conform to the revised standards. A report on our findings was submitted to the Congress shortly after the close of the fiscal year.

Loan guaranty and direct loan programs.—During the year, we initiated a review of VA procedures for collecting debts arising from defaulted housing loans. The review, conducted at nine VA regional offices, was directed primarily toward determining the adequacy of the efforts made by the VA to effect collection before referring the debts to the General Accounting Office as uncollectible. The review was prompted by recent large increases in the number of debts being referred to our Office for collection. This review was still in process at June 30, 1964.

We also had underway at June 30, 1964, a review of the procedures and practices followed by both the VA and the Federal Housing Administration in managing properties acquired as a result of foreclosures of home loan mortgages. In this review we are comparing the acquisition, repair, maintenance, and sales activities of the two agencies for the purpose of identifying differences in procedures and practices and determining the effect of such differences on operating results. Our work in fiscal year 1964 also included examinations into VA's costs of obtaining title evidence and hazard insurance on acquired properties.

In August 1963, we submitted a report to the Congress in which we disclosed certain deficiencies in the maintenance and management of properties acquired by the VA upon default of guaranteed and direct loans. This report was supplemented by a report issued to the Administrator of Veterans Affairs in October 1963, in which we pointed out certain administrative weaknesses in the management of these properties. Representa-

tives of our Office testified in November at hearings before the Subcommittee on Housing, House Committee on Veterans' Affairs, on the matters discussed in the two reports.

Insurance program.—In fiscal year 1964, we began a review of the life insurance program for service-disabled veterans. Our review was directed primarily at determining whether the veterans to whom policies were issued under the program met the criteria for eligibility for the insurance. We continued our review of the effectiveness of VA procedures for terminating benefits upon full or partial recovery of insureds from total disabilities.

During the year we performed additional review work relating to Federal contributions to veterans' life insurance trust funds for costs of claims arising from deaths or total disabilities determined by the VA to have been caused by the extra hazards of military service. The insurance trust funds are reimbursed for such costs from appropriations made by the Congress. Our review indicated that the National Service Life Insurance Trust Fund and the United States Government Life Insurance Trust Fund received excessive appropriations from the Congress by reason of claims having been improperly determined by VA to be traceable to the extra hazards of military service. A report to the Congress on this matter was in process at the end of the fiscal year.

DEPARTMENT OF MEDICINE AND SURGERY

Medical program.—At the end of the fiscal year 1964, reviews of fire protection services at 26 centers, hospitals, and domiciliaries and of inpatient dental care at 10 VA hospitals were nearing completion. During the year we initiated a review of VA actions at six outpatient clinics to reduce costs of filling prescriptions of private physicians, a review of contract laundry services at two VA hospitals, a review of the administration of a contract for exterior concrete construction at a recently constructed VA hospital, and a review of the need for a new VA hospital. The last-named review was initiated at the request of a Member of the Congress. We also had in process at the end of the fiscal year reviews of manpower utilization in guard units at nine VA

field stations, land holdings and requirements at 12 VA field stations, and VA policies and practices concerning the location of replacement hospitals.

In August 1963, we reported to the Congress on the need for more effective management action to reduce costs by filling private physicians' prescriptions in VA pharmacies under the program for hometown medical care. We estimated that the VA had incurred costs of about $1.6 million more in calendar year 1962 for prescriptions filled by private pharmacies than it would have incurred if the prescriptions had been filled by its own pharmacies. We recommended that the Administrator of Veterans Affairs revise VA's policy to require the use of VA pharmacies to fill all private physicians' prescriptions with certain authorized exceptions. In implementing our recommendation, the VA Central Office furnished its field stations with additional instructions and guidelines for use in controlling costs of private physicians' prescriptions.

In a report submitted to the Congress in January 1964, we pointed out that, although we had called the attention of the VA to the economies involved in the use of bulk milk dispensers in nine reports since fiscal year 1958, our most recent review showed that 83 percent of VA's 172 stations were still purchasing milk for patient and employee consumption in individual half pint rather than bulk containers. We estimated that if the VA Central Office had required the use of bulk milk dispensers wherever feasible, savings of as much as $450,000 annually could have been realized. In commenting on our latest report, the VA informed us that area medical directors had been notified to use such dispensers at all stations not later than fiscal year 1965 unless their use was not justified. However, because a delay until 1965 would postpone the savings for as long as a year and a half, we recommended that the Administrator of Veterans Affairs take action to use the dispensers promptly.

In May 1964, we reported to the Congress that rental rates charged by the VA for garages used by field station employees to house personally owned automobiles had remained unchanged, for the most part, since 1935 and that the rates were significantly lower than rental rates for comparable private garages in the local communities. We expressed the belief that, if comparable

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rates had been established, the VA could have realized additional revenue over the years. We estimated that about $95,000 more could have been realized in fiscal year 1963 alone. After we informed it of our findings, the VA changed its policy to require that garage rental rates be set at levels similar to those prevailing for comparable private facilities in the local communities and stated that garage rental rates at all field stations would be reviewed for possible adjustments by September 1964.

Shortly after the close of the fiscal year, we reported to the Congress that the planning and administration of the VA program of installing punched card data processing equipment in hospitals was seriously deficient and had resulted in significantly increased costs without commensurate benefits. Our review at selected field stations disclosed that although operating costs increased significantly, the data processing equipment was not being effectively used and the quality and quantity of reports and other information produced under the mechanized system were basically the same as those previously produced. We estimated that annual operating costs had increased about $1 million and that nonrecurring installation and other costs totaled about $400,000 for the stations participating in the mechanization program. We informed the VA of our findings and proposed that a determination be made of the need for continuing machine operations at individual stations or of extending data processing to additional stations. We proposed also that, where justified from a standpoint of economy and efficiency, consolidated installations be established. Subsequently, the VA informed us that a plan to implement our proposals had been approved and that, when fully implemented on a nationwide basis, annual savings of over $900,000 could result.

Veterans Canteen Service.—During the year we completed an audit of the Veterans Canteen Service for the fiscal year 1963, and we submitted a report to the Congress in June 1964. Our audit included a review of procedures, tests of financial transactions of the revolving funds, and an examination of the financial statements. Audit work was performed at the Washington central office, at 3 of the 5 field offices, and at 15 canteens.

The Veterans Canteen Service is required by law to pay into the general fund of the Treasury, funds which are excess to its

requirements for the ensuing fiscal year. The Veterans Canteen Service computed that only about $300,000 of the approximate amount of $5,400,000 cash on hand at June 30, 1963, was excess to its requirements for the fiscal year 1964. Our review showed that, as in the preceding year, the VCS had not given sufficient consideration to funds to be generated during the ensuing fiscal year in determining the amount to be paid into the general fund. We proposed that the Administrator of Veterans Affairs instruct the Service to revise its estimate accordingly. In April 1964 the VA informed us that a payment of $1.5 million, an amount we believe to be reasonable, would be made into the general fund for fiscal year 1963.

Supply program.—Our work during the fiscal year included reviews to determine whether savings could be achieved through increased centralization of the procurement of certain drugs, whether there had been adequate planning for and administration of the program for establishing an amateur radio system at VA field stations, and whether overstocking of certain supplies and equipment was caused by ineffective methods of estimating requirements. These reviews were in process at the end of the fiscal year. Also, during the latter part of the year we initiated a review at 11 locations to determine whether unnecessary costs were being incurred by the VA by reason of not using medical supplies and equipment declared excess by other agencies.

In February 1964, we submitted a report to the Congress on the procurement of unsatisfactory X-ray film development equipment. We found that the VA had purchased 52 newly developed complex automatic X-ray film processors costing $583,168 without testing and evaluating their performance. Shortly after installation frequent malfunctions occurred which resulted in at least 66,000 X-ray retakes costing about $50,000 and in adverse effect on patient care. Although the VA was aware of the deficiencies in the units installed, it continued to accept deliveries of additional units. We expressed the opinion that the purchase of this unsatisfactory equipment clearly demonstrated the need for VA to strengthen its procurement and contract administration policies and procedures. The VA informed us that, following our review, it had ordered a special

study of its procurement activities and an investigation to determine responsibility for the deficiencies cited in our report and that it was considering whether legal action should be taken to recover all or part of the funds spent for the X-ray equipment.

OTHER REVIEWS

At June 30, 1964, we had in process a review of the feasibility and desirability of combining the personnel offices of VA field stations located in the same cities or the same metropolitan areas. We also had in process a review of VA's program for providing its employees with uniforms which they are required to wear in the performance of their official duties.

We submitted a report to the Congress in April 1964 on the VA's practice of considering volunteer workers to be employees for the purpose of determining the maximum number of personnel workers VA was permitted to have under limitations established by the annual Independent Offices Appropriation acts. Since 1953 the limitation on employees engaged in personnel work has been 1 personnel employee for each 135 employees served. Most of the volunteer workers considered by VA to be employees are persons from civic, religious, and other groups who serve without compensation in VA medical facilities under the VA voluntary service program. We found that the VA personnel staffs perform virtually no service for persons serving under the voluntary program. We expressed the belief that the practice of considering such volunteers to be employees, although not illegal, tended to defeat the purpose for which the limitation was established. The annual cost to the Government of the additional personnel workers permitted by the practice was estimated to be in excess of $2 million. We recommended that these voluntary workers be disregarded in computing the number of personnel workers VA may have under the statutory limitation. The VA informed us, however, that it believes the policy of including volunteer workers when computing the ratio of personnel employees to total number of employees is proper.

At the request of a Member of the Congress, we made a review of a proposed move of a VA regional office from Dallas

to Waco, Tex. We considered, in particular, the estimated savings resulting from the move and the effect of the move on services to veterans and on agency operations. We also considered the possible alternative of moving the Waco regional office to Dallas. In our report on this review, submitted to the Congress in November 1963, we stated that leased space for a consolidated office in Dallas would cost about $36,000 a year more than leased space in Waco, the savings in personnel costs from consolidating the two offices would be about the same under either alternative, services to veterans would not be significantly affected by either alternative, and that added costs resulting from early retirement of employees because of a move would probably be less if a move were made from Waco rather than from Dallas. We concluded that, upon considering the relative merits of the alternative moves, the factors involved did not present a basis for a clear determination that one alternative was to be preferred over the other.

BLANK

Treasury and Post Office Departments

TREASURY DEPARTMENT

Our work during the fiscal year 1964 at the various bureaus and offices of the *Treasury Department* was undertaken in the central offices in Washington, D.C., and at various field offices. We directed our audit efforts principally to selected programs and activities of the Office of the Treasurer of the United States, the Bureau of Accounts, the Bureau of Customs, the Bureau of Engraving and Printing, and the U.S. Coast Guard. Also, we made reviews of selected activities of the Bureau of the Mint and the Internal Revenue Service, and we made an audit of the Office of Defense Lending as required annually under the Government Corporation Control Act. As required by law, we examined and settled accounts of the Department's disbursing, collecting, and other accountable officers.

During the year we submitted 15 reports to the Congress and 2 reports to Members of the Congress. We also issued 13 reports to agency officials in Washington, D.C., and 21 reports to agency field officials. Our reports to agency officials dealt with internal audit activities, disbursing and certifying functions, settlement of accounts, payrolls, and selected administrative operations and related financial practices.

OFFICE OF THE FISCAL ASSISTANT SECRETARY

In our annual reports for fiscal years 1962 and 1963 we commented on the findings contained in a report, submitted to the Congress in May 1962, on our review of the Treasury Department study of Treasury tax and loan accounts and on the report issued by the Treasury Department in November 1962 in reply to that report. The Treasury Department uses special accounts in commercial banks, known as tax and loan accounts, for the deposit of certain tax collections and proceeds from sales of public debt obligations. These accounts are used principally to avoid

the effect which the collection of these funds and their resulting withdrawal from the commercial banking system might have on the money and security markets. Month-end balances in tax and loan accounts ranged from $2.5 billion to $10.3 billion during the fiscal year 1963.

In our May 1962 report we recommended that the Congress consider the desirability of enacting legislation establishing a general policy requiring that the banks pay to the Government amounts approximating the excess of the earnings value to them of the tax and loan accounts over the cost of services rendered to the Government. We recommended further that the Congress consider assigning to the Treasury Department the responsibility for establishing schedules of charges to the banks to accomplish the purpose of this policy. In its November 1962 report the Treasury Department reaffirmed its previous position that the present tax and loan account system is of value to the Government, especially through its balancing effect on the money market and the benefit derived from the underwriting services of the participating banks in connection with the issuance of Government securities. The Treasury Department took the position that adoption of the policy recommended in our report would result in an unworkable modification of the existing system and would destroy the essence of the system.

We reviewed the Treasury Department's comments and presented our views in a report submitted to the Congress in December 1963. We pointed out that the Treasury Department had not provided new convincing evidence that the arrangement was fair and equitable to the Government and that its comments did not overcome our previous position that the present tax and loan account system provides an inequitable arrangement with the larger banks. We stated that we remained of the opinion that a modification along the lines we recommended in our May 1962 report was desirable.

OFFICE OF THE TREASURER OF THE UNITED STATES

We completed an examination of the financial statements presenting the accountability of the Treasurer of the United States at June 30, 1963, under her custodianship functions for

the safekeeping of public funds and other assets. A report to the Congress on our examination was in process at June 30, 1964. In our opinion, the financial statements presented fairly the accountability of the Treasurer at June 30, 1963, and the changes in the account balance for the fiscal year then ended. Also, we issued a letter of settlement to the Deputy Treasurer of the United States covering his final account as of January 2, 1963, as Acting Treasurer.

In November 1963 we issued a report to the Fiscal Assistant Secretary of the Treasury on our review of certain securities and other items which may no longer have financial value but which were being held in custody and were being accounted for by the Treasurer of the United States. In response to the recommendations in our report, the Fiscal Assistant Secretary informed us that the Treasury Department would review these items and would dispose of those that had no further financial value.

At the close of the fiscal year reports were in process on our reviews of the safekeeping of United States savings bonds and the processing by the Cash Division of deposits received from Government officers for credit to the Treasurer's account.

BUREAU OF ACCOUNTS

We performed audit work in the *Bureau of Accounts* necessary to settle the accounts of Treasury Department disbursing officers at eight locations, the accounts of certifying officers at five locations, and the accounts of all District Directors of Internal Revenue for the fiscal year 1963. Other audit work included reviews of (1) selected central accounting operations, (2) appropriation warrants and the countersigning of the warrants, (3) the assignment of account symbols and titles, and (4) reports of cash transactions submitted by certain agencies to the Treasury Department. Seven reports were issued to Washington and field agency officials as a result of these reviews.

In September 1963 we reported to the Congress on our examination of the semiannual report submitted to the Congress by the Treasury Department under Public Law 87–195 with respect to the June 30, 1962, balances of foreign currencies acquired

without payment of dollars. We reported that, in our opinion, the Treasury Department's regulations and procedures for valuing foreign currencies owned by the United States were generally satisfactory and that the Treasury Department's report was prepared in accordance with the requirements of the law. This report is also discussed in Chapter Eleven.

BUREAU OF CUSTOMS

During fiscal year 1964 our audit work in the *Bureau of Customs* was performed in Washington, D.C., and in eight selected collection districts. Our work was concerned principally with reviews of (1) controls over commercial merchandise imported by vessels, (2) selected activities relating to identifying, classifying, handling, and storing imported merchandise, and (3) control and collection of receivables due from importers and carriers. We reviewed the internal audit work performed by six District Comptrollers of Customs and issued reports to the comptrollers on these reviews. We also made reviews of selected administrative operations including settlement of accounts of certain Collectors of Customs and of the Bureau's accountable officers in Washington, D.C.

During the year we completed our reviews of the Bureau's controls over the unloading of bulk petroleum imports into the United States and of selected Bureau activities relating to handling and storing imported merchandise. At the close of the fiscal year, we were evaluating the effectiveness of selected Bureau controls and procedures for recording and collecting fines, penalties, and forfeitures.

In a report submitted to the Congress in April 1964, we commented on certain deficient Bureau controls over the unloading of imported bulk petroleum products from tanker vessels. Because of certain practices by customs inspectors and public gagers which were contrary to procedures prescribed by the Bureau, the Bureau's control over the measurement of the quantity of imported oil unloaded by vessels was seriously weakened. Considering the large volume of petroleum imported and the difficulty of identifying the quantity for duty purposes after it has been unloaded, significant revenue losses

may have resulted. We were informed that corrective action would be taken in line with our recommendation by providing an aggressive program for periodic reviews of bulk petroleum inspection activities by headquarters personnel to determine whether prescribed procedures are being carried out at operating levels. We were also informed that the Commissioner of Customs would, as proposed in our report, revise the customs regulations to provide that public gagers adhere to standards for gaging bulk petroleum similar to the standards prescribed by the Bureau for its own inspectors.

In a report submitted to the Congress shortly after the close of the fiscal year we commented on the unnecessary costs incurred in handling and storing imported merchandise. We noted that the Bureau's laboratories were analyzing, without charge, samples of prospective imports submitted by importers and exporters for purposes of tariff classification. The Bureau incurred costs of about $117,000 in analyzing about 11,000 samples during a recent 5-year period. Inasmuch as the benefits derived from these analyses accrued principally to the importers and exporters we expressed the view that the costs should be borne by them. Our review also disclosed a need for better utilization of space in the Chicago customhouse and a need for corrective action in a number of matters relating to the storage and sale of imported merchandise remaining in Customs' custody. The Acting Commissioner of Customs generally disagreed with our recommendations that the cost of analysis work be recovered and that the space requirements at the customhouse be reviewed with the objective of releasing any unneeded space. He indicated, however, that a reexamination would be made of the procedures relating to the storage of imported merchandise in the interest of reducing storage costs and increasing proceeds from sales.

BUREAU OF ENGRAVING AND PRINTING

In April 1964 we submitted a report to the Congress on our examination of the financial statements of the *Bureau of Engraving and Printing Fund* for the fiscal years 1961–63. We stated that the Bureau's procedures for recording employees'

leave resulted in an overstatement of costs of about $238,000 for the 3-year period and overstatement of about $65,000 in the liability for employees' accrued leave. We also pointed out that the Bureau had included in the results of its operations for fiscal years 1962 and 1963 costs of about $60,000 for compiling and writing a 100-year history of the Bureau. We concluded that the history was essentially the dissemination of information which was not authorized by law and that the Fund was not available to meet these costs without authorization by the Congress.

In our report we expressed the opinion that, except as noted in the foregoing comments, the financial statements presented fairly the financial position of the Fund at June 30, 1962 and 1963, the sources and application of its funds for the fiscal years ended June 30, 1962 and 1963, and the results of its operations for the 3 fiscal years ended June 30, 1963. We were subsequently informed that the Bureau would correct its procedures for recording employees' leave and that it had sought and obtained an appropriation from Congress to cover the costs incurred in compiling the history.

BUREAU OF THE MINT

During fiscal year 1964 we examined the accountability records of the *Bureau of the Mint* for gold, silver and other monetary metals for the purpose of settling the accounts of the accountable officers for the fiscal year 1963. Our work was performed at the Central Office in Washington, D.C., and at field installations at San Francisco, Calif., Denver, Colo., Fort Knox, Ky., New York, N.Y., and Philadelphia, Pa. A report on our examination was issued to the Director of the Bureau of the Mint in January 1964. At the close of the fiscal year we had in progress reviews of the regular domestic, uncirculated, and proof coin operations of the Bureau of the Mint and the Bureau's management of its equipment procurement and utilization program.

We completed a review of the justification and planning for an addition to the Denver Mint, and were preparing a report to the Congress on this review at June 30, 1964. We noted that space was already available in the present Mint building which ap-

peared to be suitable for the primary purpose for which the addition was authorized. This space was being used as a storage area for refinery equipment which had not been operated since 1955 and for materials in process of coinage production. The Bureau did not agree with us, however, and proceeded with the construction of the addition at an estimated cost of $235,000.

INTERNAL REVENUE SERVICE

Our work during the year at the *Internal Revenue Service* (IRS) related principally to reviews of (1) selected aspects of the Service's training program, (2) the procurement of office furniture for the National Office, (3) processing of refunds of $10,000 or more to taxpayers, (4) the cost of leasing automatic data-processing equipment at the Western Service Center, Ogden, Utah, and (5) selected administrative operations and related financial practices at several IRS regional offices.

During the year we completed reviews of administrative operations and related financial practices in two regional offices and the Western Service Center and issued reports to Washington and regional office officials on these reviews. We called attention primarily to the need to strengthen controls and procedures in connection with the payment of salaries, travel, and other administrative expenses. In most instances, the agency took or agreed to take corrective action on these matters. At June 30, 1964, similar reviews were in progress at six IRS regional offices.

At the close of the fiscal year we had in process reports to the Congress relating to the procurement of furniture for the National Office and costs incurred in leasing certain automatic data-processing equipment at the IRS Western Service Center.

OFFICE OF DEFENSE LENDING

We made an audit of the *Office of Defense Lending* for the fiscal year 1963 and submitted a report to the Congress in December 1963. In the report we expressed the opinion that the financial statements presented fairly the agency's financial position as of

June 30, 1963, and the results of its operations and the source and application of its funds for the year then ended.

The report contained comments relative to the uneconomical use of seven full-time employees to handle the few remaining loans at a cost of about $88,000 a year. In consonance with our proposal, the operations of the Office of Defense Lending were absorbed into the operations of the Bureau of Accounts of the Treasury Department as of July 1, 1964, with resultant savings to the Government.

U.S. COAST GUARD

Our audit work in the *U.S. Coast Guard* during the fiscal year 1964 included reviews of (1) the utilization of and plans for replacing high-endurance vessels, (2) the utilization and replacement of lighted-type buoys, (3) travel pay of Coast Guard Reserve officers, (4) activities relating to the design, construction, and operation of Buzzards Bay Light Station, (5) the utilization of buoy tenders and plans for their replacement, and (6) the procurement and utilization of automatic-data processing equipment. Our work also included audits to settle the accounts of 9 of the 17 assistant disbursing officers of the Coast Guard. We issued reports to local agency officials on seven of these audits. In addition, we continued our selective audit of military pay and allowances. At June 30, 1964, reports were in process on our reviews relating to the utilization of high-endurance vessels and plans for their replacement and the utilization and replacement of lighted-type buoys.

In August 1963 we submitted a report to the Congress on opportunities for economies in aviation facility requirements and aircraft utilization. We proposed that the Commandant of the Coast Guard reconsider the need for establishing proposed air units at Rockland, Maine, at an estimated cost of $1.5 million and the need for the planned consolidation of the two air units at Biloxi, Miss., and New Orleans, La., into a new $4.7 million facility to be constructed at the Naval Air Station, New Orleans, La. We reported also that continued operation of the air unit at Arlington, Va., might not be necessary, and that there was a possibility of effecting substantial economies in search and rescue

activities by replacing existing medium helicopters and fixed-wing aircraft at certain locations with new twin-turbine helicopters.

The Commandant assured us that the validity of the need for an air unit at Rockland, Maine, would be thoroughly tested before including the unit in short-term funding plans and that our comments would be fully weighed before a final decision was reached on location of a Coast Guard air unit at the Naval Air Station in New Orleans. A reduction in operating costs at the Arlington, Va., air unit will be realized with the adoption of contemplated revisions in aircraft and training requirements. Also, more economical plans for replacing and acquiring helicopters are under consideration by the Coast Guard.

We submitted a report to the Congress in September 1963 on the need for reconsideration of costly proposals under the expansion and improvement program for the Coast Guard Academy. We stated that the facilities improvement program was not supported by a long-range plan showing the number of cadets needed, that utilizing existing land, instead of reclaiming land from offshore, would result in a cost reduction of about $1,100,000, and that the proposed construction of eight additional officer family quarters was not sufficiently justified. In response to our report, the Coast Guard informed us that projects included in the master plan that depend primarily on the size of the cadet corps would not be undertaken until a need was clearly demonstrated, and that it was going to reappraise its officer-procurement program. We recommended that the Commandant report to the appropriate committees of the Congress the results of the proposed reappraisal and its impact on funding requirements of the expansion and improvement program.

Regarding the proposed land reclamation project, the Coast Guard stated that a cursory review of alternative proposals indicated that more economical ways of providing land for expansion purposes may be feasible and that, before reclamation of the river area was undertaken, full consideration would be given to our proposal that existing land be used and to any other alternative plans.

In commenting on our position that the proposed construction of family quarters was not sufficiently justified, the Coast Guard

informed us that it had no current plans for implementing that part of the Academy's long-range development program.

In a report submitted to the Congress shortly after the close of the fiscal year, we pointed out that Coast Guard Reserve officers generally traveled to active duty assignments by privately owned automobile for their own convenience and received military pay for up to 4 days' travel time in excess of that which would have been required by air common carrier. We proposed that the Coast Guard's policy be revised to use commercial air travel time as the basis for computing such payments. We were subsequently informed that our proposal would be adopted. This should result in savings of about $115,000 over the next 5 years.

A report issued to the Commandant in June 1964 contained our comments and recommendations on weaknesses in selected administrative operations and financial practices that could be of servicewide significance. Inasmuch as we found that utility charges assessed against post exchanges and similar activities at one location were low in relation to charges for utilities furnished rental housing units at the same station, we recommended that the Commandant require a servicewide review of such charges and that any rates found to be inequitable be revised. We also recommended that the Commandant require annual revision of the standard hourly rates for vessel operating time because the rates, established on the basis of 1957 operating costs, did not appear to be adequate to recover costs when charges for the repair or replacement of navigation aids are assessed against private parties who damage them.

POST OFFICE DEPARTMENT

Our work during the year at the *Post Office Department* was concerned principally with reviews of the Department's program for leasing postal facilities, its procurement of postal equipment and supplies, the transportation of mail by railroad and by air, selected postal operations, and payroll and other financial activities.

We had substantially completed reviews at June 30, 1964, of the programs for reorganizing service areas and consolidating

postal operations, progress payments to contractors, contracts awarded to sole bidders, selling prices of stamped envelopes, the procurement of defective tire valves, various financial activities, including the use of money orders to remit c.o.d. collections, and the need for the surety bond program.

As a result of our work in the Post Office Department, we submitted eight reports to the Congress. These reports related to (1) our comparison of fund requirements for lease and Government ownership of small-size and medium-size postal facilities, (2) determinations of railway post office requirements, contracting practices, and other activities relating to transportation of mail by railroad companies, (3) inadequate studies to determine the feasibility of mail-flo systems and the effect of their use upon operating costs at the Philadelphia, Denver, and Los Angeles Post Offices, (4) weaknesses in headquarters payroll activities, (5) uneconomical scheduling of certain city delivery carriers, (6) need for improvement in procuring counterline-screenline equipment, (7) weaknesses in regional payroll activities, and (8) unnecessary costs incurred in transporting first-class mail by air. We submitted 11 reports to individual Members of the Congress on reviews of certain Post Office Department activities made at their request.

We issued a report to the Department on certain deficiencies in the operation of the Philatelic Sales Agency, Bureau of Finance. Also, we issued eight reports to the directors of the responsible postal regions, seven on reviews of payroll operations and financial activities and one on the airlift program. We also issued one report to the Assistant Postmaster General, Bureau of Finance, on excessive freight costs paid by the Department.

During fiscal year 1964 the Department completed its action on a recommendation we made in 1960 concerning the accounting for paid money orders. We had recommended that the Department study the feasibility of utilizing the Treasury Department's electronic data-processing equipment for this purpose. A subsequent study made by the Treasury and Post Office Departments indicated that such utilization was feasible. Accordingly, the Treasury Department began processing the paid money orders in fiscal year 1962 and, by November 1963, the Post Office Department had returned all machines it had been leasing at the

Money Order Center. Also, the number of postal employees engaged in this activity was reduced from 286 to 60. We estimate that annual savings of about $840,000 have resulted from the adoption of our recommendation.

The more significant findings contained in reports submitted to the Congress during the current fiscal year are summarized below.

Fund requirements for lease and Government ownership of small-size and medium-size postal facilities.—In September 1963 we submitted a report to the Congress on our comparison of fund requirements for lease and Government ownership of small-size and medium-size postal facilities by the Post Office Department. Our comparison showed that the total costs of leasing for their 10-year basic lease periods the 91 facilities included in the comparison will be about $610,000 less than the total estimated costs would be over the same period under Government ownership. Under Government ownership, however, the Department would have title to the land, which originally cost $745,000, and title to buildings which were estimated to have cost about $4.5 million to construct and which would have remaining useful lives of 30 to 40 years beyond the 10-year periods.

Our computations also showed that the costs of leasing these facilities for 15 years would exceed the costs of Government ownership by about $2.1 million and that the costs of leasing them for 20 years would exceed the costs of Government ownership by about $4.9 million. In addition, under Government ownership the Department would have title to the land and to the buildings with remaining useful lives of 20 to 35 years.

The Department disagreed with certain statements in our report and therefore disagreed with the specific amounts by which, according to our comparisons, the costs of leasing would exceed, over certain periods of time, the costs of Government ownership. Also, the Department cited various reasons why it believed its action in leasing facilities was justified. We recognized that it might be appropriate under special circumstances to provide needed space by leasing. However, in view of the significant economies that are generally available through Government ownership of postal facilities, we recommended that the Department determine on an individual

facility basis whether to acquire postal space by leasing or through Government ownership, rather than follow a general policy of leasing. We recommended also that each determination be supported by adequate cost comparisons and other appropriate justifications.

Transportation of mail by railroad companies.—We also submitted a report to the Congress in September 1963 on our review of determinations of railway post office requirements, contracting practices, and other activities relating to transportation of mail by railroad companies. In this report we expressed the view that more effective management action was needed in determining requirements for railway post offices. We found that, although about 2 years had elapsed, the Department had still not taken final action on certain proposals submitted by its postal regions to substitute less costly means of service for railway post office service, even though the operating divisions concerned at Department headquarters believed the proposals were operationally feasible. The regions had estimated that implementation of these proposals would result in annual savings of about $1,170,000. Also, we found that there was inadequate documentation in the files made available to us of management's actions on certain other regional proposals to discontinue railway post offices. Because of continuing postal deficits and the need for continuing efforts to improve efficiency of postal operations, we recommended that the Department be more timely in evaluating and acting upon regional proposals to replace railroad post office service with less costly service.

We also noted additional cases in three regional offices where, although the need for railway post offices was questionable, the regional offices concerned had not made evaluations to determine whether they should be discontinued or reduced in size. Evaluations were made or promised in two of the regions and for the third region we recommended to the Postmaster General that the Department have the regional director make such an evaluation in his region. We estimated that the discontinuance or reduction in size of the railway post offices we questioned in these regions would result in savings of about $490,000 a year.

We also commented on (1) the use for mail transportation of certain refrigerator cars with capacities less than the prescribed minimum capacity, (2) the negotiation of certain contracts with railroad companies for mail transportation service by trucks at prices that appeared high in relation to prices obtained by the Department for similar services under contracts awarded under competitive procedures, and (3) certain uneconomical dispatches of small quantities of mail. We found that these practices had resulted in increased costs of about $560,000 a year.

Mail-flo systems and their effect upon operating costs.—In October 1963 we submitted a report to the Congress on our review of selected aspects of mail-flo systems at the Philadelphia, Denver, and Los Angeles Post Offices. The mail-flo system comprises a network of conveyors which transport mail to, through, and from the various mail-processing centers in a post office. The systems were installed between July 1958 and June 1961.

We commented on the lack of adequate studies before the systems were installed to determine whether they would be economically and operationally feasible. We also commented on the increases in costs of the operations affected by the systems after their installation in the Philadelphia and Denver Post Offices. Our review showed that the costs for these operations, excluding interest costs, increased by an estimated $782,500 a year at the Philadelphia Post Office and $624,400 a year at the Denver Post Office. A Post Office Department study showed that after certain modifications had been made in the system at the Los Angeles Post Office, costs of operations affected by the mail-flo system there had decreased by about $340,000 a year. Subsequent to our field review the Department reported that after modifications had been made at the Denver Post Office, the increase in costs of the operations affected by the mail-flo system there had been reduced to about $454,800 a year.

Uneconomical scheduling of certain city delivery carriers.—In a report submitted to the Congress in February 1964, we commented on the uneconomical scheduling of certain city delivery carriers which we had observed at selected post offices in the Chicago and San Francisco Postal Regions. At the six post

offices reviewed, about 60 percent of the city delivery carriers were scheduled to start work before 6 a.m. for which they received night differential compensation of about $98,200 a year. We stated that if certain of these carriers were rescheduled to work at a later time, reasonable service could still be provided and economies in operations could be effected by reducing the night differential compensation.

During the postal fiscal year ended June 21, 1963, night differential payments to city delivery carriers performing collection services after 6 p.m. and delivery services before 6 a.m. amounted to $2.6 million. The Department's records do not show how much of the $2.6 million was paid for work performed on delivery routes before 6 a.m., but, in view of the amount paid at the 6 post offices, the amount paid at the approximately 6,000 post offices which provide city delivery service could be substantial.

The Deputy Postmaster General acknowledged that there may be routes serving strictly residential areas where carriers are unnecessarily scheduled to report before 6 a.m., and stated that the Bureau of Operations would follow up with the regions to assure that more economical scheduling is adopted where easible to do so without impairment of service.

Need for improvement in procuring counterline-screenline equipment.—In March 1964 we submitted a report to the Congress on the need for improvement in the Post Office Department's practices relating to the procurement of counterline-screenline equipment. Counterline-screenline equipment consists of partitions and counters that separate the post office lobby from the workroom areas and includes such items as service windows, doors, letter drops, and blank panels. During fiscal year 1962, purchases amounted to about $1 million. We expressed the belief that savings could be achieved by greater utilization of the direct-delivery method of providing this equipment to postal installations and by standardization of the equipment.

We also noted that counterline-screenline equipment on order or in the Department's warehouses at June 30, 1962, was overstocked to the extent of about $1.4 million or about 70 percent of the total inventory value. We believe that this overstock, which we estimated was costing about $140,000 a year to main-

tain, was caused primarily by inadequate inventory control records used in determining requirements at headquarters.

The Department informed us that it recognized that there was room for improvement in the procurement of counterline-screenline equipment and indicated that some corrective action was being taken.

Weaknesses in regional payroll activities.—In April 1964 we submitted a report to the Congress on our review of regional payroll activities of the Post Office Department. We pointed out that the Department had issued a regulation which provided that employees who established eligibility for higher level pay by serving 30 days in a higher level position in 1 calendar year need not reestablish eligibility in subsequent calendar years. We informed the Postmaster General that this regulation was contrary to law which required reestablishment of eligibility in each calendar year. We estimate that the Department's action in suspending this regulation in February 1962, following receipt of our opinion, resulted in a reduction of about $1 million in payments of higher level compensation for the balance of calendar year 1962.

The Department obtained legislation which validated the payments made under the invalid regulation prior to its suspension but which retained the general requirement of a 30-day qualifying period each calendar year. As a result, based on estimates made by the Department, payments of higher level compensation under an employee union agreement for the period April 1, 1963, to March 31, 1964, may have been about $750,000 a year less than such payments would have been if the invalid regulation had continued in effect. We noted, however, that because the law gave the Postmaster General the authority to waive the 30-day qualifying period requirement, the level of these payments after March 31, 1964, will depend on the terms of subsequent agreements with employee organizations.

We also commented on the losses incurred by the Department because of its policy of crediting employees with a full year's annual leave at the beginning of the leave year. We estimated that this policy resulted in losses of $240,000 in fiscal year 1963 from leave taken by employees who separated from service before the leave was earned. Also, the Department incurred

additional costs in collecting and attempting to collect amounts due from former employees for overdrawn annual leave. We recommended that the Department change its policy, and that postmasters and other responsible officials be given the authority to advance annual leave only in unusual circumstances and in those specific instances where such action is necessary for the efficient operation of the post offices.

We also made recommendations on a number of other weaknesses in payroll activities on which we believed corrective action was necessary. These matters related to employees being retained on payrolls after the expiration dates of temporary appointments, the lack of positive evidence at the regional offices of employees' entitlement to periodic salary step increases, the need for improvement in postal inspectors' payroll working papers, and the absence of predetermined totals for verifying the correctness of payrolls and leave.

Transportation of domestic first-class mail by air.—In a report submitted to the Congress in May 1964, we stated that unnecessary costs were incurred by the Post Office Department in airlifting first-class mail when reasonably adequate surface transportation was available. We reported that the airlift program had evolved into a service improvement program without the Department's having given adequate consideration to the cost and reasonableness of the airlift service.

Our review showed that certain segments of the airlift had not met the program's stated cost and/or service objectives. We noted that, rather than reducing costs by about $212,000 a year as had been estimated by the Department, the 1960–61 expansion of the program increased costs by about $1.1 million a year—about 85 percent more than the estimated costs of surface transportation. Also, we commented on the use of airlift service on certain routes on weekends and at certain other times when existing surface transportation media could provide the same service to patrons at substantial reductions in the Department's transportation costs. We also noted that the Department, in evaluating existing airlift segments during fiscal year 1963, compared service by existing surface transportation with service by air transportation, without giving adequate consideration to the comparative costs of such services

or the reasonable need for such services as related to patrons' expectations when they choose to use regular first-class postage rather than premium airmail postage.

We suggested to the Postmaster General that the existing airlift routes be reevaluated and that first-class mail be diverted to the less costly surface transportation where reasonably adequate service could be provided by such means. We suggested also that the same principles be applied when evaluating and acting upon any pending or future proposals to divert first-class mail from surface transportation to air transportation.

International Activities

In recognition of the increasing complexities of the international and foreign activities of the U.S. Government, we revised our organization in August 1963 to establish an International Operations Division for carrying out the accounting, auditing, and investigative functions of the Office relating to Government programs and activities of an international nature. The Division consists of a central group in Washington, a European Branch located in Frankfurt, Germany, and a Far East Branch located in Tokyo, Japan. This revised organization strengthens our capability to integrate our efforts on a worldwide basis, and also to maintain a broader current awareness of international developments and matters of interest affecting more than one agency, particularly in the many facets of foreign assistance activities.

The International Operations Division is responsible for carrying out the accounting, auditing, and investigative functions of the General Accounting Office relating to U.S. Government programs and activities conducted in foreign countries. This includes military and civil activities of the various Government agencies that are responsible for the programs administered in foreign countries.

The European Branch is responsible for the accounting, auditing, investigative and legal functions of the General Accounting Office in the European area, including the Near East and North Africa. The Far East Branch has the same responsibilities in the Far East, including the areas in and around Japan, southward to Indonesia, and westward to the eastern boundary of Pakistan. The Directors of the respective branches are responsible to the Director, International Operations Division, for the performance of work in the areas under their supervision.

During fiscal year 1964 we performed work at locations outside the United States as summarized below, including that performed at U.S. military installations abroad:

	Locations	Countries
European branch area	222	20
Far East branch area	82	7
Other foreign areas, principally South and Central America	36	14
Total	340	41

Except for the Military Assistance program which is discussed in this chapter, our foreign work relating to military activities is included in the chapters relating to the Department of Defense and the military departments.

AGENCY FOR INTERNATIONAL DEVELOPMENT

Our examination of economic and technical assistance activities under the foreign assistance program as administered by the Agency for International Development (AID) and its predecessor agencies was performed at the Agency's Washington office and at certain of the Agency's oversea missions.

We submitted five reports to the Congress and three reports to committees of the Congress. We also issued four reports to officials of AID on matters designed to improve certain administrative activities; and, at the request of individual Members of the Congress, we examined and reported to them on various matters relating to the foreign assistance program.

During the year, we completed reviews of selected aspects of the economic and technical assistance program in six recipient countries. We also completed reviews of the procedures followed by AID in releasing funds to the Social Progress Trust Fund administered by the Inter-American Development Bank, and the improper retention by AID of dollar collections on loans made by the corporate Development Loan Fund. Reports to the Congress on these reviews were in process at June 30, 1964. In addition, two reports to the Congress on our examination of certain aspects of the economic and technical assistance program for Vietnam were nearing completion at June 30, 1964, and were issued to the Congress on July 24, 1964.

Economic and Technical Assistance Program for Turkey

Our examination of the economic assistance program for Turkey, which from inception through June 30, 1962, aggregated $1.2 billion in direct economic aid and $550 million in other forms of aid (including sales of surplus agricultural commodities), showed that the program was not carried out within the context of any overall development plan relating to Turkey's resources and highest priority needs. Consequently, the program was considerably less effective in furthering the country's economic development than it might otherwise have been.

The average level of United States aid to Turkey for the 5 years (1958–62) covered by our examination increased significantly over the level for the preceding periods. Moreover, U.S. officials estimated that during the 5-year period which began March 1, 1963, Turkey would need more aid than heretofore. While steps taken since mid-1960 offered promise of improvements in Turkey's economic development, much remained to be done.

Need for more effective action to improve operations and increase earnings of state enterprises.—The United States continued to provide substantial amounts of aid to some enterprises owned by the Turkish Government despite the fact that the enterprises consistently suffered from significant management deficiencies. For example, the Government-owned bituminous coal industry continued to suffer from inefficient operations, including low labor productivity, and from substantial operating losses even though dollar aid of at least $68 million and local currency equivalent to $17 million had been provided by the United States. Also, about $18.1 million had been provided to three enterprises for procurement and erection of facilities which had barely been used at the time of our review although they had been completed for 2 or more years; these enterprises continued to incur operating losses. The aid contributed little toward improving operations of the enterprises, relieving their drain on the Turkish economy, and thereby reducing the need for outside aid.

Need for more effective utilization of resources available to Turkey.—The level of United States aid to Turkey had been predicated primarily on Turkey's balance-of-payments deficits,

and since 1958 commodity assistance had been an integrated part of the financing of Turkey's overall import programs. The effectiveness of U.S. commodity aid hinges on careful composition of the overall import programs and proper utilization of indigenous productive capabilities. However, neither the Turkish Government nor the Agency for International Development were able to exercise adequate control over commodity imports because of several interrelated weaknesses. As a result, Turkey's overall import programs included many millions of dollars worth of low-priority commodities or commodities for which idle productive capacity existed in Turkey, thereby retarding the economic advancement of the country and adding to the pressures for outside aid.

We recommended that the Agency take whatever action was necessary and available to improve the operations and increase the earnings of Government-owned enterprises and to achieve more effective utilization of resources available to Turkey.

Earthquake Reconstruction and Rehabilitation Program for Chile

Subsequent to the earthquakes of May 1960, $124.8 million for earthquake relief and reconstruction and rehabilitation was provided to Chile through the Agency for International Development. These funds consisted of $4.8 million to finance emergency earthquake relief (AID subsequently deobligated about $0.8 million of these funds), a $20 million emergency grant, and a $100 million reconstruction and rehabilitation loan.

On the basis of our review of the projects financed under this program, we found that AID did not adhere to accepted standards of programing and project planning for the large number of projects in such a vast undertaking.

Inadequate planning of projects.—For the most part, no meaningful review was made of the Government of Chile's plans, specifications, and cost estimates for the projects undertaken; in many cases, plans and specifications were nonexistent. Also, appropriate consideration was not given to the abilities of the various agencies of the Government of Chile to carry out their part of the program.

As a result, cost overruns occurred in many projects, comple-

tion of projects was delayed, and a number of projects were deleted from the financing agreements because they had not been initiated some 3 years after the earthquakes or could not be completed in 1963. While the undertaking of a program of such magnitude would be expected to give rise to some problems, those encountered in connection with the earthquake projects are conspicuous because they can be traced to one underlying cause—inadequate advance planning, and this in turn can largely be traced to inadequate staff at the mission and haste in programing the funds.

Because of inadequate planning a number of projects had not been completed, or in some cases had not been started, some 3 years after the earthquakes and substantially after their estimated completion dates. In April 1963 a number of these projects were deleted from AID financing. The primary reason for the deletion of these projects appeared to have been the overriding need of the Government of Chile for foreign exchange and the fact that this need could be met more readily by eliminating slow projects from the program and substituting other projects on which disbursements could be made more quickly.

The Agency informed us that, on the basis of the earthquake reconstruction program experience, a number of programs had been developed to improve the Government of Chile's abilities to plan and execute its public investment program, including project implementation capabilities.

Mission inadequately staffed.—The administration of the earthquake reconstruction and rehabilitation program suffered because of the failure of AID to adjust the size and makeup of the mission staff to meet the tremendous expansion of assistance to Chile following the earthquakes in May 1960. U.S. technicians who had been working on a modest program of technical assistance found themselves responsible for administering a multimillion-dollar program of project-type assistance.

Based on our observations of the inadequacies of the mission's staff and the concern in this regard by the mission director relative to future operations, we proposed that a thorough review be undertaken of the mission's staffing to assure that it was adequate to properly program and administer future assistance to Chile.

The Agency advised us that the mission's staff deficiencies were less related to the size of the staff than they were to the lack of certain skills in the staff which make it difficult to review plans, specifications, and cost estimates more expertly. The Agency also advised us that the mission was reviewing its staffing requirements in the light of program needs.

Maximum exchange rate not obtained.—For a substantial part of calendar year 1962 the maximum rate of exchange was not obtained for dollars disbursed under the earthquake reconstruction program. The resulting loss to the earthquake program was estimated to be in excess of 26 million escudos, the equivalent of $13.8 million on a most conservative basis. As a practical matter, it can be said that earthquake reconstruction funds were used for a period of time to subsidize and help maintain the Chilean escudo at a rate that was known to be overvalued in relation to the dollar.

We noted that several earthquake reconstruction projects were adversely affected because of Chile's shortage of foreign exchange and we recommended that, in future agreements providing dollar financing for projects or programs consisting principally of local currency costs, adequate provision be made requiring the utilization of the dollars so provided for any direct foreign exchange costs of the specific projects or programs being financed.

Imports from the United States decreased.—Despite the disbursement of large sums in calendar years 1961 and 1962 under the earthquake reconstruction program, Chilean imports from the United States declined in those years, both in dollar value and in relation to total imports.

The Agency gave several reasons for the decline which included (1) decreased U.S. ability to compete against more favorable price and credit terms offered by other industrialized countries, (2) the prohibition, except in certain free ports, of many luxury or nonessential products formerly imported from the United States, and (3) a decline in direct private investment in Chile during the period. The Agency estimated that Chilean imports from the United States would rise in 1963 but that the U.S. share would continue to decline because of the foreign competition mentioned above.

Development Projects for Assistance to Central Treaty Organization (CENTO)

Our examination of four major economic development projects for assistance to CENTO, formerly the Baghdad Pact, disclosed several basic deficiencies in the projects and in their administration. The projects consisted of a highway linking Turkey and Iran, a highway linking Turkey and Iraq, a railway linking Turkey and Iran, and a telecommunications system to link the CENTO countries.

Inadequate consideration of local resources.—Grant and loan funds aggregating more than $8 million were obligated for the highway and railway projects to finance imports of commodities and services which were already available or could be produced in the recipient country, and thus the funds were not needed for these projects. As a consequence, $2.2 million of grant funds obligated for the highways were diverted therefrom and released for nonproject use by Turkey thereby supplementing aid provided under the regular country assistance program; $1.9 million of grant funds obligated for the railway project to finance external engineering and construction supervision, for which it was found that Iran had adequate skills, was given to Iran as a cash grant to finance local currency costs; most of the construction equipment, for which $1 million of loan funds was released for a segment of the railway in Turkey, would have been delivered after the segment was substantially completed; and $3.4 million of loan funds for the same segment of the railway was released to finance the import of track material which could have been produced in Turkey.

Doubtful economic need for highway and railway projects; delayed and curtailed implementation.—There was not reasonable assurance that the highways and railway were economically feasible. Because little traffic was expected, the highways were being constructed to lower standards than originally planned. The refusal of Iraq to commit itself to any financial outlay and that country's withdrawal from the Baghdad Pact removed any reasonable prospect that the Iraq segment of the Turkey-Iraq highway would be constructed; the Turkish segment, when and if completed, would terminate at a river which is a natural boundary between the two countries. The Turkey-Iran railway

project—a link of 272 miles—was deemed economically unjustified and only portions thereof—62 miles in Turkey and 37 miles in Iran—were being constructed. As conditions existed at the time of our review, only one of the highway and railway projects—the Turkey-Iran highway—had the regional characteristics of linking transportation between the two countries. In March 1964, AID authorized loans to Turkey and Iran for completion of the railway link between the two countries.

Substantial grant funds obligated long before they could be used.—In May 1957, grant funds in the amount of $8.4 million were obligated for a regional telecommunications system to link the member countries of the Baghdad Pact, although it was evident at that time that the project could not be implemented beyond the preliminary survey for a long time. As a result, about $8.1 million was tied up unproductively for almost 2 years. Before the survey was completed, an additional commitment of $10 million was made by the then Secretary of State to this project. Extended controversy over the type of system to be used and difficulties with construction bids and specifications delayed award of a construction contract until September 1961.

In light of the foregoing findings, we suggested certain basic policy guides for consideration by AID. The Agency expressed agreement with the principles of our proposals but claimed that the origin and objectives of the projects were primarily political and that its decisions and actions in the implementation of the projects were concerned principally with the achievement of political success.

Incomplete and inaccurate disclosure to the Congress on highway and railway projects.—The annual budget presentations to the Congress on proposed mutual security programs for the fiscal years 1959 through 1963 did not fully disclose the unusual circumstances and problems which attended the highway and the railway projects. Moreover, the presentations for fiscal years 1960 and 1961 indicated that the aid provided to these projects was more effective than was actually the case.

We repeated our recommendation made in previous similar instances, that AID make more informative, clear, and accurate disclosure of significant data in annual budget presentations to the Congress.

Administration of United States Assistance to Children's Hospital in Poland

Through June 1964, U.S. assistance amounting to $2.2 million in dollars and the equivalent of $8.3 million in U.S.-owned local currency had been provided for a children's hospital in Poland. Our review disclosed that there was ineffective administration of this assistance by AID and the Department of State.

Loose administration of project.—Our review showed that there had been an almost complete lack of U.S. Government surveillance of project activities. Consequently, U.S. officials were not aware of certain unfavorable financial and operational factors attending this project. Information available to us indicated that there would be a serious shortage of nurses both in numbers and in professional competence and that other medical and technical personnel might not have sufficient training to adequately staff and operate the hospital upon its completion.

We believe that this loose administration was caused in good part by a failure of the top administrators of AID and the Department of State to define agency responsibility.

Agency did not timely, fully, or accurately inform the Congress of need for dollar appropriation to complete hospital.—The Agency made a commitment in August 1961 to finance the local currency costs of constructing the hospital on the condition that the sponsor would attempt to raise from private contributions in the United States the dollar funds required for certain material and equipment not available in Poland. The Agency made this commitment in the face of overwhelming evidence at the time that the sponsor would not be able to raise the dollar funds and that U.S. Government dollar financing would ultimately be necessary to complete the hospital. As far as we could determine, the Agency did not present this matter for the consideration of the Congress prior to making the commitment.

At the time of our review, construction was well underway with Polish currency made available by the Agency but the sponsor had raised only a fraction of the dollar requirement and reported that no prospect existed for raising the dollars. Consequently, in order to complete the hospital, the Agency requested $2.2 million in dollars for the hospital in its fiscal year

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1964 budget presentation to the Congress. The funds were appropriated in the Foreign Aid and Related Agencies Appropriation Act, 1964, approved January 6, 1964.

In requesting funds for the hospital in its budget presentations to the Congress for fiscal years 1963 and 1964, the Agency did not disclose the unusual circumstances and problems which had attended this project, as described in our report, and furnished incomplete and inaccurate information regarding some of the financial and operational aspects of the project. Because the dollars were not available when needed, our report stated that completion of the hospital would undoubtedly be delayed considerably beyond its scheduled date.

In addition to the corrective actions which the Agency stated would be undertaken, we expressed the belief that it was incumbent on the Agency to take steps to assure that arrangements were worked out for adequate staffing of the hospital and we understand that a training program has now been initiated. Also, we again recommended that AID make more informative, clear, and accurate disclosure of significant data in annual budget presentations to the Congress.

Economic Aspects of Loan for Construction of Water Supply System in Saigon, Vietnam

Our review of the economic aspects of a $17.5 million loan for construction of a river water supply system in Saigon was initiated in response to interest expressed by certain Members of the Congress in the water system selected and to complaints and information furnished to us by a firm specializing in the construction of well water supply systems.

We found that, on the basis of contracts awarded and bids received, the possibility existed that foreign exchange in excess of the $17.5 million loan would be required to complete the project as designed. We proposed that AID obtain a detailed estimate of the dollar and local currency costs of the project from the design engineers. We expressed the belief that, in the event the estimate showed that there would be a shortfall of dollars, the Agency should obtain from the Government of Vietnam a commitment as to how that Government planned to complete the project. We proposed also that AID again review

the design of the project to ascertain whether any modifications could be made which would reduce the dollar cost of the project without adversely affecting the designed capacity of the water supply system. The Agency informed us that it was in full agreement with the objectives of our proposals and was taking action to assure that the project would be completed within the available funds.

Problems and Deficiencies Relating to Administration of the Economic Assistance Program for Vietnam During Fiscal Years 1958 Through 1962

Certain policies and practices followed in the financing of commercial imports and in the administration of other financial elements of the economic and technical assistance program for Vietnam substantially increased the cost of U.S. assistance; were not consistent with sound program management; and were of questionable or disproportionate benefit.

Aid levels for nonproject assistance for the years from 1955 through 1961 were substantially in excess of Vietnam's requirements for foreign exchange. A $10 million cash grant negotiated in 1962 was not justified on economic grounds. Ineligible charges included in billings for pharmaceuticals and the failure to purchase fertilizer in the off season increased the costs for two major products; also, significant amounts of nonessential commodities were procured with aid funds.

During fiscal years 1960 and 1961 the Agency for International Development expended $2.7 million for certain local support costs of its oversea mission when the Government of Vietnam agreed to provide the necessary funds.

At the time of our review, the Government of Vietnam had not taken measures to assure that it would obtain a reasonable share of the country's financial resources to better support its economic development and counterinsurgency activities, nor had it used its financial resources at hand to benefit these activities to the maximum, particularly in such matters as the continuation of an unrealistic exchange rate and a seriously defective tax system and the imprudent use of its foreign exchange for luxury goods. The inability or unwillingness of the Government of Vietnam to take substantive steps to

remedy these defects had the effect of obstructing achievement of the objectives of the aid program. In view of the subsequent changes in the Government of Vietnam as a result of the coups which overturned the existing governments in November 1963 and January 1964 and of the current reevaluation of the administration of the Vietnam program being undertaken by the Agency, we made no recommendation.

In a special counterinsurgency plan sponsored by U.S. authorities to assist Vietnam in overcoming intensified Vietcong activities, serious delays were encountered in the execution of high-priority programs in critical areas. After adopting a high-priority counterinsurgency plan, the timely execution of which was considered essential, the Agency failed to assign program responsibilities, develop program priorities, or to monitor program implementation in an effective manner.

We recommended that the Secretary of State and the Administrator, Agency for International Development, (1) evaluate the basic management concepts and methods being applied in the administration of the economic and technical assistance program for Vietnam and (2) take necessary action to assure that there is in existence a management capability and the necessary machinery to carry out policy decisions in accordance with the degree of urgency assigned to them.

MILITARY ASSISTANCE PROGRAM

We reviewed various aspects of the military assistance portion of the foreign assistance program during fiscal year 1964. The Department of Defense exercises primary responsibility for the administration of military assistance to foreign countries. The programs are normally initiated by formal agreements between friendly countries or international organizations and the United States. These agreements provide for the furnishing of equipment, supplies, services, and financial assistance to eligible countries or international organizations on a grant, exchange, or reimbursable basis. One billion dollars was appropriated for the military assistance program for fiscal year 1964, which together with unexpended prior years funds of about $2.5 billion comprised a total of about $3.5 billion available

for the purposes of the program. The purpose of the military assistance program is to promote the peace of the world, the foreign policy, the security, and the general welfare of the United States by improving the ability of friendly countries and international organizations to maintain individual and collective self-defense.

Our reviews covered numerous country military assistance programs and included such areas as programing, delivery, utilization of equipment, maintenance, reimbursement for administrative expenses from foreign countries, administration of military budget support funds, and utilization of Department of Defense personnel. We issued 10 reports to the Congress in fiscal year 1964, 6 of which are classified as secret. We also issued two reports to individual Members of the Congress, and two to the Secretary of Defense. Our reviews disclosed deficiencies similar to those reported by us in prior years.

The following, selected from the unclassified matters discussed in our reports to the Congress, are illustrative of our findings.

Ineffective Programing, Delivery, Maintenance and Utilization of Equipment

Substantial quantities of equipment and materials furnished under the military assistance program to certain countries were not being maintained and utilized as intended. Further, some equipment was delivered prematurely in relation to the recipients' needs and the ability of the countries to effectively utilize it. This resulted from inadequate planning and administration by the Department of Defense and from inadequate country supply and maintenance systems and insufficient available country resources. The Department of Defense informed us that, in line with our recommendation, the military assistance program for one country had been reduced by $49 million through reduction of planned deliveries of vehicles, ammunition, artillery pieces, and other equipment, based on the country's capability to effectively absorb, maintain, and utilize such equipment and supplies. In another instance the delivery of engines valued at $25,000 was canceled by the Department of Defense as a result of our recommendation.

Capability of recipient countries to effectively absorb, maintain, and utilize equipment furnished under the military assistance program.—Our reports on the military assistance program over the past 7 years have shown that a basic deficiency in the administration of the program has been the failure of the Department of Defense to limit material deliveries in accordance with the capability of the recipient countries to maintain and utilize equipment even though this is required by the Department's own regulations. Accordingly, we recommended to the Secretary of Defense that these regulations be strengthened by requiring that future deliveries of major end items included in approved military assistance programs be made only upon a written certification by the Chief of the Military Assistance Advisory Group based on a specific determination that the recipient country has the necessary capability to effectively absorb, maintain, and utilize the item to be delivered.

The Department of Defense disagreed with our recommendations and maintained that a certification by the Military Assistance Advisory Group would serve no significant useful purpose.

We believe that such a certification requirement would encourage a current reappraisal of the need for the equipment and the country's capability to maintain and utilize it before it is delivered and would help to prevent future deliveries of military assistance program material in excess of the country's capability to effectively absorb, maintain, and utilize the items delivered.

In view of the position of the Department of Defense with respect to this matter, we recommended to the Congress that they may wish to consider enactment of legislation requiring additional safeguards before delivery of military assistance program material.

Legislation requiring a certification by responsible Department of Defense officials as to the capability of recipient countries to utilize equipment furnished under the military assistance program was enacted by section 201(g) of Public Law 88–633 (Foreign Assistance Act of 1964, approved October 7, 1964).

Inadequate Administration of Military Budget Support Funds

The United States provides U.S.-owned local currency funds to certain countries to assist in financing their military budgets.

We found in two countries that the Department of Defense contributed funds without determining the military need, without designating the purpose, and without reviewing the expenditure of funds. As a result, the funds were sometimes expended for low priority items while more desirable programs lacked financing. We recommended to the Secretary of Defense that, as future donations are made in support of country military budgets, adequate reviews and controls be established to provide assurance that funds are budgeted and expended for high priority projects. In January 1963 the Department of Defense issued new instructions incorporating many proposals contained in our reports to the Congress in fiscal years 1962 and 1963.

Inefficient Utilization of Personnel to Administer the Military Assistance Program in Advanced Western European Countries

We reviewed the continuing need for individual Military Assistance Advisory Groups to administer military assistance program functions in eight advanced Western European countries. In our opinion the Department of Defense had not made a determined effort to phase down the staffs of the Military Assistance Advisory Groups in these countries to the extent warranted by the reduction in the scope of the grant aid programs in those areas. Although military assistance grant aid to the eight countries dropped from $2.3 billion in 1953 to $190 million in 1962, we found that the Military Assistance Group staffs were still about 56 percent of the size of the 1953 staffs. The failure of the Department of Defense to eliminate or reduce functions and numbers of personnel assigned resulted in the unnecessary expenditure of millions of dollars overseas, the ineffective utilization of highly skilled and highly trained personnel, and the continued but unnecessary support overseas of the dependents of many Military Assistance Advisory Group personnel. We proposed to the Secretary of Defense that consideration be given to the elimination of the eight Military Assistance Advisory Groups, and in those instances where some of their functions are still considered essential that the responsibility for such functions be centralized. The Department of Defense informed us that a worldwide review was being made of the

missions and functions of Military Assistance Advisory Groups to determine the feasibility of reducing U.S. representation abroad.

Followup Review on the Adequacy of Actions Taken by the Department of Defense to Obtain Reimbursement from Foreign Countries for Administrative Costs of the Military Assistance Program

Several countries receiving military assistance had agreed to assume certain administrative costs incurred by U.S. agencies in connection with carrying out the military assistance program and had agreed to furnish local currency for such purposes.

Our review was a followup of two reports issued to the Congress in February 1960 and October 1962, relating to administrative costs of the military assistance program in Germany and other European countries. In January 1964, the Department of Defense informed us that, as a result of our recommendations, $870,000 had been recovered from the Federal Republic of Germany and that action was being taken to recover substantial amounts from nine other countries.

We intend to continue to follow up actions taken by the Department of Defense to further identify and obtain reimbursement for administrative costs properly chargeable to recipient countries.

INTERAGENCY PROGRAMS

During the fiscal year 1964, the responsibility for review of activities carried on by the various departments and agencies of the Government under the Agricultural Trade Development and Assistance Act of 1954 (commonly known as Public Law 480), as amended, including the utilization of management of foreign currencies generated from sales transactions under this law, was centralized in the Interagency Programs Group. Public Law 480 programs involve the sale or donation to foreign countries of surplus agricultural commodities amounting to nearly $2 billion each year. A number of agencies have responsibilities for administration of the program, including the Departments of State, Agriculture, Treasury, Defense, and the Agency for International Development.

During the fiscal year 1964, we issued a report to a committee of the Congress incorporating our comments on a bill to extend and amend Public Law 480. We also submitted two reports to the Congress involving understatement of claims to recover excessive ocean transportation costs for surplus agricultural commodities and inadequate controls to assure compliance with statutory restrictions placed on the disposition of surplus agricultural commodities sold for foreign currency. In addition, a number of reviews were in process at the end of the fiscal year involving sales or donations of surplus agricultural commodities to the United Arab Republic, the Republic of China, and Chile; the utilization of U.S.-owned foreign currencies; the administration of agricultural market development programs; the effectiveness of surplus agricultural commodity barter programs; and excessive ocean shipping costs for surplus agricultural commodities.

Comments on Proposed Surplus Agricultural Commodity Legislation

The Senate Committee on Agriculture and Forestry requested our comments on a bill to extend Public Law 480 for an additional 5 years and to authorize $9 billion in sales of surplus agricultural commodities during this period to foreign countries in exchange for local currencies. An intensive review of this matter led us to the conclusion that present controls over the program were inadequate and we suggested that the Congress consider the desirability of requiring the President to submit justification, as part of his annual budget, for the amount of sales which are proposed under the P.L. 480 program and other data which would enable the Congress to better review the proposed programs.

Inadequate Controls Over Surplus Agricultural Commodities Sold for Foreign Currencies

In a report submitted to the Congress in October 1963, we pointed out that inadequate controls existed within the Department of Agriculture for determining compliance by foreign governments with statutory restrictions placed on the disposition of agricultural commodities made available under title I, Public Law 480.

Under title I of the act, the Commodity Credit Corporation (CCC) finances the sale and exportation of surplus agricultural commodities to friendly nations with payment to be received by the U.S. Government in the currency of the recipient country. The law requires the U.S. Government to obtain commitments from foreign countries that will prevent the unauthorized resale or transshipment to other countries of agricultural commodities made available under title I and to take steps to assure that agricultural commodities sold or transferred thereunder do not result in increased availability of those or like commodities to unfriendly nations.

We found that information on arrival and disposition of commodities in foreign countries was not always received from agricultural attachés or American Embassies who were required or had been requested to submit this information; in some cases the information was submitted on an irregular basis or was not complete. Followup action to obtain required reports was not sufficiently aggressive. Furthermore, information was not readily available in the Washington, D.C., headquarters office of the Department as to reports required and received, and there were no formal control records indicating the quantities of commodities shipped to each foreign country and the quantities reported as having arrived in each foreign country so as to enable prompt detection and investigation of any differences.

As a result of the above weaknesses in controls, the Department did not have adequate assurance that foreign governments were complying with statutory restrictions placed on the disposition of agricultural commodities made available under title I. We recommended, therefore, that the Secretary of Agriculture take certain specific action to strengthen administrative controls for determining that surplus agricultural commodities made available to foreign countries under title I were actually received and used in the authorized foreign countries and did not result in increased availability of the same or similar commodities to unfriendly nations. By letter dated November 29, 1963, the Acting Secretary of Agriculture advised us that action had been taken to implement our recommendation.

Understatement of Claims for Recovery of Excessive Ocean Transportation Cost

In a report submitted to the Congress in March 1964, we pointed out that claims originally processed by the Department of Agriculture against the United Arab Republic (UAR) and the Federal People's Republic of Yugoslavia (Yugoslavia) for the recovery of excessive ocean transportation costs financed by Commodity Credit Corporation under title I of Public Law 480 were understated by about $278,000. The ocean transportation costs involved in these claims were excessive in that, as determined by the Department of Agriculture, the costs included commissions paid by vessel owners to certain companies which were considered to be agents of the importing countries and which did not perform services warranting such commissions. According to the Department's regulations, such commissions, referred to as address commissions, were ineligible for financing with Public Law 480 funds.

After we brought our findings to the Department's attention, it prepared and submitted amended claims, increasing by about $146,000 the amount claimed from the UAR and increasing by about $132,000 the amount claimed from Yugoslavia. The UAR subsequently refunded to CCC about $164,000 in part payment of the claim against it.

We recommended that the Secretary of Agriculture take appropriate action to effect the recovery of the amounts due from the UAR and Yugoslavia, giving consideration, to the extent required to liquidate these claims, to withholding amounts due the Government from dollar amounts otherwise due these countries. In May 1964 we were advised that the Department of Agriculture was working through the Department of State to resolve disposition of the claims.

Excessive Charges for Leased Telephone Services

Our review of leased telephone charges in Japan disclosed that U.S. forces paid and are currently paying excessive amounts for these services. Although equitable rates for telephone services had not been determined, payments for such services over the 10-year period ended on June 30, 1962, were about $50 million higher than would have been paid under the more favorable

rates charged certain Japanese Government agencies for the same service.

We found that U.S. officials took little action during the period from 1952 until 1959 to obtain more favorable rates. Since 1959, however, numerous discussions have been held with representatives of the Japanese Government in attempts to obtain rate reductions. These discussions have been unsuccessful. The Departments of Defense and State fully concurred with our proposals that action be continued to obtain a lower rate for leased long-line telephone service for our forces in Japan and possibly to obtain a rebate for charges already paid.

ADMINISTRATION AND UTILIZATION OF U.S.-OWNED FOREIGN CURRENCIES BY VARIOUS DEPARTMENTS AND AGENCIES

In our annual report for the fiscal year 1963, we referred to our report issued in October 1962 on the above subject and stated that our Office worked with the Bureau of the Budget and the Treasury Department in developing a suitable legislative provision which would, as recommended in our report, permit the use of foreign currencies reserved for specific U.S. uses under arrangements by which the dollar equivalent would be available to replace the foreign currencies when they were needed for the purposes for which they were reserved. Legislation to enable such use was enacted as section 508 of Public Law 88-257 (Public Works Appropriation Act) approved December 31, 1963, effective for fiscal year 1964. This legislation was carried forward in section 508 of Public Law 88-511 (Public Works Appropriation Act, 1965) approved August 30, 1964, effective for fiscal year 1965. The Treasury Department and the Bureau of the Budget estimated that enactment of this legislation would make available $75 million of administratively reserved foreign currencies of which $35 to $40 million would be used in the first year.

OTHER STATE DEPARTMENT ACTIVITIES

During the fiscal year 1964 our audit of other activities of the Department of State included reviews of the Department's foreign buildings program, mutual educational and cultural exchange programs, and examination of selected financial and

administrative matters having to do generally with the receipt, disbursement, safeguard and utilization of Government funds and property.

Three reports to the Congress were issued during the year on our reviews of the Department's foreign buildings program. The more significant findings included in these reports are summarized below.

Construction of Embassy Office Building and Adjacent Ambassadorial Residence, Rabat, Morocco

In July 1963 we reported that construction costs were increased by about $90,000 and completion of the project was delayed about 4 months as a result of a decision by the Department to revise various features of the architectural design of the American Embassy buildings at Rabat, Morocco, during the construction period. We also reported that, following completion of the new Embassy residence in July 1961, incumbent Ambassadors assigned to Morocco had refused to occupy the new building because of dissatisfaction with its proximity to the Embassy office building and with its utility for representational purposes and general livability.

Another apparent reason was that the ambassadorial residence currently in use in Rabat, which the Department had purchased in 1956, was considered by the Ambassadors to be more suitable and comfortable than the new residence. We expressed the belief that the non-use of the new ambassadorial residence in which the Government has an investment of $453,000 indicated deficiencies in the conception and execution of the Rabat project and that the planned use of the residence for office space raised a serious question as to the real need for the residence, particularly in view of the existing suitable residence; further that conversion of the residence to office space, while apparently the only practical alternative, would undoubtedly result in less efficient and less economical solution to office space needs than if the project had been initially designed in its entirety as an office building.

The Department informed us that it recognized the inadequacies in planning which gave rise to the situation in Rabat and that steps had been taken to avoid recurrence thereof, principally the promulgation of standards for the requirements

of representation and living quarters in ambassadorial residences, as we had suggested.

Funding Practices in the Acquisition and Management of Real and Related Personal Property Overseas by the Department of State

In a report issued in September 1963, we called attention to a number of basically unsound practices in the funding of acquisition and management costs of real and related personal property overseas owned or leased by the Department for use by its diplomatic and consular missions and by other Federal agencies. At June 30, 1962, the Department had under its jurisdiction about 2,000 owned and leased parcels of improved real property at 293 foreign posts. These properties consisted of residential structures (individual and apartment houses) and chancery, warehouse, and other commercial structures.

Among the more significant effects of these practices were (1) administrative inefficiencies in the form of separate budgeting, diffused control, and a more labored administrative effort than necessary, (2) short-term leasing for long-term needs, a practice by which salaries and expenses appropriations are used to fund long-term space requirements, including the purchase of real property through a lease-purchase type of contract, (3) improper and inconsistent financing of building alterations and improvements, maintenance and repairs, and furnishings, and (4) inconsistencies and inequities in cost sharing by occupant agencies in overseas buildings. Under the Department's present practices, there is an overlapping in the funding of certain items and expenses by the Foreign Service Building Fund and the departmental salaries and expenses appropriations, with a resultant difficulty in the exercise of adequate budgetary control by the Department and the Congress. Both sources of funds are used for similar and frequently identical purposes, such as leasing, procurement of furnishings, building operating expenses, maintenance and repairs, and alterations and improvements.

Inasmuch as remedial actions to overcome the aforestated effects required amendment of the Foreign Service Building Act, 1926, we recommended that the Congress give favorable

consideration to the enactment of definite amendments described in our report which would provide that (1) the Foreign Service Building Fund be used exclusively for capital expenditures in keeping with the primary reason for which the Fund was originally created, (2) all property management costs for building operation, ordinary maintenance and repairs, and recurrent long- and short-term-lease rentals be paid from the departmental salaries and expenses appropriation, subject to equitable reimbursement by occupant agencies, and (3) initial and replacement furnishings and equipment be paid for by the using agencies. Capital expenditures would be those for purchase, construction, major improvement, commuted leases which are tantamount to ownership, lease-purchase transactions in which a significant portion of lease payments apply toward the purchase price, and auxiliary services such as architectural and engineering work. We stated that in our opinion this separation in the funding of foreign buildings activities is essential to adequate control and effective administration.

Construction of Consulate General Office Building and Adjacent Official Residence, Tangier, Morocco

In this report issued in May 1964, we pointed to (1) the apparent doubtful need for the construction, and (2) fundamental deficiencies in bidding, award, and administration of the construction contract. Responsible officials within the Department questioned the need for the construction principally on the ground that because of the exodus of European interests after Tangier ceased to be an international zone, abundant buildings were available which could be purchased for less than cost of new construction. With regard to the bidding, award, and administration of the construction contract we found that (1) the solicitation of bids was premature because of the decision to obligate the funds for construction prior to the close of the fiscal year and before the plans and specifications were complete, with the result that some firms refused to bid and bidding was unduly restrictive and unresponsive, (2) concessions were made to the low bidder in the form of increased contract price, extended contract time and reduction of the liquidated damage rate, none of which was offered to other bidders, (3) the Department had

reason to believe prior to award of the contract that the contractor lacked the experience, organization, and resources to handle the construction job and it later became necessary for the contractor to obtain assistance from another construction firm in order to complete the construction, (4) the construction required 41 months against an original estimate of 12 months, (5) the contractor was given further extensions of time aggregating 6 months for reasons not supported by the record, and (6) the contract price of $727,755 may have been on the liberal side as indicated by an offer of another construction firm during the period of construction to purchase the contract outright for $100,000. The Department concurred generally in our findings and advised us that the Office of Foreign Buildings had been reorganized and that certain policies and practices including those proposed in our report had been reemphasized. We recommended that the Secretary of State take steps to assure that internal reports on audits, inspections, and other reviews are given the proper analysis and timely action by top responsible management in the Department that are essential to the effectiveness of the Department's internal control machinery.

Mutual Educational and Cultural Exchange Program

A report on our review of funds management of certain activities within this program was in process at June 30, 1964. As a result of our work in this area we had noted in our report for the fiscal year 1963, that about $1.1 million in reserve funds on deposit with binational foundations and commissions overseas as of June 30, 1962, had not been considered by the Department in the preparation of its budget estimates and requests for appropriations for the fiscal year 1964; and that after we brought this matter to the attention of the Department in March 1963 the Department notified the chairmen of the Senate and House Subcommittees on Appropriations for the Department of State that its appropriation request for the fiscal year 1964 for educational and cultural exchange activities could be reduced accordingly. Subsequently, it was determined by the Department through further analysis work on reserve fund balances with the binational foundations and commissions as of June 30, 1963, that an additional $2.8 million in reserve funds existed at the founda-

tions and commissions as of this date and that appropriation requests for the fiscal year 1964 could be further reduced by the amount of $2.6 million. The chairmen of the Senate and House Subcommittees on Appropriations were advised accordingly by the Department in November 1963.

TREASURY DEPARTMENT—FOREIGN CURRENCIES

In September 1963, we issued a report to the Congress on our examination of the semiannual consolidated report of balances of foreign currencies acquired without payment of dollars as of June 30, 1962, prepared by the Treasury Department. We believe that the Treasury Department's regulations and procedures for the valuation of the foreign currencies owned by the United States were generally satisfactory and that the Treasury Department's consolidated report was prepared in accordance with the requirements of section 613(c) of the Foreign Assistance Act of 1961.

As of June 30, 1962, U.S.-owned foreign currencies amounted to the equivalent of more than $2.7 billion. Substantially all of these currencies were acquired through operations under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, and under the Mutual Security Act of 1954, as amended. The major portion of these currencies are nonconvertible to dollars or other currencies and are restricted to specific uses by the terms of agreements between the United States and the foreign governments.

EXPORT-IMPORT BANK OF WASHINGTON

As required by the Government Corporation Control Act, we made an audit of the Export-Import Bank of Washington for the fiscal year 1963 and submitted a report to the Congress in February 1964. We also issued a report on the financial statements of the Bank for inclusion in its published reports. We reported that, in our opinion, subject to one qualification, the financial statements of the Bank presented fairly its financial position and the results of its operations for the year ended. Because of the undeterminable factors affecting the status of

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loans, guarantees, and insurance, we were unable to express an opinion as to the adequacy of the amount reserved to meet future losses.

U.S. INFORMATION AGENCY

During the fiscal year 1964 we continued to devote our principal audit effort at the U.S. Information Agency to examination on a selective test basis of the Agency's receipts and disbursements, fiscal controls, accounting records, and related administrative practices.

At the request of a member of the Congress we made an examination of certain features of the Agency's book development program and at June 30, 1964, a report to the member was being prepared. We also examined certain practices of the Agency relative to the procurement of library furniture and supplies and advised the Agency regarding certain deficiencies in these practices.

U.S. ARMS CONTROL AND DISARMAMENT AGENCY

During the fiscal year 1964 we continued our examination on a selected test basis of the Agency's receipts and disbursements, including payrolls and various contracts.

FOREIGN CLAIMS SETTLEMENT COMMISSION

During the fiscal year 1964 we continued our examination on a selected test basis of the Commission's receipts and administrative expenditures, including payrolls.

INTERNATIONAL PROGRAMS IN THE DEPARTMENT OF COMMERCE

In our work in the various agencies of the Department of Commerce, we issued reports to the Congress involving the Inter-American Highway program in the Republic of Costa Rica and the deficient contracting practices employed by the U.S. Travel Service. The significant findings included in these reports are summarized below.

Deficient Contracting Practices Employed by the U.S. Travel Service

In April 1964, we submitted to the Congress a report on our review of certain contracting practices employed by the U.S. Travel Service in negotiating with several advertising firms for the procurement of sales promotion and other services during fiscal years 1962 and 1963.

We reported that nine contracts, totaling about $3.5 million were awarded and contained payment provisions which were in conflict with statutory and regulatory prohibitions against cost-plus-a-percentage-of-cost contracting. Also, we reported that our examination of the negotiation process followed by the agency in contracting for certain services disclosed inadequacies in the solicitation and in the review of contractor proposals and lack of documentation in support of contract negotiations.

These matters were called to the attention of the responsible officials and, in line with our suggestions, corrective steps were taken which included examination of those contracts involving illegal payment provisions to determine the reasonable value of the services performed by the contractors, improvements in practices and procedures to assure maximum competition in the awarding of contracts, and strengthening of the agency's administrative staff.

Inter-American Highway Program in the Republic of Costa Rica

In our May 1964 report to the Congress on the Inter-American Highway program in the Republic of Costa Rica, we identified several inadequacies relating to (1) the award of three construction contracts before obtaining satisfactory assurance that the necessary rights-of-way were or would be available, thereby resulting in increased engineering costs of about $755,000 of which the U.S. share was two-thirds, or about $504,000, (2) the relocation of a 13-mile section of the highway without adequate supporting cost comparisons, thereby increasing the estimated construction costs by about $491,000 of which the U.S. share was two-thirds, or about $327,000, (3) the questionable U.S.

contribution of about $260,000 to finance the cost of fencing the rights-of-way, and (4) the unsuccessful efforts of the United States to have Costa Rica maintain the rights-of-way free of encroachments, such as houses and commercial establishments.

The Bureau of Public Roads advised us that certain procedures had been followed because of the desire to accelerate the completion of the Inter-American Highway in accordance with overall U.S. policy objectives. The Bureau further advised that effective action was being taken to implement certain proposals made in our report.

Independent Agencies and Other Audit Assignments

ATOMIC ENERGY COMMISSION

Our work in the *Atomic Energy Commission* (AEC) during the fiscal year 1964 was performed at AEC's headquarters, at 16 AEC contractor-operated facilities, at various other AEC field offices, and at a number of suppliers' plants.

Our work was concerned primarily with reviews of contracting and procurement activities, rental rates for Government-owned housing, commercial vehicle rental practices, automatic data processing activities, and security guard force operations. During the year we submitted six reports to the Congress, three reports to the General Manager of AEC, and four reports to managers of AEC field offices. A member of our staff was assigned to the Joint Committee on Atomic Energy to assist in reviewing the proposed AEC authorizing legislation for the fiscal year 1965.

The Comptroller General of the United States is the auditor for the *Combined Development Agency*, a partnership created by the United States and two other countries for the purpose of procuring uranium ore. During the fiscal year, we issued a report to the agency on our audit of its financial statements for the calendar year 1962.

The reports to the Congress covered our reviews of (1) procurements, under negotiated fixed-price purchase orders, of aluminum caps and cans, aluminum reactor weldments, K–27 tube sheet assemblies, and case extrusion cylinders, (2) acquisition of an automatic data processing system, and (3) rental rates for Government-owned housing. At the end of the year we were preparing reports to the Congress on our reviews of security guard force operations at the National Reactor Testing Station and on clothing procurement practices.

In July 1963, we submitted a report to the Congress on an AEC operating contractor's procurements from a sole-source supplier of aluminum caps and cans for use in the production of special nuclear materials. During the period from November 1952 through December 1959, the AEC operating contractor awarded purchase orders to the supplier for the procurement of caps and cans at a total cost to the Government of about $7.3 million. We reported that our review of the pricing of the caps and cans procured under nine of the purchase orders disclosed that the amount of $2.7 million paid for the caps and cans was about $1.4 million, or 105 percent, in excess of the supplier's previously experienced costs in producing the same or similar items in similar quantities. We pointed out that the AEC operating contractor awarded the purchase orders, with AEC approval, at prices proposed by the supplier without obtaining the supplier's analyses of its prior actual or estimated costs as a basis for determining the reasonableness of the proposed prices. We pointed out also that, although the supplier had refused to furnish cost information, neither the AEC operating contractor nor AEC had taken action to resolve the matter.

In June 1964, we submitted a report to the Congress on another AEC operating contractor's procurement of aluminum reactor weldments from the same sole-source supplier who had furnished the aluminum caps and cans. During the period from July 1955 to April 1960, the AEC operating contractor awarded purchase orders to the supplier for the procurement of reactor weldments at a total cost to the Government of about $12 million. Our review of the pricing under 14 of the purchase orders disclosed that the amount of $5,514,000 paid for the weldments was about $2,038,800, or 60 percent, in excess of the supplier's prior actual or estimated production costs. We pointed out that the orders were awarded, with AEC approval, under circumstances similar to those prevailing with respect to the procurement of the caps and cans. Our review also disclosed that although the purchase orders were for repetitive and noncompetitive procurements of the same or similar reactor weldments, the orders did not contain a provision giving either the AEC operating contractor or AEC the right to examine the supplier's records to obtain information relating to its cost ex-

perience under the orders for use in evaluating subsequent price proposals.

We expressed the belief in both the July 1963 and June 1964 reports that knowledge of the supplier's cost experience would have put the AEC operating contractors in a better position to negotiate for lower prices and that AEC would have been in a better position to determine whether the procurements should have been approved. We recommended that AEC negotiate with the supplier for an equitable adjustment of the prices of the caps and cans and the reactor weldments. AEC informed us that an adjustment of the prices would be pursued with the supplier.

We pointed out in our June 1964 report, as we had in our July 1963 report on the procurement of aluminum caps and cans, that, although AEC had issued procurement directives in 1961, as we had suggested, reemphasizing the significance of cost and price analyses in the negotiation of reasonable prices and the need to obtain from suppliers detailed cost data certified as being the most current, complete, and accurate information available, the supplier's continued refusals to furnish such cost information in connection with current procurements showed that directives alone do not assure that the steps necessary to carry out the directives' requirements will or can be taken. Therefore, we repeated the recommendation we made in our July 1963 report that AEC amend its procurement policies to require that its top management officials be informed of those cases where an AEC contracting officer or an AEC operating contractor is unable to obtain definitive cost information for consideration in negotiating prices. This would enable the officials to take persuasive action to obtain such cost information or to consider alternatives available in meeting procurement needs. AEC informed us that it was negotiating with the supplier to furnish detailed cost data and to furnish cost certifications. However, at June 30, 1964, the supplier had not agreed to furnish the cost information or the certifications.

In our October 1963 report to the Congress on an AEC operating contractor's procurement of K–27 tube sheet assemblies, we pointed out that the supplier submitted a price proposal that was not based on the costs it was likely to incur in producing

the tube sheet assemblies and that the failure of the AEC operating contractor and of AEC to make a proper analysis and evaluation of the supplier's prior cost experience in producing similar tube sheets resulted in the Government incurring additional costs of about $464,000. We recommended, in view of the excessively high price of the K-27 tube sheets, that AEC take action to obtain an equitable price adjustment.

In April 1964, we submitted a report to the Congress on an AEC operating contractor's procurement of extrusion cylinders (forgings). We pointed out that the price of the forgings should not have included a factor providing for the supplier's recovery of tooling costs of about $49,000 because the AEC operating contractor had provided under a prior order with the supplier for the use of tooling necessary to produce the forgings at no additional cost. Our review disclosed that neither the AEC operating contractor nor AEC had examined into the supplier's price for the forgings to the extent necessary to determine whether or not the price included a factor for tooling costs. We recommended that AEC, in coordination with the Department of Justice, take all legal and administrative measures available to recover the costs that resulted from the supplier's improper inclusion of tooling costs in the price of the forgings. We recommended also that AEC emphasize to its contracting officials the need in negotiating contract prices to give appropriate consideration to any prior contractual arrangements that have a bearing on the prices.

In April 1964, we submitted a report to the Congress on the significant savings which will be attained as a result of purchasing a large-scale automatic data processing system that was being leased by an AEC operating contractor. We pointed out that AEC purchased the system after we had informed the contractor and AEC officials that our review of the cost of leasing versus the cost of purchasing the system showed that significant cost savings could be attained through Government ownership of the system. We estimated that if the system is continued in use on a two-shift basis, savings to the Government of about $2.7 million will be achieved over a 5-year period and savings of about $1 million will be realized each year thereafter as a

result of purchasing the system. Also, we stated that unnecessary costs of about $512,000 were incurred because the system was not purchased sooner, when an adequate evaluation by AEC of the contractor's lease-versus-purchase study would have indicated that purchase of the system would be advantageous to the Government.

In May 1964, we submitted a report to the Congress in which we pointed out that rental rates for Government-owned housing at the AEC contractor-operated Brookhaven National Laboratory were substantially lower than required under the Government's rental rate policy which provides that rental rates be set at levels similar to those prevailing for comparable private housing in the area. Although the rental rates for some of the Government-owned housing were based on rates for certain private housing in the area, no inspection was made of the private housing to determine whether it was comparable with the Government-owned housing. Thus, there was no assurance that the rental rates were set at the required levels. Subsequent to our discussion of this matter with AEC and Laboratory officials, the Laboratory had a survey made of private housing rentals in the area to obtain data essential for setting rental rates in accordance with the Government's rental rate policy. As a result, the rental rates were substantially increased. This should result in additional rental revenue of about $51,000 annually.

The more significant audit findings reported to the AEC General Manager and the corrective actions taken are set forth below.

1. Our review of commercial vehicle rental practices of certain AEC operating contractors disclosed instances where contractor employees at temporary duty stations rented commercial vehicles although less costly means of transportation were available, that they rented the more costly type of motor vehicle, and that they did not share rented motor vehicles when it was possible to do so. After we brought these matters to the attention of AEC and contractor officials, procedural changes were made which, if properly implemented, should result in minimizing future transportation costs. We recom-

mended, however, that periodic followup reviews be made and that AEC consider the need for reviewing the commercial vehicle rental practices of its other operating contractors.

In the same report, we pointed out that an AEC contractor-operated laboratory had incurred unnecessary costs when renting motor vehicles by obtaining collision insurance which was not justified by the experienced accident rate. Subsequently, AEC issued a directive to its field offices stating that the operating contractors are not to be reimbursed for extra charges paid for collision or liability insurance.

2. Our review of an AEC operating contractor's purchase of zircaloy-2 process tubes under a redeterminable fixed-price pilot contract disclosed that the contractor had not fully complied with the specific requirements of the contract. As a result, unit prices were higher than they otherwise would have been. After we brought this matter to the attention of the AEC operations office, additional tubes were delivered, thereby reducing the unit price and resulting in cost savings of about $55,400.

CIVIL SERVICE COMMISSION

Our work in the *Civil Service Commission* during fiscal year 1964 included a continuing examination of various phases of the Federal employees' and retired Federal employees' health benefits program, the Federal employees' group life insurance program, and the Civil Service retirement and disability program. We also completed a review of the accounting systems used by the Commission in the administration of these programs and made suggestions to the Commission for appropriate revisions in the accounting manuals.

At June 30, 1964, we had in process a report to the Congress on our review of group life insurance premiums withheld from the salaries of school teachers in the District of Columbia Government. We noted that the teachers paid less for life insurance protection than other covered employees because of inadequate rates established by the Commission. Also due to the use of the low insurance premium rate, the District of Columbia Government was not required to contribute a

proper share to the group life insurance fund. We estimate that, since inception of the Federal employees' group life insurance program, the insurance fund has been deprived of insurance premium income of about $350,000 by use of the low premium rate. After we brought the matter to the attention of the Commission, it approved an amendment to the group life insurance regulations adjusting the insurance premium rate for school teachers and other employees in similar categories effective the first pay period after June 30, 1964.

We submitted several reports at the request of and for consideration by the Senate and House Committees on Post Office and Civil Service on proposed legislation affecting Federal employees' retirement and other Federal employee activities. In reporting on the proposed legislation, we pointed out that the further liberalization of retirement and survivor benefits for Federal employees would result in additional costs and would further increase the actuarial deficiency of the retirement and disability system. In addition, we furnished certain information pursuant to a congressional request regarding the advance in the cost of living and its relationship to the advance in Federal employees' salaries since World War II.

Four reports were issued to administrative officials of the Commission in Washington, Chicago, Dallas, and Seattle in connection with our audits of payroll records. Our examination of selected payments from the Civil Service retirement and disability fund to annuitants, survivors, estates of deceased employees and annuitants, and persons leaving Government employment disclosed the need for the adjustment of certain amounts paid. These adjustments, which were subsequently made by the Commission, resulted in preventing overpayments or in collecting overpayments of about $100,000 and in preventing or correcting underpayments of about $88,000.

DEPARTMENT OF JUSTICE

Our audit work in the *Department of Justice* during fiscal year 1964 included an examination of the financial statements of the Federal Prison Industries, Inc., for fiscal year 1963 as required by the Government Corporation Control Act; a review of the

policies and practices regarding rents charged by the Bureau of Prisons for housing provided to Government employees; a review of the cost of constructing a residence at the U.S. Penitentiary, Leavenworth, Kans.; and reviews of payrolls and other financial activities in the Department's Administrative Division, the Bureau of Prisons, the Federal Bureau of Investigation, and the Immigration and Naturalization Service. We had substantially completed a review at June 30, 1964, of charges by the Bureau of Prisons for meals provided to employees and visitors. We submitted three reports to the Congress and one report to a congressional committee. We issued five reports to agency officials on our reviews of selected administrative operations and related financial transactions.

In a report on our audit of the Federal Prison Industries, Inc., submitted to the Congress in February 1964, we expressed the opinion that the corporation's financial statements for fiscal year 1963 presented fairly its financial position at June 30, 1963, and the results of its operations and the sources and application of its funds for the fiscal year.

In April 1964 we submitted a report to the Congress on our review of the policies and practices regarding rents charged for housing provided to employees of the Bureau of Prisons. We noted that for a number of years the Bureau had not given adequate effect to the basic Government-wide policy of requiring rental rates to be set at levels similar to those prevailing for comparable private housing in the area. We found that if the results of our tests were applied to all units rented by the Bureau, the deficiency in the rentals charged would range from $338,000 to $749,000 a year. We made several recommendations to correct the Bureau's practices which accounted for the deficiencies in the rates being charged. After discussing our findings with Bureau officials, the Bureau increased its rentals for employee housing by about $170,000 a year. However, in determining the new rental rates, the Bureau has still not given full effect to the Government-wide principle of equivalence with rentals for private housing in the same area.

In June 1964 we submitted a report to the Congress on the unreasonably expensive one-family employee residence built at the U.S. Penitentiary in Leavenworth. Our review disclosed

that the Bureau of Prisons incurred costs of about $100,000, including about $24,000 for inmate labor, to construct and furnish a residence for the warden and to extend utilities and a road to the residence site. This was about 3½ times the maximum amount authorized to be spent for comparable housing for a commanding officer of a military post. We recommended that the Director of the Bureau of Prisons require penal institutions to design and construct all dwelling units within the size limitations prescribed by the Bureau of the Budget, and that the Congress consider placing limitations, similar to those prescribed in the case of family housing for military personnel, on the floor area and on the amounts that may be expended for the construction of residential housing by the Bureau of Prisons.

We submitted a report in May 1964 to the chairman of the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations on a review we made at the subcommittee's request. This review related to the policies and procedures of the Department of Justice and the United States Attorney for the District of Columbia with respect to the collection of judgments, fines, penalties, and forfeitures. Shortly after the issuance of our report our representatives testified before the subcommittee on the results of this review.

TRANSPORTATION LITIGATION

During fiscal year 1964, we continued to provide legal and technical assistance to the Department of Justice in the prosecuting and defense of transportation suits by and against the United States. Transportation specialists and attorneys—in addition to furnishing technical advice and assistance—participated in 19 trials or pretrial conferences before the Court of Claims in Washington, D.C., and San Francisco, Calif., and in 5 actions in various U.S. district courts.

We reported to the Department of Justice for collection debts against carriers involving 220 items in the total amount of $111,638. During the fiscal year, similarly reported debts involving 857 items in the total amount of $903,473 were settled by collection of $97,249 through judgments, compromises or otherwise. Included in the total amount settled were admin-

istratively reported debts for maritime loss and damage totaling $637,408 which were authorized for cancellation by the Department of Justice.

We received from the Department of Justice requests for reports on 56 suits filed by carriers for recovery of $2,155,204 from the United States involving 5,023 separate shipments. During the same period we prepared reports and furnished necessary records and exhibits in 57 suits covering 7,166 shipments in which the carriers are seeking to recover $2,291,393. One hundred thirty-four suits, the subject of reports in this or prior years, involving 16,211 shipments and $5,329,974, were settled by payment of judgments for $4,175,057.

INDIAN TRIBAL CLAIMS

The General Accounting Office prepares for the Attorney General detailed reports concerning petitions filed against the United States before the Indian Claims Commission or the U.S. Court of Claims.

The Indian Claims Commission, created by the act of August 13, 1946, 60 Stat. 1049, is vested with the jurisdiction to hear and determine claims against the United States on behalf of any Indian tribe, band, or other identifiable group of American Indians residing within the territorial limits of the United States including Alaska, provided such claims accrued before the date of the approval of the act and were filed within 5 years after that date. Before the creation of the Commission, claims of Indian tribes were heard and determined by the U.S. Court of Claims only when jurisdiction was conferred upon it in each case by special acts of the Congress.

The reports are prepared in response to requests from the Attorney General and deal with the particular accounting problems presented by the petitions. Generally the reports include an accounting showing the extent to which various treaty obligations have been fulfilled by the United States, an accounting of investments and trust funds, and in most cases a statement of gratuitous expenditures for consideration as possible offsets against any judgment which may be rendered against the United States.

The preparation of these reports involves extensive research inasmuch as the required information is compiled from reports of the Bureau of American Ethnology, House and Senate Documents, and records of the War, Treasury, and Interior Departments, the General Accounting Office, and the National Archives and Records Service dating back to the year 1795.

Assembling the information and compiling it into a finished report involves a comprehensive analysis of the claims recited in each case, preparation of a history of the particular tribe of Indians and its migrations and unions with other tribes, and an analysis of all treaties made with the tribe and acts of Congress affecting it.

During the fiscal year 1964, we forwarded 26 reports to the Attorney General. At the end of the fiscal year, 99 reports on petitions were in process and 12 additional petitions on which reports had been requested were awaiting examination. In addition, reports in answer to certain of the claims in seven other petitions were forwarded to the Attorney General as special reports. Also during the year, our technicians prepared and furnished many accounting documents for exhibits and testified at hearings before the Indian Claims Commission on cases on which we had previously furnished reports. Two petitions were received for our examination during the fiscal year.

Further information concerning reports furnished to the Department of Justice is shown in the appendix at page 449.

DISTRICT OF COLUMBIA GOVERNMENT

Our work at the *District of Columbia Government* during the fiscal year 1964 was concerned principally with selected activities of the Department of Public Health. A substantial part of our work was performed at the request of congressional committees and individual congressmen having an interest in the District Government's activities. During the year we submitted eight reports to the Congress or to congressional committees.

Several meetings were held with the chairman of the Subcommittee on District of Columbia, Senate Committee on Appropriations, on many aspects of the operations of the District

Government, and we provided the chairman with a substantial amount of data relating to our audit work.

DEPARTMENT OF PUBLIC HEALTH

In July 1963 we submitted a report to the Congress on the District Government's delay in developing and implementing the federally sponsored program for medical assistance for the aged. We found that the District delayed seeking necessary legislative authority to enable it to participate in this program and did not adequately prepare for participation. We estimated that as a result the District did not receive about $1,800,000 in available Federal grants. We believe that the District's failure to take reasonably prompt action to qualify for these grants was a symptom of more extensive weaknesses in its system of management controls over program activities and their related expenditures which we had brought out in several other audit reports. We recommended that the Board of Commissioners strengthen its system of management controls and, in that connection, consider establishing a small staff unit under the direction of a person directly under and reporting to the Board. This unit would assist the Board in obtaining adequate information, in evaluating the effectiveness of departmental operations, and in initiating needed improvements.

In January and March 1964, we submitted reports to the chairman, Subcommittee on District of Columbia, Senate Committee on Appropriations, on weaknesses in admission and billing practices at the District of Columbia General Hospital and at hospitals providing services under contracts with the District Government. In these reports, we pointed out that as a result of these deficiencies the District Government was unnecessarily bearing costs of about $3 to $4 million a year. We found that in about 25 percent of the inpatient cases at the D.C. General Hospital no determinations were made of the patients' ability to pay. Also, at the D.C. General Hospital and at the contract hospitals, the procedures for ascertaining patients' financial resources were not adequate to detect inaccurate or incomplete information submitted by a large percentage of patients who were provided care at District expense, and the criteria used in

determining a patient's ability to pay gave only limited recognition to the earning capacity of the patient's family group. We made several recommendations designed to correct these weaknesses and deficiencies.

In a report submitted to the Congress in March 1964 we pointed out that substantial health and medical activities were being carried out not only by the *Department of Public Health* but also by four other major departments of the District Government. We noted some duplication and overlapping of activities, limited flexibility in the utilization of medical personnel, and limited coordination of these activities. The Department of Public Health had by far the largest professional health and medical staff and the largest and best equipped medical facilities of any of the departments. We proposed to the Board of Commissioners that they consider vesting in the Department of Public Health the overall responsibility for planning, directing, and implementing all health and medical activities carried on by the District Government. The President, Board of Commissioners, stated that the Commissioners had issued instructions that a thorough examination of our proposal be made.

In May 1964 we submitted a report to the chairman, Subcommittee on District of Columbia, Senate Committee on Appropriations, on weaknesses in controls over drugs and certain other property at the D.C. General Hospital. We reported that there were no written procedures governing the control of drugs at the main supply warehouse or the main pharmacy, efforts were not made to determine reasons for differences at the main supply warehouse between the perpetual inventory records and the monthly physical inventories, perpetual inventory records were not being maintained at the main pharmacy except on narcotics and dangerous drugs and on certain high-cost drugs stored in bulk quantities and substitute procedures were not effective, and no procedures were in effect for accounting for drugs, except for narcotics and dangerous drugs, at the approximately 50 nursing stations in the hospital or at the outpatient department pharmacy. The District's Board of Commissioners stated that certain measures had been taken and others were planned by the District to improve these conditions.

Our work in the Department of Public Health also included a

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review of the admission and billing practices relating to District patients at St. Elizabeths Hospital and a review of the practices in connection with the collection of patients' accounts at the D.C. General Hospital. This work was in progress at June 30, 1964.

DEPARTMENT OF PUBLIC WELFARE

In February 1964 we submitted to the chairman, Subcommittee on District of Columbia, Senate Committee on Appropriations, a report on the policies and procedures concerning admissions to and discharges from Junior Village, a temporary home for dependent children operated by the Department of Public Welfare. We found that the costs of operating Junior Village were much higher than the costs to the District of providing care in foster homes or private institutions, and that, although in 1961 and 1962 there was an urgent need to obtain additional foster homes to cope with the growing population at Junior Village, the *Department of Public Welfare* did not intensify its foster home program until the latter part of calendar year 1962. We expressed the belief that the overcrowded conditions at Junior Village could be alleviated through added impetus on and improvements in the foster home program and we made several suggestions for improvement. We also reported that there appeared to be a lack of emphasis by the District on the need for parents to assume their responsibilities for supporting their children. We believed that there was a need for more aggressive action such as more affirmative attempts to obtain support payments from parents with children in Junior Village and timely prosecution of parents who are financially able but do not support their children. The Board of Commissioners expressed general agreement with our findings and indicated that corrective actions were being taken or considered.

During the first part of the year our representatives participated jointly with staff of the District of Columbia Government in a review of operations of the District's Department of Public Welfare in an effort to provide more effective administration of the District's public welfare programs. Our direct participation in the review was discontinued in September 1963, but our representatives continued to monitor the review, which was still in process at June 30, 1964.

During the year we made a review of selected operations of the *District of Columbia Armory Board*, including certain financial aspects of the construction and operation of the District of Columbia Stadium. A report to the Congress was being prepared at the close of the fiscal year. We started reviews of the highway programs administered by the *Department of Highways and Traffic*. Attention was being given to the policies and procedures relating to the acquisition and administration of property needed in connection with Federal-aid highways. Also in progress was a review of certain administrative procedures and practices of the *Metropolitan Police Department*.

In December 1963 we submitted to the Congress a report on the lack of effective supervisory controls over Federal and District of Columbia employees licensed to drive taxicabs in the District of Columbia. Our review of the time and attendance records of selected employees of the District Government, the Post Office Department, the Veterans Administration, and the General Services Administration who are licensed to drive taxicabs in the District of Columbia, disclosed that a substantial percentage of the employees included in our tests apparently drove taxicabs during official duty hours while not on authorized leave or on days when sick leave was used. We found also that, of the four agencies, only the District Government required its employees to obtain written permission to engage in outside employment.

Our tentative findings were brought to the attention of appropriate agency officials with the recommendation that investigations be undertaken to determine the extent of, and to correct, the indicated weaknesses and abuses. Officials of each of these agencies advised us that action would be taken to investigate the tentative findings disclosed by our review.

DISTRICT OF COLUMBIA REDEVELOPMENT LAND AGENCY

During the fiscal year, we substantially completed several reviews of activities of the *District of Columbia Redevelopment Land Agency* (RLA). These reviews were carried out in Wash-

ington, D.C., and at the Philadelphia regional office of the Housing and Home Finance Agency. Our work included a review of selected slum clearance and urban renewal activities relating to the acquisition and disposition of land, property management, and relocation of displaced families. In addition we examined into the extent to which corrective action had been taken by the RLA and the Urban Renewal Administration on the numerous findings and recommendations contained in our May 1959 report to the Congress on a previous audit of the RLA. Reports on these reviews were in process at the end of the fiscal year.

FEDERAL AVIATION AGENCY

Our audit work in the *Federal Aviation Agency* (FAA) during fiscal year 1964 included reviews of the procurement of aviation equipment and related spare parts, the cost and utilization of automatic data processing systems, subsistence allowances under technical and professional service contracts, the procurement, utilization, and maintenance of aircraft, and selected air traffic management operations. During the year we submitted six reports to the Congress.

In a report submitted to the Congress in March 1964 on our review of FAA's semiautomatic flight inspection program we pointed out several deficiencies in the planning, contracting, and administration of the program which resulted in unnecessary costs to the Government of about $944,000. We expressed the belief that a major portion of the additional costs incurred could have been avoided if FAA had developed a prototype system before it initiated the production of additional systems for use in the program. Our review disclosed also that additional savings of about $720,000 could have been attained by the purchase of a leased computer used in connection with the program when it was offered for purchase at a special discount price. After we brought our findings to the attention of the Administrator of FAA, he stated that a thorough study was underway to overcome the existing problems in the development of the semiautomatic flight inspection program and that further procurements of such equipment for the program would be deferred

until after a prototype had been thoroughly tested and evaluated. To avoid unnecessary costs in similar development programs in the future, we recommended that the Agency establish procedures requiring thorough planning, the establishment of realistic project goals, and the development of prototype models or systems, so that areas of undue technical risk may be identified and eliminated before the production of operating models or systems is undertaken.

In another report submitted to the Congress in March 1964, we noted that charges were not being assessed against recipients of certain Government services as required by prescribed Government policies. We pointed out that the Agency had not assessed charges to recover from the airlines any portion of the costs incurred in inspecting aircraft and aircraft components and in issuing required certificates or to recover from airmen any portion of the costs incurred in conducting examinations to determine their competency and in issuing related certificates. Accordingly, we recommended that, to the extent determined to be fair and reasonable, the Agency establish charges to recover the costs incurred in issuing these certificates.

In the same report, we pointed out that charges to other Government agencies and non-Government entities for certain types of reimbursable work on aircraft and aircraft components were inadequate to recover FAA's costs. We recommended that FAA establish procedures for determining appropriate charges to recipients of these services, and that these charges be sufficient to enable FAA to recover its actual costs.

In March 1964 we submitted a report to the Congress on deficiencies in aircraft procurements, utilization, maintenance, and accounting by FAA. The report discussed certain weaknesses in the Agency's policies and practices that resulted in increased costs to the Government through (1) the transportation by FAA-operated aircraft of persons other than Federal employees on official business, (2) the use of FAA-operated aircraft instead of commercial airline services for transportation of personnel, (3) the use of FAA-owned aircraft instead of rental aircraft for administrative, job performance, and proficiency flying, and (4) the absence of a uniform policy on proficiency flying. We also reported that in those cases where the Agency

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UNITED STATES
GENERAL ACCOUNTING OFFICE

did use rental aircraft for administrative, job performance, and proficiency flying, it incurred excessive costs by leasing twin-engine aircraft without a justification clearly establishing a need for that type, and that the Agency leased aircraft under a lease/purchase contractual arrangement without obtaining price proposals on such an arrangement from another company whose aircraft met the prescribed specifications.

We also commented on the unnecessary expenditure of Government funds for the purchase from commercial sources of aircraft engine parts and accessories which could have been obtained from excess military stocks; certain personnel practices that precluded the attainment of maximum utilization of maintenance and flight personnel; the need for an accounting system to determine aircraft operating and maintenance costs; and the inadequacy of controls over personal property. We brought our findings to the attention of the Administrator of FAA who informed us that corrective action had been taken or was under consideration. As part of our continuing review at the FAA, we plan to examine into the effectiveness of the corrective actions taken.

We submitted two reports to the Congress on our reviews of FAA's administration of automatic data processing operations performed in conjunction with the Agency's air traffic control program. In these reports, which were issued in March and May 1964, we pointed out that FAA incurred excessive costs of about $67,600 because the Agency had not established adequate management controls to avail itself of beneficial provisions in the rental contracts and had not taken advantage of opportunities for increased economy and efficiency in the operation of the automatic data processing systems. After we brought these matters to the attention of Agency officials, FAA obtained refunds of about $28,600 and took other corrective action which should prevent overpayments of about $21,000 annually in the future. However, our March report pointed out that the Agency was entitled to additional recoveries for rental payments made for periods when the equipment failed to operate properly. We recommended that the Agency negotiate with the contractor for additional adjustments not previously claimed.

We also recommended that management controls be strengthened (1) by the issuance of formal written procedures and instructions for administering rental contracts and for operating the systems in an economical and efficient manner, and (2) by making periodic reviews to ascertain the extent to which the objectives set forth in the procedures are achieved.

In our April 1964 report to the Congress on our review of contracts for the development, construction, and maintenance of electronic air traffic control simulator systems, we pointed out that the contracts did not provide for the training of FAA employees to maintain the equipment upon its acceptance by the Agency. As a result, FAA was required to obtain technical services from the contractor on a continuing basis at costs in excess of those which would have been incurred by the use of Agency employees trained to maintain the simulator systems. We believe that, where there is a continuing need for maintenance of equipment by technicians, as in the case of the air traffic control simulator systems, it would be to the advantage of the Government to avoid the high cost of contractor-furnished services. Accordingly, we recommended that, in awarding future contracts for the procurement and installation of technical equipment which requires maintenance by skilled technicians, the FAA Administrator direct that provisions be made either to hire technically qualified employees or to train Agency employees to replace the contractors' technicians within a reasonable time after the delivery of the equipment and the completion of the initial operating period.

FEDERAL DEPOSIT INSURANCE CORPORATION

We made an audit of the *Federal Deposit Insurance Corporation* for the fiscal year 1963 and submitted a report to the Congress in February 1964. In our report we expressed the opinion that, subject to the adequacy of the deposit insurance fund to meet future losses, the financial statements of the Corporation presented fairly its financial position at June 30, 1963, and the results of its operations and the sources and application of its

funds for the year then ended. We could not express an opinion on the adequacy of the deposit insurance fund to meet future losses because the amount that may be needed is dependent on future economic conditions.

In previous audit reports we had recommended that the Corporation assume all costs of providing retirement, disability, and compensation benefits for its employees and that the requirement for an annual audit by the General Accounting Office be changed from a fiscal year to a calendar year basis. In October 1963, representatives of our Office testified in hearings held on these recommendations by the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations. On the basis of the study made by the subcommittee, the full committee issued a report to the Speaker of the House of Representatives in November 1963 (H.R. 919, 88th Cong., 1st sess.) recommending that the House Banking and Currency Committee consider legislation which would amend the Federal Deposit Insurance Act so as to provide for the adoption of our recommendations.

FEDERAL HOME LOAN BANK BOARD

FEDERAL HOME LOAN BANKS

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

We audited the *Federal Home Loan Bank Board*, the *Federal Home Loan Banks*, and the *Federal Savings and Loan Insurance Corporation* for the fiscal year 1963. We submitted a report to the Congress in March 1964 on our audit of the Federal Home Loan Bank Board and submitted a report in February 1964 on our audit of the Federal Home Loan Banks. A report on our audit of the Federal Savings and Loan Insurance Corporation was in process at June 30, 1964.

In our report on our audit of the Federal Home Loan Bank Board, we commented on the Board's practice of fully depreciating furniture, fixtures, and equipment immediately upon acquisition rather than providing annual depreciation charges over the useful life of the assets. We expressed the opinion that,

except for the effect of the agency's depreciation policy, its financial statements presented fairly its financial position at June 30, 1963. Subsequently, the Chairman of the Board accepted our recommendation that, commencing with fiscal year 1964, fixed assets be depreciated over their useful life rather than being depreciated in full immediately upon acquisition.

In our report on our audit of the Federal Home Loan Banks, we expressed the opinion that the financial statements included in the report presented fairly the banks' financial position at June 30, 1963, and the results of their operations and the sources and application of their funds for the year then ended.

In the same report we recommended that the Congress consider amending the Government Corporation Control Act to require the Comptroller General to audit and report to the Congress on the financial transactions of the banks on a calendar year basis rather than on a fiscal year basis as is presently required. Such an amendment would permit financial reporting to coincide with the accounting periods of the Federal Home Loan Banks and facilitate our audit of these banks. Also, by letter addressed to the chairman of the Subcommittee on Legal and Monetary Affairs of the House Committee on Government Operations, we recommended that consideration be given to a similar amendment with respect to the Federal Savings and Loan Insurance Corporation. Representatives of our Office subsequently testified on this matter in hearings held in April 1964 by the Legal and Monetary Affairs Subcommittee. Legislation to carry out our recommendations was subsequently enacted by the Congress.

GENERAL SERVICES ADMINISTRATION

Our work at the *General Services Administration* (GSA) during the fiscal year 1964 included reviews of selected activities of the Federal Supply Service, the Utilization and Disposal Service, the Transportation and Communications Service, the Defense Materials Service, and the Public Buildings Service. We made a selective examination of financial transactions under all GSA appropriations and funds together with an evaluation

of GSA's administrative controls. This examination enabled us to settle the accounts of accountable officers and supplemented our reviews in selected areas of GSA operations. Our work was carried out at the GSA central office in Washington, D.C., the 10 GSA regional offices, the offices of certain other Federal agencies, and certain contractors' offices.

We submitted six reports to the Congress, five reports to Members of the Congress, and seven reports to agency officials.

FEDERAL SUPPLY SERVICE

During the year, we continued to review various aspects of GSA's programs and activities relating to the Government-wide procurement and supply of personal property. Our work in the *Federal Supply Service* included reviews relating to (1) the administration of the price reduction clause in Federal Supply Schedule contracts for drugs and pharmaceutical products, (2) the procurement of drugs and certain other medical items under Federal Supply Schedule contracts, (3) the cost of purchasing versus leasing certain office copying machines, (4) the cost of purchasing versus leasing certain teletypewriter equipment used to transmit messages and data between different locations, and (5) the procurement of certain products on a brand name basis for use by Federal agencies. Reports on these reviews were in process at the end of the fiscal year. We transmitted a report to the Administrator of General Services in December 1963 on the ineffective and costly procurement of civil defense identification cards and the plastic strips used for lamination of the cards. Other work in process in the Federal Supply Service related to reviews of (1) GSA policies in the negotiation of Federal Supply Schedule contracts for the rental of automatic data processing equipment, (2) the procurement of gasoline and oil in certain States under Federal Supply Schedule contracts, and (3) GSA's activities in the procurement of selected items and services under certain negotiated Federal Supply Schedule contracts.

In August 1963 we submitted a report to the Congress on unnecessary costs incurred by the Federal Supply Service in handling and transporting supply items. We pointed out that

in many instances GSA did not utilize the direct-delivery method of supplying stores items when it was practical and economical to do so. At the three GSA regional offices covered by our review, 22 percent of the orders examined were filled from the stores depots although the orders could have been placed with the suppliers for direct delivery to the ordering agencies at a saving of about $48,000 to the Government in warehouse handling, transportation, and export-packing costs. The report also pointed out that unnecessary costs resulted from the export packing at the GSA Seattle depot of shipments to Alaska, when such packing could have been done at less cost by commercial shippers. GSA generally agreed with our findings and indicated that corrective action was being or would be taken.

In a report submitted to the Congress in June 1964, we pointed out that our review of the procurement of about 50 selected brand name items showed that GSA did not make adequate evaluations to determine whether similar, less costly items were available before placing the brand name items into supply depots or self-service stores for sale to customer agencies. We found that the Government had incurred excess costs of at least $650,000 by procuring certain of these brand name items at prices higher than would have been paid if similar items had been procured under more detailed purchase descriptions. The brand name items were purchased mainly because one or more agencies indicated that particular brand name products were required to meet their operating needs. These items thus became available to all agencies through the GSA supply system.

Our limited test indicated that the prices of items purchased by using a more detailed purchase description were, on the average, 50 percent lower than the prices of similar items purchased under a "brand name or equal" description. Accordingly, we recommended that the Administrator of General Services procure brand name items on the basis of the requesting agencies' statements only in those cases where Federal specifications or detailed purchase descriptions for similar items are not available, and then only on a temporary basis until an adequate review and evaluation is made of the Government's requirements for these brand name items. In July 1964 the Admin-

istrator of General Services informed us that, in the future, GSA would not stock brand name items or allow them to be procured or stocked unless GSA considered it to be in the best interest of the Government to do so after the items had been evaluated by GSA.

UTILIZATION AND DISPOSAL SERVICE

During the year our audit work with respect to activities of the *Utilization and Disposal Service* included a review of the sale or proposed sale of certain excess aircraft spare parts, costing about $1.4 million, by the GSA Dallas regional office without an adequate determination by GSA as to whether the excess parts were required by other Federal agencies. We also started a review of selected aspects of GSA's policies and practices in the utilization and disposal of surplus real property. At the close of the fiscal year a report to the Congress on the premature disposal of the aircraft spare parts was in process.

TRANSPORTATION AND COMMUNICATIONS SERVICE

We continued to review in the *Transportation and Communications Service* selected communications activities relating to GSA's responsibility for the procurement and management of telecommunications services for Federal civil agencies as prescribed in the Federal Property and Administrative Services Act of 1949, as amended. At June 30, 1964, we had in progress reviews on the use of commercial long-distance telephone service by agencies in the GSA Dallas and San Francisco regions between cities served by the Federal Telecommunications System (FTS). We also had in progress reviews of the planning of civil agency communications services and the installation of certain communications equipment, and the integration of leased long-lines communications circuits of certain civil agencies into a GSA central leasing arrangement.

In a report submitted to the Congress in March 1964, we pointed out that civil agencies in the Washington, D.C., area were incurring costs of over $1 million annually for commercial long-distance telephone calls between cities served by the FTS

which could be avoided or at least substantially reduced if the agencies would use the FTS leased-line facilities. These costs could have been avoided or reduced because the charges paid for the leased lines are fixed, regardless of the extent to which they are used. We also pointed out that in many cases savings could also be realized by placing calls to non-FTS cities through the FTS wide-area telephone service and foreign exchange lines. As an immediate step to minimize these unnecessary costs, we proposed that the Administrator of General Services take action to encourage the civil agencies to make greater use of the FTS and to make periodic reviews to see that they were doing so. During a hearing held in March 1964 by the Subcommittee on Government Activities, House Committee on Government Operations, at which we testified on this subject, the Administrator stated that our proposal had been or were being placed into effect.

In a report submitted to the Congress in May 1964 we pointed out that GSA had incurred additional costs because of its failure to consolidate certain Federal communications services in the Washington, D.C., area. More than $1.9 million might have been saved during the 8 years ended December 31, 1963, if GSA had consolidated telephone switchboards as planned in 1954 and 1957. In commenting on our proposal for corrective action, GSA informed us of certain improvements that had been made since the establishment of the Office of Telecommunications in 1961. However, since no decisive action had been taken, we recommended that the Administrator of General Services take appropriate action to bring about the further consolidation of telephone switchboards in civil agencies of the Government in the Washington, D.C., area.

In the same report, we expressed the view that a unified teletypewriter system for the Washington, D.C., area should have been considered because available evidence indicated over 10 years ago that such a system was more efficient and economical than the individual systems being used by many Government agencies. GSA stated that it had been planning since 1960 for the consolidation of teletypewriter services by using an advanced system which would incorporate teletypewriter, data, and other advanced forms of record communications. We noted, however, that although GSA was expecting to implement this system

over the next 2 years, it had not obtained written agreements from the agencies to use the new system. In view of the substantial amount it will cost to develop such a system and past agency resistance to GSA consolidation efforts, we recommended that the Administrator of General Services use all means at his disposal to require those civil agencies of the Government to participate where he has determined that it would be more efficient and economical for them to do so.

DEFENSE MATERIALS SERVICE

In the *Defense Materials Service* we continued to review selected activities relating to the strategic and critical materials stockpiling program. Our work was directed principally toward evaluating the need for stockpile objectives for certain fibers and the purchase specifications and storage procedures for certain stockpiled metal powders.

PUBLIC BUILDINGS SERVICE

Our work in the *Public Buildings Service* during fiscal year 1964 consisted principally of reviews of selected aspects of GSA's administration of the planning, designing, and construction of the Museum of History and Technology, Smithsonian Institution; the contracting for an underground center for civil defense purposes; and the use of certain Government-owned buildings in San Francisco, Calif. We submitted a report to the Congress on the first-named review, and a report on the last-named review was in process at the close of the fiscal year.

In our report to the Congress, which was submitted in June 1964, we pointed out that GSA had expended about $112,000 unnecessarily because it had not taken timely action in administering the construction of the Museum of History and Technology. In our opinion, these additional costs could have been avoided by prompt action and closer coordination of the construction activities. In response to our proposal that action be taken to improve the administration of building construction projects, the Administrator of General Services stated that GSA

had taken certain actions which were intended to improve its scheduling and administration of the projects and which, in his opinion, will avoid unnecessary costs, such as those we had pointed out, in connection with future building projects.

In a report submitted to the Congress in October 1963, we commented on the need for better controls over manpower utilization and other aspects of the buildings management activities under the Public Buildings Service. We pointed out that the agency had not developed complete and valid guides to determine the number and types of skilled trades needed to perform work in individual buildings. Therefore, the proper amount of staffing for skilled trades could not be determined readily. We reported that wide variations in the prescribed level of cleaning services at three regions indicated a need for better compliance with GSA-prescribed cleaning standards in order to promote adequate manpower utilization and control of buildings management costs. We also reported a need for improved controls over materials and supplies, acceleration of the development of the preventive maintenance program, and a more effective inspection program. The agency indicated that corrective action had been initiated in most cases.

In response to inquiries from Members of the Congress, we furnished information regarding the economic justification of the proposed move of GSA offices from Dallas to Fort Worth, Tex., and the historical background of the proposed Dallas Federal Building and data relating to Government-leased space in commercial buildings in Dallas.

GOVERNMENT PRINTING OFFICE

In May 1964, we submitted a report to the Congress on our audit of the *Government Printing Office* for the fiscal year 1963. This report pertained primarily to accounting and financial matters and contained our opinion that the financial statements in the report presented fairly the Government Printing Office's financial position at June 30, 1963, and the results of its operations and the sources and application of its funds for the year then ended.

HOUSING AND HOME FINANCE AGENCY

During the fiscal year 1964, we performed audit work at the central offices and at selected field offices of the *Housing and Home Finance Agency* (HHFA) and its constituent agencies—the Office of the Administrator, which includes the Urban Renewal Administration and the Community Facilities Administration; the Federal Housing Administration; the Public Housing Administration; and the Federal National Mortgage Association. We submitted 14 reports to the Congress and issued 7 reports to Agency officials. We also submitted a report to a congressional committee on a review made at its request.

OFFICE OF THE ADMINISTRATOR

Our work relating to the *Office of the Administrator* (OA) was carried out at the Washington, D.C., central office, at three HHFA regional offices, and at selected local public agencies (LPAs). Our efforts were largely directed toward reviews of the administration of selected slum clearance and urban renewal activities by the HHFA and the *Urban Renewal Administration* (URA). The selected activities related to noncash local grants-in-aid, the acquisition and disposition of real property, and the progress in executing projects. A review of these activities was in progress at two HHFA regional offices at the end of the fiscal year. During the year we completed a review of the *Community Facilities Administration* (CFA) programs for making advances for public works planning.

We submitted five reports to the Congress—four on reviews of urban renewal activities and one on community facilities activities. In addition, we issued two reports to HHFA regional administrators in which we pointed out weaknesses in the OA's administrative operations and related matters which could be corrected by the regional offices.

Slum clearance and urban renewal activities.—In a report submitted to the Congress in fiscal year 1962, we pointed out that the URA had tentatively allowed a 100-percent noncash grant-in-aid credit of the estimated construction cost of an elementary school in New Jersey, although the information

submitted by the LPA supporting the claim did not, in our opinion, provide an adequate basis for the URA's determination that 100 percent of the benefit of the school would accrue to the project. In August 1963, URA reduced the credit to 52 percent of the school construction cost, resulting in a reduction of about $825,390 in the Government's share of project costs.

Also, in a report submitted to the Congress in fiscal year 1963, we pointed out that the URA had approved Federal grants of over $10 million and Federal loans of over $33 million for large-scale demolition in an urban renewal project, without making an adequate examination of the structural condition of the buildings in the project area to verify that the extent of clearance proposed by the city was warranted.

The URA's approval of the project was based on building inspection reports, submitted by the city to HHFA's Chicago regional office, which classified 84 (about 71 percent) of the 118 existing buildings in the project area as substandard because of what the city considered to be serious building deficiencies. The Agency's records indicated that the HHFA regional office personnel had not inspected the interiors of the buildings before the URA authorized Federal assistance for the project. A detailed reinspection of 77 of the buildings by a technically qualified staff member of HHFA's Chicago regional office, accompanied by representatives of the city and our Office, showed that only 24 of the buildings (about 20 percent) in the project area were substandard because of building deficiencies which could not be corrected by normal maintenance. The cited deficiencies in the other buildings were minor in nature and could be corrected through normal maintenance.

In our opinion a basic cause for the premature Federal approval of the project for large-scale demolition was the URA's vague criteria for determining whether buildings are substandard to a degree requiring clearance. As a result of our recommendations, the URA revised certain of its regulations in November 1963 to clarify the criteria for determining the eligibility of a project for large-scale demolition and now requires the LPAs to justify and document the consideration given to the acquisition for demolition of expensive and basically sound properties. The URA's revised regulations, if vigor-

ously enforced, should result in reducing the possibility of unwarranted large-scale demolition and in retaining more structurally sound properties in the urban renewal areas. Since the Federal Government pays two-thirds (and sometimes three-fourths) of the cost of acquiring and demolishing properties in an urban renewal project, this action by the URA should result in substantial future savings of Federal funds.

In October 1963 we submitted a report to the Congress on the improper inclusion of the cost of a bridge in the cost of an urban renewal project. We pointed out that the URA had tentatively allowed a noncash grant-in-aid credit of about $1 million representing 40 percent of the estimated cost for replacing an existing bridge, on the assumption that the new bridge would provide flood control benefits to the urban renewal area. Our review disclosed that the basis underlying the URA's determination of the propriety of the noncash grant-in-aid credit was erroneous. Although the Administrator, HHFA, agreed with our finding that the bridge would not provide flood control benefits to the project area, he informed us that it appeared that significant benefit to the project would result from the new bridge as an essential traffic facility. Our evaluation of the new bridge indicated, however, that the allowance of grant-in-aid credit on such a basis was not warranted because available evidence, at the time of our review, showed that the new bridge would not provide significantly greater traffic benefits to the urban renewal area than the existing bridge. Therefore, we recommended that the Commissioner, URA, disallow the noncash grant-in-aid credit for the bridge and obtain promptly a revised financing plan for the project.

In a report submitted to the Congress in May 1964, we pointed out that HHFA had repeatedly recertified a city's workable program and had executed two urban renewal contracts providing for loans of about $40 million and grants of about $25.6 million although the city had not made reasonable progress in correcting certain basic housing code deficiencies, the correction of which the Agency considered essential. Further, the loan and grant contracts were executed at times when the Agency had withheld recertification of the workable program, which is a continuing plan of action for effectively dealing with

the problems of urban slums and blight which a community must develop to be eligible to receive Federal financial assistance under the slum clearance and urban renewal program and other housing programs. The recertifications of the workable program and the propriety of the execution of the loan and grant contracts under such circumstances were questionable because the city had not provided the means for effectively dealing with the whole problem of urban slums and blight. The Administrator informed us that he had revised his policies to require that certification or a subsequent recertification of a workable program must be currently in effect at the time of execution of a loan and grant contract and that he had strengthened the criteria used by his staff in evaluating communities' workable programs.

In a report submitted to the Congress in June 1964 we pointed out that the Fort Worth HHFA regional office had approved an urban renewal plan which provided for the acquisition and demolition of five structurally sound buildings valued at about $350,000 without giving adequate consideration to less costly methods of redevelopment. We proposed that the Commissioner, URA, require that the Fort Worth regional officials review the planned demolition of these buildings and that the Federal Government not share in the cost of acquiring and demolishing any such buildings which could be successfully integrated into the project. Subsequent to our review the Commissioner informed us that the LPA intended to integrate two of the properties, valued at about $190,000, into the project. The Commissioner also informed us that the LPA had made a subsequent review of the other three properties and decided that it was necessary that the structures be acquired and demolished. The Commissioner stated that, in view of the LPA's actions, he contemplated no further action on our proposal. We believe, however, that it is incumbent upon the HHFA regional office to thoroughly evaluate proposed demolition to determine whether adequate consideration has been given to less costly methods of redevelopment. Consequently, we recommended that the Commissioner require such evaluations to be made.

In another report submitted to the Congress in June 1964, we pointed out that the HHFA Fort Worth regional office's supervision and reviews of relocation activities of LPAs were

not adequate to fulfill the intent of title I of the Housing Act of 1949, as amended—that displaced families be afforded an opportunity to relocate into decent, safe, and sanitary housing. We noted that a significant number of the families displaced from urban renewal projects in two cities were relocated into substandard housing and a substantial number of the families displaced in these cities and in another city were not afforded relocation assistance. In our opinion, adequate supervision and review would reduce the possibility of these deficiencies occurring. The Commissioner, URA, informed us that he had taken certain actions and that he planned to take other actions which we believe will, if properly implemented, significantly improve the Agency's administration of relocation activities.

During the year our representatives testified before the House District Committee, Subcommittee No. Four, and the House Committee on Banking and Currency, Subcommittee on Housing, in connection with hearings on selected aspects of the slum clearance and urban renewal programs. We also furnished information in response to numerous inquiries from congressional committees and individual Congressmen concerning various phases of the urban renewal program and our position on reports issued in connection with various urban renewal activities.

Communities Facilities Administration activities.—In December 1963 we submitted a report to the Congress on inadequate collection procedures and other weaknesses in the Community Facilities Administration's administration of the three programs for making advances for public works planning. Advances outstanding at June 30, 1962, included almost $13 million for over 1,700 projects, planned under the first 2 programs, that had been determined obsolete, and active efforts to collect these advances had been discontinued. Also, the CFA had not included in its procedures adequate provisions to safeguard against indefinitely postponing or precluding the recovery of other advances to public agencies for public works planning. As a result, the CFA had not collected some planning advances which, according to interpretations of the repayment provisions by the courts, appeared to be repayable by the public agencies involved because substitute facilities had been constructed.

We recommended that the CFA (1) review all projects classified as obsolete to ascertain whether, under the criteria established by the Federal Courts, the advances are repayable and (2) advise the HHFA regional offices of the correct interpretation and proper application of the court-established repayment criteria with respect to substitute facilities. Subsequently, the Acting Commissioner, CFA, advised us that the CFA had abolished the obsolete category, pending the development of more precise criteria as to the followup method applicable to the various categories of advances, and that a review was being made of all outstanding advances under the first and second programs prior to adopting substantial changes in policy or procedures for the purpose of taking the corrective action we proposed.

FEDERAL HOUSING ADMINISTRATION

During the fiscal year our work at the *Federal Housing Administration* (FHA) included an examination of its financial statements and reviews of selected activities and programs. Our work was carried out at the Washington, D.C., headquarters and at selected FHA insuring offices. A report on our examination of FHA's financial statements was being prepared at the end of the fiscal year.

In October 1963 we submitted a report to the Congress on the need for FHA to revise its procedures for the administration of the mortgage insurance program for urban renewal housing. The weaknesses pointed out and discussed in the report related principally to procedures which increased the amount of the insured mortgages, thereby increasing FHA's potential risk of loss. For example, our report showed that developers of federally assisted urban renewal projects in New York City were permitted by FHA to include land in their project costs at its estimated value rather than at its actual cost. Our review of one project disclosed that the insured mortgages for this sponsor would have been reduced by about $215,000 if actual cost had been used as is done in other cities. Our report also showed that FHA's estimates of project replacement cost, used when determining the maximum amount of the insurable mortgage, did not recognize cost savings which could reasonably

be expected to result from the simultaneous construction of several projects by the same builder. The FHA Commissioner advised us that the agency's regulations and procedures would be revised to require the use of actual land costs and to consider the savings that might be realized from the simultaneous construction of several projects.

At the request of the chairman, Subcommittee on Housing, Senate Committee on Banking and Currency, we expedited a planned review and, in December 1963, submitted a report to the subcommittee containing information relating to certain aspects of FHA's multifamily housing programs. The report showed that for 87 of 89 projects reviewed, the agency's estimated value of the land, used for determining the amount of the insurable mortgage, exceeded the sponsor's acquisition costs. In 67 of the cases cited the land had been held by sponsors for periods of less than 3 years prior to FHA's appraisals. FHA's valuations of the land ranged from 101 percent to 199 percent of the sponsors' costs in 43 cases, and amounted to 200 percent or more in 44 cases. We informed FHA of the results of our comparison in September 1963. Subsequently, FHA issued instructions to its field offices requiring that the actual cost of the land to the sponsor must be ascertained and considered in determining land value and any increase in the assigned land value over actual cost must be fully justified and documented.

The report also showed that sponsors could construct projects with little or no cash investment and had, under certain conditions, obtained mortgage proceeds in excess of actual costs. In addition, we pointed out that in 23 cases the owners, contrary to FHA's regulations, withdrew assets from the projects although there were insufficient funds available to satisfy the projects' current obligations.

In January 1964, we submitted a report to the Congress on the increased risk of loss because of inadequate mortgage servicing activities. These inadequacies related to procedures designed by the agency to minimize its contingent liability as the insurer of mortgages through the prevention of defaults and impairment of the physical property securing the insured mortgages. For example, we found excessive delays in acquiring defaulted multifamily properties and in obtaining control over project opera-

tions from the time defaulted mortgages were assigned by the mortgagee under the insurance agreement until final acquisition of the properties by FHA. During these periods, in many cases, the mortgagors collected rents but made no payments on the mortgages, while FHA paid the real estate taxes and hazard insurance premiums. Our review also disclosed that inspections were not made to provide for the timely detection and correction of deterioration of properties securing the mortgages. We also noted many cases wherein project maintenance deficiencies were not corrected by the mortgagors because FHA's efforts to obtain correction were inadequate.

In a report issued to the Administrator, Housing and Home Finance Agency, in July 1963, we pointed out that revolving-type travel advance balances held by FHA personnel were in excess of the travelers' needs and that such advances were made to employees who were not traveling frequently. In response, the FHA Commissioner informed us that, in accordance with our suggestions, all balances had been reviewed, $58,000 had been recovered, and the advances would be kept under close surveillance in the future.

PUBLIC HOUSING ADMINISTRATION

Our work relating to the *Public Housing Administration* (PHA) during the fiscal year 1964 was carried out at the Washington, D.C., central office, at seven PHA regional offices, and at a selected number of local housing authorities (LHAs) that receive Federal financial assistance in operating low-rent public housing projects. We completed an examination of PHA's financial statements for the fiscal years 1962 and 1963, a review of selected activities pertaining to the planning and construction of low-rent public housing projects in four PHA regions, and a review of the financing of projects by PHA. We began preliminary surveys of the financial management of project operations by four LHAs in four PHA regions, and started a review of subsidy payments to LHAs for elderly families in low-rent public housing projects.

In September 1963 we submitted a report to the Congress on our review of the method prescribed by PHA of financing off-site

community facilities for low-rent housing projects. The review disclosed that PHA's procedures for financing the construction of such facilities authorized prior to August 1961 (generally water mains and storm and sanitary sewers leading to the projects) may result in losses to the Federal Government by increasing the Government's maximum annual contributions to the projects in an amount we estimated to be in excess of $5 million. PHA required LHAs to include loans for the construction of off-site community facilities in project development costs which, in effect, were used as the basis for computing Federal annual contributions. These procedures are still applicable to facilities authorized prior to August 1961. PHA assists in financing construction of off-site community facilities authorized for construction after August 1961 by making specific loans which have no bearing on the Government's maximum annual contributions.

We recommended that PHA require LHAs which had made loans for construction authorized prior to August 1961, but had not sold notes or bonds for permanently financing the projects involved, to exclude the loans from project development costs. We also recommended that PHA advise the LHAs which had not made loans for off-site community facilities that had been authorized prior to August 1961, to follow the current PHA policy of excluding such loans, when made, from project development costs. Adoption of these recommendations would have the effect of reducing the amount the Government would be required to pay in the form of annual contributions.

In December 1963 we submitted a report to the Congress on our review of the construction by LHAs of new low-rent housing projects without adequate consideration being given to available Government-owned housing. Our review disclosed two instances wherein we believed that existing Government-owned housing could have been acquired and converted to low-rent public housing use with resulting savings of about $1,140,000. Further, we noted four instances at the time of our review wherein we believed that existing Government-owned properties could have been acquired and converted to satisfy, in whole or in part, the housing needs of LHAs which had new projects in early stages of development. Based on available cost informa-

tion, about $1,450,000, less estimated rehabilitation costs, could have been saved in three of these instances. Since PHA ultimately pays most of the cost of constructing new low-rent housing, any savings resulting from the use of existing Government-owned housing in lieu thereof would accrue principally to the Federal Government.

Inasmuch as relatively few Government-owned properties have been acquired for low-rent housing use, we recommended that the HHFA Administrator require the PHA Commissioner to establish procedures to provide the LHAs with information regarding the availability and location of all Government-owned properties and to require verification of any determinations by the LHAs that available Government-owned projects are not suitable as housing for low-income families. We also recommended that PHA strongly encourage LHAs to acquire such properties where obvious savings over the costs of constructing new low-rent projects are indicated and, where available Government-owned housing is not proposed for use, to approve plans for construction of new low-rent public housing only after determining that the LHAs rejected existing Government-owned housing for sound reasons.

We submitted a report to the Congress in December 1963 on our review of the high costs pertaining to acquisition of sites for low-rent housing projects in the area administered by the PHA New York regional office. We found that the purchase of land which we believed to be in excess of requirements would increase the cost of two low-rent public housing projects in this area by about $519,000. Inasmuch as PHA stated that the land did not appear to be excess, we recommended that PHA reconsider its views, that any land determined to be excess be sold, and that the proceeds be applied to reduce the outstanding indebtedness incurred in the development of the projects, thereby reducing PHA's ultimate liability for making contributions toward the retirement of such indebtedness. We also found that the costs of acquiring combined Federal-city project sites were improperly allocated to a federally aided low-rent housing project. As a result of our review, a price reduction of $79,000 was obtained for the federally aided project.

In a report on a similar review in the San Francisco PHA regional office area, also submitted to the Congress in December 1963, we found that an LHA, with PHA approval, acquired high-cost property as a project site without giving adequate justification for its rejection of less expensive sites. In developing another project, the same LHA acquired property requiring costly improvements to make it suitable for construction of the project without giving any evident consideration to the selection of alternate sites with more favorable physical characteristics. The PHA Commissioner agreed to adopt our suggestion that records be maintained by the PHA regional offices and the LHAs showing the extent of consideration given to alternate project sites.

In March 1964 we submitted a report to the Congress on our examination of PHA's financial statements for the fiscal years 1963 and 1962. We expressed the opinion that the financial statements presented fairly PHA's financial position at the close of those fiscal years and the results of its operations and the sources and application of its funds for the 2 fiscal years.

In June 1964 we submitted a report to the Congress on our review of the use of former federally owned Lanham Act land for low-rent public housing project sites. We found that PHA approved payments totaling $326,663 to five LHAs for land they purchased from PHA pursuant to title VI of the Lanham Act (public war housing and veterans' re-use housing) and which they subsequently used in the development of new low-rent public housing projects. These payments were included in the development costs of the projects that were financed by the LHAs' sale of bonds to private investors. The bonds are secured by a pledge of annual contributions to be paid by PHA to the LHAs. While the United States Housing Act of 1937 does not clearly prohibit such payments, we believe the payments were unnecessary because the LHAs already owned the land and the act provides that annual contributions shall be strictly limited to amounts necessary to assure the low-rent character of the housing projects involved. We also found that one LHA, with PHA approval, expended about $4.3 million for new sites although the LHA owned Lanham Act sites that could have been made available for low-rent use. However, the act

does not require LHAs to use their own lands as sites for new low-rent public housing projects.

In connection with the foregoing, the Commissioner stated that it was the agency's position that, inasmuch as it was without a legal basis for requiring a local housing authority to devote its Lanham Act land to new low-rent project use or for requiring it to do so without consideration, when a local housing authority makes such land available on a reimbursable basis the cost of the land to the local housing authority is a proper item of development cost. In view of PHA's lack of clear authority to exclude the cost of Lanham Act land from project development costs or to require LHAs, where feasible, to use such land as they may own for low-rent housing project sites, we recommended that the PHA Commissioner request the Congress to enact amendatory legislation to give PHA this authority.

In January 1961 we issued a report to the HHFA Administrator on planning and construction practices tending to increase costs of low-rent public housing projects in the area administered by the PHA Atlanta regional office. Our review disclosed that future maintenance costs may be increased because architects' inspectors did not observe defects and inferior workmanship in the construction of seven projects costing about $1.6 million. We recommended that the PHA Commissioner instruct the regional directors to take more aggressive action with LHAs to obtain qualified, competent inspectors.

During the fiscal year we issued two reports to the PHA Commissioner and one report to a PHA regional director. One report to the PHA Commissioner pointed out that PHA did not make a timely review of an architect's performance in connection with a contract for constructing a low-rent public housing project. As a result, project costs may have been increased due to the LHA's failure to assess damages against the architect. We also found that unnecessary severance damages incurred in the acquisition of land for low-rent housing increased project costs. The other report to the PHA Commissioner questioned an LHA's failure to collect the full interest cost on its loan for the purchase of land for later sale to a school board, thereby unnecessarily increasing the development costs of a low-rent housing project by about $5,000. The report to the PHA re-

gional director concerned excess architects' fees paid because contract provisions were not followed; however, we were informed that this situation would be corrected.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

Our work in the *Federal National Mortgage Association* (FNMA) consisted of an examination of the financial statements for the fiscal year 1963. This examination was made under the Government Corporation Control Act and was carried out at the Washington central office and at two agency offices. In our report, submitted to the Congress in February 1964, we expressed the opinion that FNMA's financial statements presented fairly its financial position at June 30, 1963, and the results of its operations and the sources and application of its funds for the fiscal year.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Our work at the *National Aeronautics and Space Administration* (NASA) during the fiscal year 1964 was performed at NASA's headquarters, at two major field installations, and at a number of contractors' plants. Our work included reviews of project management, automatic data processing, procurement, and various administrative activities.

Our reviews of project management included work on the Orbiting Solar Observatory, Nimbus, Surveyor, Gemini, and Saturn projects. We submitted a report to the Congress on our review of the Orbiting Solar Observatory projects in January 1964. Findings developed during our reviews of the Nimbus and Surveyor projects were under consideration at the end of the fiscal year.

In our report to the Congress on our review of the Orbiting Solar Observatory projects, we pointed out two instances where NASA management action had adversely affected the costs of the projects. We found that NASA had established unrealistic contract delivery dates for two spacecraft which had to be

extended because the experiment units were not available for integration with the spacecraft at the scheduled time. The extension of the spacecraft delivery dates necessitated a retention of spacecraft contractor personnel on project work longer than was actually necessary to integrate the experiments and complete the spacecraft. This resulted in an increase of about $526,000 in the amount of the contracts. We expressed the belief that these increased costs would have been avoided if the delivery dates for the two spacecraft had been established on the basis of experience obtained on other Orbiting Solar Observatory projects.

We found also that NASA had awarded a contract for a backup spacecraft at a time when known facts indicated that negligible time savings could be expected in the event the backup spacecraft was needed and that substantial nonrecoverable costs could be expected if the backup spacecraft was not needed. We expressed the opinion that it was not reasonable for NASA to have awarded the contract for the backup spacecraft in light of the facts known at the time of the award. As it developed, costs of about $273,000 were incurred because the backup spacecraft was not needed.

Our reviews of automatic data processing activities included work at NASA's Jet Propulsion Laboratory, Pasadena, Calif., on which we submitted a report to the Congress in May 1964. Reviews completed at other NASA installations resulted in the recovery of about $290,000 in rental overpayments. Reports on these reviews were in process at June 30, 1964.

In our report on automatic data processing at the Jet Propulsion Laboratory, we pointed out that NASA had not given adequate consideration to purchasing certain leased automatic data processing equipment either at the time of installation of the equipment or at the time a general directive was issued by the Bureau of the Budget on the subject. It appears that savings of $1,812,000 could have been realized if the equipment had been purchased at the time of its installation and that savings of $1,176,000 could have been realized if the equipment had been purchased shortly after the Bureau of the Budget directive was issued. Further, our review showed that substantial savings would still have been possible if the equipment

had been purchased when we discussed this matter with NASA in April 1963. NASA did not take final action, however, until December 1963, when it decided not to purchase the equipment because it had concluded that the opportunity for monetary savings had passed.

Because there is no central point in the Federal Government where the future needs of all Federal agencies for automatic data processing equipment can be evaluated, it was not practicable for NASA, in making a decision whether to lease or purchase the equipment at the Laboratory, to precisely estimate the residual value to other Federal agencies of the equipment after it will no longer be needed by the Laboratory. In this connection, we had recommended in our report to the Congress dated March 6, 1963 (B-115369), and entitled "Study of Financial Advantages of Purchasing Over Leasing of Electronic Data Processing Equipment in the Federal Government," that a small highly placed central management office be established in the executive branch of the Government. We expressed the belief that, pending action on this recommendation, existing organizations should be used to the maximum extent practicable to assure that decisions of individual agencies on the acquisition of such equipment are based on the best possible information. We therefore recommended that NASA review with the Bureau of the Budget the results of its lease-versus-purchase studies, including the study for the equipment at the Laboratory, to determine what allowance should be made for subsequent use of the equipment by other agencies and to determine whether continued leasing was justified from the standpoint of the financial interests of the Government as a whole. On July 22, 1964, NASA informed us that a recent analysis of the computer situation at the Laboratory indicated the desirability of purchasing selected components of the systems.

Our reviews of procurement activities included examinations of contracts for research and development, construction, and supporting services. We submitted a report to the Congress in March 1964 on our review of costs incurred in transporting Saturn launch vehicles. We also submitted eight reports on procurement activities to agency officials.

In our report on review of costs incurred in transporting Saturn launch vehicles, we pointed out that an unsuitable type of contract was used, operating experience was ineffectively used in contract negotiations, a questionable requirement for exclusive tow of barges was set, and unnecessary financial protection was purchased for the Government. We estimated that unnecessary costs of about $115,000 had been incurred. We made certain recommendations which we believe will result in savings in the transportation of future Saturn launch vehicles. The reports to agency officials dealt principally with contractors' costs under cost-type contracts. As a result of the findings brought to the attention of agency officials, costs of about $137,500 were recovered from the contractors. Reviews of procurement in progress at the end of the year related to such matters as contracting for services normally performed by civil service employees, furnishing of available Government equipment for use under a cost-type contract, and the effect on costs under cost-type contracts of the practice of leasing rather than purchasing certain equipment.

In connection with our reviews of administrative activities, we submitted three reports to agency officials on payroll and financial matters. At the end of the year, reports were in process on the overprocurement of photographic supplies and the leasing of parking lots. We also submitted two reports to Members of the Congress on NASA's proposed establishment of a new research center and on certain alleged irregularities at one of the centers.

OFFICE OF EMERGENCY PLANNING

During the fiscal year 1964 we completed a review of *Office of Emergency Planning* (OEP) stockpile objectives for cordage fibers and at the close of the fiscal year we had a report in process on this review. Also, at the close of the fiscal year we were reviewing OEP's specifications for purchasing certain commodities under the strategic and critical materials stockpiling program.

PANAMA CANAL COMPANY

AND

CANAL ZONE GOVERNMENT

During fiscal year 1964, our audit work at the *Panama Canal Company* and the *Canal Zone Government* included reviews of the utilization of funds appropriated by the Congress for the construction of the Thatcher Ferry Bridge, procurement and traffic management activities, air-travel practices, and the financial statements of the Panama Canal Company. We submitted five reports to the Congress during the fiscal year.

In April 1964 we reported that the Panama Canal Company had improperly used about $640,000 of funds appropriated for the construction of the Thatcher Ferry Bridge and its approaches to finance the construction of facilities and facility improvements which were not directly related to or necessitated by the bridge project. After we brought this to the attention of pertinent Canal organization officials, the Company agreed to restore about $375,000 to the bridge appropriation but took no action with respect to the remaining amount totaling about $265,000. We therefore recommended that the President of the United States direct the Company to initiate action to reimburse the bridge appropriation for these costs. In June 1964 we were informed by the Secretary of the Army, the President's representative in matters concerning the Canal organization, that, in his opinion, the Company had properly exercised its discretion in determining that the improvements financed by the $265,000 were necessitated by the bridge construction and that these funds should not be restored to the bridge appropriation.

In a report issued in June 1964 on the status of accounts receivable owed to the Panama Canal Company and Canal Zone Government by the Republic of Panama, we pointed out that about $2.5 million of the approximate amount of $2.7 million which the Republic owed to the Canal organization at November 30, 1963, was delinquent. The major part of the delinquent indebtedness represented unpaid billings for potable water and other services provided to the Republic of Panama in 1959 and 1960. Inasmuch as there was no indication as to when payment ultimately would be made by the Republic, we recommended

that the President of the United States consider the advisability of directing appropriate United States officials to negotiate with the Republic of Panama leading to the collection of these accounts. We were subsequently informed by the Secretary of the Army that the matter of the indebtedness of the Republic to the Canal organization had been explored fully with the Department of State with a view to finding a resolution of the problem in the course of discussions which were then being held with the Republic of Panama.

A report issued in April 1964 related to the practice of making a general exception to the use of less than first-class air accommodations for a select group of travelers contrary to the spirit and intent of the Government's air travel policy, and a report issued in June 1964 related to the payment of excessive ocean freight charges and the unnecessary expense caused by the improper preparation of bills of lading.

In April 1964 we submitted a report to the Congress on our audit of the financial statements of the Panama Canal Company for fiscal year 1963. This audit was made pursuant to the Government Corporation Control Act. In our report we expressed the opinion that the Company's financial statements presented fairly the Company's financial position at June 30, 1963, and the results of its operations and the sources and application of its funds for the year then ended.

OTHER AUDIT ASSIGNMENTS

EXECUTIVE BRANCH

In addition to the agencies specifically commented upon in the foregoing sections, we made audits of selected financial transactions or activities of the following agencies at the site of operations or at places where the records were kept.

Civil Aeronautics Board
Civil War Centennial Commission
Federal Maritime Commission
Federal Trade Commission
Franklin Delano Roosevelt Memorial Commission
International Boundary and Water Commission

746-197—64——19

Interstate Commerce Commission
James Madison Memorial Commission
National Capital Planning Commission

For the agencies listed below, expenditure vouchers, except payroll vouchers which are audited at the site, were submitted to the General Accounting Office for examination.

American Battle Monuments Commission
Executive Office of the President: The White House Office
Federal Coal Mine Safety Board of Review
Federal Communications Commission
Federal Mediation and Conciliation Service
Federal Power Commission
Indian Claims Commission
National Labor Relations Board
National Mediation Board
National Selective Service Appeal Board
Renegotiation Board
Securities and Exchange Commission
Selective Service System
Smithsonian Institution (appropriated funds)
Subversive Activities Control Board
U.S. Tariff Commission

LEGISLATIVE BRANCH

In addition to our audit of the Government Printing Office, which is commented on specifically on page 259 of this report, we made examinations at the site of operations of the following activities:

The Senate:
- Senate Recording Studio
- Senate Employees Barber Shop
- Senate Office Beauty Shop

The House of Representatives:
- Salaries, mileage, and expense allowances of Members and operations of the "House Bank"
- Salaries of officers and employees of the House, clerk hire of Members, and other expenditures
- House Recording Studio
- House Stationery Room

Architect of the Capitol:
- U.S. Senate Restaurants
- House of Representatives Restaurant

Capitol Guide Force
Joint Committee on Atomic Energy

During our audit of the House Restaurant, we continued our discussions with the accountant for the Architect of the Capitol with respect to a plan for providing management groups with operating financial statements on a current basis. As a result of these discussions a new accounting system was designed and installed in the restaurant and the personnel were instructed in its operation.

We also made examinations of the following activities on the basis of documents submitted to our Office:

The Senate:
- Salaries, mileage, and expense allowances of Senators
- Salaries of officers and employees of the Senate, clerk hire of Senators, and other expenditures

Architect of the Capitol: Activities other than Senate and House Restaurants
General Accounting Office
Library of Congress
Permanent Committee for the Oliver Wendell Holmes Devise
U.S. Botanic Garden

JUDICIAL BRANCH

The administrative accounts of the following agencies were retained at the Administrative Office of the U.S. Courts for our examination at the site:

U.S. Court of Appeals
District Courts of the United States
U.S. Court of Claims
U.S. Court of Customs and Patent Appeals
U.S. Customs Courts
Territorial Courts
Administrative Office of the U.S. Courts

The vouchers covering expenditures made from appropriated funds of the Supreme Court of the United States were submitted to the General Accounting Office for examination.

OTHER ORGANIZATIONS

We made an audit of the Gorgas Memorial Institute of Tropical and Preventive Medicine, Inc., for the fiscal year 1963 as required by the act of May 7, 1928, 22 U.S.C. 278a, and made an audit of Government Services, Inc., for the year ended December 31, 1963, at the corporation's request.

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Legal Assistance

The primary legal work of our Office is the preparation of the formal decisions of the Comptroller General. In addition, our legal work includes the preparation of memorandums instructing the heads of offices and divisions of the General Accounting Office on legal matters arising in their day-to-day operations, the preparation of reports on legislation and advisory opinions to Members of Congress, congressional committees and the Bureau of the Budget, the furnishing of reports and legal advice on litigation involving suits by and against the Government and the preparation of letters to individuals making inquiry concerning decisions. A total of 5,330 decisions, reports, and legal memorandums were prepared in fiscal year 1964. A statistical report of the legal work by assignment area appears at page 437 of the Appendix.

Since it would not be practicable to give a résumé of all the legal work handled by our Office in a fiscal year, this report is limited to those decisions and advisory opinions which reflect the scope of the decision authority, the diversity of legal work, and new laws interpreted during the year. In addition we show how through the decision function assistance is given to departments and agencies to the end that their programs and expenditures may be in compliance with their statutory authority and their implementing regulations, directives and procedures may conform to the law. Also we have included the significant decisions relating to Government contracts rendered in 1964 as well as decisions affecting intergovernmental regulations, Federal research programs, Federal aid programs, and intragovernmental matters. In addition there is a résumé of the legal assistance furnished in connection with litigation involving suits by and against the United States.

The Congress by law [1] vested in our Office the responsibility for making determinations as to the legality of the receipt and expenditure of public funds. Our determinations are final and conclusive upon the executive branch of the Government but not courts or the Congress. By law, heads of departments and independent establishments, as well as disbursing and certifying officers, have been given the right to request our decision before initiating new programs, executing contracts, promulgating regulations and certifying for payment or disbursing Federal funds.

An example of an advance decision requested by a head of a department concerning a new activity was one requested by the Secretary of the Army concerning his authority to reimburse public and private high schools for part of the cost of hiring retired military personnel as professors and instructors for military science and training courses under both the Junior Reserve Officers' Training Corps and National Defense Cadet Corps programs. A study of the statutory authorities necessitated the conclusion that the proposed program was, in effect, a system for subsidy payments to the schools to cover a portion of the teachers' salaries and was not within the scope of the Secretary's authority. It was our view that appropriate legislation must be enacted to authorize such a program before it can be adopted.[2]

A decision issued in 1964 to a head of a department which highlighted a little known statutory duty imposed on the Office was one to the Secretary of State concerning the disposition of unclaimed effects of citizens dying abroad. Under the act of July 12, 1940, the Comptroller General is required to act as conservator for the estates of deceased citizens dying overseas whose effects cannot be disposed of according to the law of the decedent's domicile within a year of death. The decision concerned the disposition of unidentified effects of a group of citizens of Atlanta who died as a result of an airplane crash near Paris in 1962. Since the next of kin were unable to agree on the charities to receive the estate, the Secretary of State was informed that the moneys should be transferred to our Office to be held in trust and ultimately distributed, if the parties could not resolve

[1] 31 U.S.C. 74; *id.* 82d

[2] 43 Comp. Gen. 421

their differences, to the last domicile of the deceased citizens, the State of Georgia.[3]

Illustrative of a decision to a head of an independent establishment was one to the Administrator of Veterans Affairs advising that general appropriations were not available for providing dinners, luncheons, or refreshments at field stations in connection with annual recognition ceremonies for volunteer workers who had rendered services to veteran-patients, since the furnishing of meals at such ceremonies would constitute entertainment for which specific appropriations must be provided.[4]

In any one fiscal year legal questions are submitted by every branch of the Government, every department and nearly every agency of the Government, as well as by the District of Columbia government. An example of a decision requested by an officer of the legislative branch is one to the Architect of the Capitol on the matter of the acquisition of certain property for the District of Columbia Redevelopment Land Agency. The legal question involved a determination of whether land held in the name of the Agency was real property owned by the United States so that it could be transferred to the Architect of the Capitol without reimbursement.[5] The President of the Board of Commissioners of the District of Columbia asked our opinion as to whether he had authority to settle by compromise the question of the escheat of the estate of a resident who died intestate, which estate, valued at $36,000, was claimed by some 11 persons residing overseas. Both the law and judicial precedent required our holding that there was no authority to compromise a claim in excess of the $10,000 limitation imposed by the law.[6]

Our authority to render decisions to certifying and disbursing officers is expressly limited to payments for which they are accountable. However, our decisions to these officers nevertheless have precedent effect and may be applied to other cases involving similar facts.

An example of a decision rendered to a disbursing officer in the fiscal year 1964 is one to a Navy disbursing officer concerning

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[3] 43 Comp. Gen. 52

[4] 43 Comp. Gen. 305

[5] 43 Comp. Gen. 485

[6] 43 Comp. Gen. —, B-153836, May 25, 1964

whether a retired Navy member, who was placed on the temporary disability retired list, is limited to the amount of disability retired pay, or whether he is entitled to higher retainer pay on the basis of eligibility for transfer to the Fleet Reserve. In advising the disbursing officer that retainer pay could not be paid we concluded that a previous holding on the matter of credit for time spent on the temporary disability retired list could be extended to similar instances where individual members were placed on permanent disability retired lists.[7]

Any individual who desires a review or reconsideration of an action taken by one of the divisions of our Office may submit a letter of appeal and obtain a decision. An example of such a decision is one to an Air Reserve officer concerning his entitlement to quarters allowances for maintaining his civilian housing while occupying Government quarters at a temporary duty station for four weeks prior to reporting to the permanent station.[8]

DIVERSITY OF LEGAL WORK

The questions submitted for decision in a year concern many fields of law and involve State and foreign as well as Federal laws. The subject matter of our decisions is as varied as the activities of the Government. To illustrate, the National Aeronautics and Space Administration was given advice concerning the formula for allocating appropriations under a joint resolution continuing appropriations pending the enactment of the Administration's fiscal year appropriation.[9] The Secretary of Defense asked for a decision as to the authority of the Department to use the services of a foreign registered trainship as a segment of a rail-water-rail transportation service between the United States and Alaska. In determining that the vessels of foreign registry were precluded from use, it was necessary to study the legislative history of the original cargo preference act of 1904 as well as numerous court decisions on the classification of seatrain vessels.[10]

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[7] 43 Comp. Gen. —, B-153191, June 18, 1964

[8] 43 Comp. Gen. 70

[9] B-152554, Dec. 6, 1963

[10] 43 Comp. Gen. —, B-153475, June 15, 1964

The Securities and Exchange Commission obtained an opinion on the availability of appropriated funds for investigators to pay for costs of processing microfilm records of a bank in compliance with a *subpeona duces tecum* for evidence to be used by the Government in a judicial proceeding.[11]

The Veterans Administration was advised that a refusal to refund an amount paid by an insurance company for hospitalization furnished to a veteran who had assigned his group hospitalization insurance to the Administration would constitute unjust enrichment to the Government in such cases where the veteran did not have any right to collect under the policy and therefore amounts withheld in this and in similar cases should be refunded.[12] The Secretary of the Army requested advice as to the propriety of an award of a sales contract for surplus ammunition to a high bidder overseas who had not furnished information relating to the location of demilitarization facilities until after bid opening; [13] the Secretary of Defense asked our opinion on the reinstatement of annuity payments to a widow of deceased retired military member following the annulment of a void marriage; [14] and the Secretary of the Interior asked for a decision on the propriety of the execution of proposed agreements between the Bureau of Reclamation and some 170 water users (diverters) for the use of the Central Valley water project to avoid lengthy and costly litigation.[15]

An opinion of first impression rendered during the year involved a salary adjustment claim by a British citizen who after becoming a naturalized citizen of the United States was employed by the Department of the Air Force Purchase Center in London. The legal question of dual nationality was one that had not been presented to our Office before. A review of the English law and an applicable Supreme Court decision [16] necessitated the conclusion that since the claimant had not renounced his British citizenship and since he had accepted employment as a non-U.S. citizen in a local wage rate position, there was no

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[11] 43 Comp. Gen. 110

[12] 43 Comp. Gen. —, B-153679, April 20, 1964

[13] 43 Comp. Gen. 285

[14] 43 Comp. Gen. 531

[15] B-152983, January 21, 1964

[16] *Kawakita* v. *U.S.*, 343 U.S. 717

basis for a salary adjustment on the basis of a higher paid classified position.[17]

Advisory opinions were requested by Members of Congress and congressional committees on the legal aspects of a Government transaction involving the sale of durum wheat for export to Russia; [18] whether tankers registered in certain foreign countries receiving foreign aid and transporting crude oil caused the recipient countries to violate the statutory restrictions against trade with Cuba; [19] the effect of the disposal of surplus cadmium on small business cadmium plating shops; [20] the constitutionality of the Standard Container Act of May 21, 1928; [21] the procurement policy of the Bonneville Power Administration with respect to the Buy American Act that adversely affects domestic electrical manufacturers; [22] the desirability of the introduction of a private bill to relieve a purchaser of timber for damages as a result of failure to furnish a performance bond; [23] and the entitlement of the decedent of a mate on a ship captured by France in the War of 1812 to payment for the sailor's detention under the French Spoilation Claims procedure authorized in 1885.[24]

NEW LAWS

The salutary effect of the advance decision authority is reflected in the considerable number of decisions rendered each year interpreting provisions in recently enacted statutes. Before implementing the laws, or perhaps making erroneous disbursements, the executive departments use the forum our Office affords to determine the legality of proposed procedures and expenditures.

Illustrative of a new law that was the subject of 19 decisions during fiscal year 1964, was the Uniformed Services Pay Act of 1963.[25] Because this act contained an entirely new and unique military pay concept—the family separation allowance—many legal questions were submitted for decision.

Before the act was signed, the Secretary of Defense submitted

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[17] B-152180, February 20, 1964
[18] B-153227, March 18, 1964
[19] B-152075, October 16, 1963
[20] B-151663, July 16, 1963
[21] B-119364, December 3, 1963
[22] B-152312, October 4, 1963
[23] B-141303, October 1, 1963
[24] A-39337, April 28, 1964
[25] Public Law 88-132, 77 Stat. 210

some 27 multipart questions for decision. The answers to these questions were required before the Department could issue implementing regulations and make disbursements.[26] Subsequently because the restricted time element between enactment and disbursement necessitated cautious interpretations of entitlement, the Secretary of Defense requested advice on broadening "the common residence rule" to permit payment where members maintained residences for their dependents at considerable distances from their duty stations or from the home port of the vessel.[27] The Secretary of the Treasury presented five questions on the entitlement of Coast Guard members to family separation allowance payments at isolated stations, lighthouses, and offshore Texas-type towers.[28] By the end of the fiscal year nine other decisions involving many legal questions and a variety of different factual situations had been rendered.[29] The family separation allowance provisions were not the only provisions of the Uniformed Services Pay Act on which decisions were requested. Two separate decisions concerning the recomputation of retired pay under section 5 of the act were requested by the Marine Corps [30] and the Secretary of Defense submitted two questions concerning the dual incentive payment provisions in section 8 of the act for military members performing two types of hazardous duty during one period of service.[31]

Following the enactment of laws giving new benefits, individuals whose claims have previously been disallowed may be entitled to request reconsideration. An example of such a case is a decision to an Army officer reconsidering his claim for additional transportation allowance for his dependents' travel overseas under the act of December 23, 1963,[32] authorizing travel and transportation allowances to members of the uniformed services for travel performed under orders that are

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[26] 43 Comp. Gen. 332

[27] 43 Comp. Gen. 414

[28] 43 Comp. Gen. —, B-131386, May 26, 1964

[29] 43 Comp. Gen. 527, 547, 553, 596, —, —, —, —, B-153192, April 2, 1964; B-152945, April 16, 1964; B-153883, May 26, 1964; B-131836, May 26, 1964; B-154233, June 10, 1964

[30] 43 Comp. Gen. 380; *id.* 491

[31] 43 Comp. Gen. —, B-153331, April 6, 1964

[32] Public Law 88-238, 77 Stat. 475, 37 U.S.C. 406a

canceled, revoked, or modified.[33] Similarly, a retired officer of the Coast Guard requested reconsideration of his entitlement to a lump-sum payment under the act of September 24, 1963,[34] providing for involuntary retirement of officers of the U.S. Coast Guard serving on duty in grades of commander and captain.[35]

After the enactment of the Independent Offices Appropriation Act for 1964,[36] providing funds for studies and research to develop State and local preparedness, the Director of the Office of Emergency Planning requested advice as to whether in lieu of hiring experts and consultants to monitor State appointments of personnel he could use employees of the Department of Health, Education, and Welfare and reimburse the Department from the preparedness appropriation. Our decision restated the appropriation rule that when money is appropriated for a specific object, other more general appropriations are not available for the specific object and, therefore, the preparedness funds could not be used to reimburse the Department of Health, Education, and Welfare.[37]

ADMINISTRATIVE PROCEDURES AND REGULATIONS

Analogous to the assistance given to departments and agencies through the interpretation of new laws is the assistance given through our consideration of implementing regulations, directives and procedures. After the establishment of the Federal Telecommunications System, the Administrator of General Services requested our opinion as to the applicability of the long distance telephone toll requirements to the leased lines. The Administrator was advised that the certification requirements were not applicable to the new telecommunications system and that agencies need not and should not establish elaborate control procedures.[38] The Secretary of Agriculture requested approval of a proposed statistical sampling procedure in the examination

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[33] 43 Comp. Gen. 621

[34] Public Law 88-130, 77 Stat. 192, 14 U.S.C. 291

[35] 43 Comp. Gen. —, B-154100, June 9, 1964

[36] Public Law 88-215, 77 Stat. 425

[37] B-153217, February 7, 1964

[38] 43 Comp. Gen. 163

of vouchers. Following our decision in which we pointed out that the acts fixing accountability and liability of certifying officers for every payment precluded approval for the proposal, assistance was given to the Bureau of the Budget and to the House and Senate Committees on Government Operations in drafting legislation which would authorize statistical sampling procedures on a Government-wide basis for vouchers up to $100.[39] Another procedural matter reviewed for legality was one submitted by the Secretary of the Army as to whether the Department could initiate a procedure for issuing a single Government salary check to the individual accounts of employees upon their request pending enactment of legislation authorizing such procedure.[40] Another procedure which was the subject of a decision in fiscal year 1964 concerned the documentation required to support reimbursement to Government suppliers of prepaid freight charges paid by them. Since the receipted freight bill is a necessary supporting document to best protect the interests of the Government, the proposed procedure to eliminate the documentation was not approved.[41] In addition to proposed procedures, our Office is frequently asked to consider the legal propriety of proposed regulations. In 1964, the Administrator of General Services asked for review of a proposed regulation on the transfer of Government-owned electronic data processing equipment which has become excess to the needs of the owning agency; [42] and on proposed Federal Procurement Regulations on contracting officers' decisions under the disputes clause, multiple bidding, and negotiated overhead rates.[43] Similarly, proposed changes to the Joint Travel Regulations applicable to the travel and transportation of members of the uniformed services are reviewed. The Secretary of the Navy requested a decision as to whether the regulations could be amended to specifically authorize transportation of dependents and household goods incident to a member's transfer from sea duty to sea duty where the vessels have identical home ports; [44] the Secretary of the Air Force requested decisions as to whether the regula-

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[39] 43 Comp. Gen. 36; H.R. 10446, 88th Congress

[40] 43 Comp. Gen. 459

[41] 43 Comp. Gen. 557

[42] B-151204, October 15, 1963

[43] B-153173, February 27, 1964; B-151944, September 9, 1963

[44] 43 Comp. Gen. 639

tions could be amended to provide for shipment of household effects acquired after the effective date of permanent change of station orders,[45] to provide for transportation for Reservists receiving disability benefits to hospitals and return to their homes,[46] and to authorize payment of a travel allowance when transportation particularly in Germany and France is available or furnished free by a foreign government.[47]

GOVERNMENT CONTRACTS

The contract decisions continued to represent the largest segment of the legal work of our Office. During 1964, 1,678 contract cases were handled by our Office.

The impact of these decisions in strengthening procurement procedures, in establishing guidelines for contracting officers, and in eliminating restrictions on the open and free system of competitive bidding, continued to have a salutary effect throughout the Government. As one recent writer noted "it is generally recognized today that the Comptroller General's decisions are the most influential force in the Government contract field." [48]

One of the significant contract cases handled during the year involved a procurement for the processing and sale of Alaska sealskins by the Department of the Interior. The matter was the subject of a protest by the then current contractor and was also referred to our Office by the Permanent Subcommittee on Investigations of the Senate Committee on Government Operations to determine the facts relating to the matter.[49] After an exhaustive inquiry into the procurement procedures, the contract awarded to a recently established joint venture was ruled invalid on the basis that the solicitation and evaluation procedures were contrary to the Federal Procurement Regulations.[50]

Multiyear procurement procedures used by the Department of Defense and their effect on small business concerns were examined in a decision requested by the Small Business Adminis-

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[45] 43 Comp. Gen. 514

[46] 43 Comp. Gen. 561

[47] 43 Comp. Gen. —, B-152608, April 10, 1964

[48] Marshall J. Doke, Jr., Mistakes in Government Contracts—Error Detection Duty of Contracting Officers, 18 *Southwestern Law Journal* 1–45 (March 1964)

[49] S. Rept. No. 839, 88th Congress

[50] 43 Comp. Gen. 353

tration. As a result of an examination of the military procurement procedures, as well as applicable statutory restrictions, it was concluded that not only was the multiyear procedure not in violation of the Small Business Act or the advertising statutes but that the opportunity that the system afforded to spread startup costs over several years would make the procedure attractive to small business concerns.[51] Another multiyear procurement decision was rendered at the request of the Secretary of the Air Force. In this decision we determined that a termination for convenience clause in an invitation for a 3-year procurement did not create such an uncertainty as to the future requirements of the agency as to constitute an option and therefore was not improper.[52]

The applicability of the Davis-Bacon Act [53] to work performed by mechanics and laborers of contractors and subcontractors performing work off the site of a Federal construction project was examined at the request of the Secretary of the Army. On the basis of a review of the policies of the contracting agencies, as well as a study of the legislative history of the act, we held that work off the site could not be construed as "directly upon the site" and therefore such work was not subject to the minimum wage provisions.[54]

As in the preceding fiscal year, procurements that have an impact upon the balance of payments position of the United States were examined. At the request of a protesting bidder for a contract for installation of equipment at offshore locations and in foreign countries, we reviewed the gold flow policies of the Department of the Air Force and determined that, even though a bidder may have been able to offer a lower price based upon performance utilizing foreign components and foreign labor, this possibility or probability did not justify rejection of all bids after prices had been disclosed.[55]

Bidders and contractors are becoming increasingly cognizant of the forum our Office affords to obtain decisions on legal matters arising in their transactions with the Government. Each year bidders for Government contracts submit for our consid-

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[51] 43 Comp. Gen. —, B-152766, April 3, 1964

[52] 43 Comp. Gen. 215

[53] 40 U.S.C. 276a

[54] 43 Comp. Gen. 84

[55] 43 Comp. Gen. 217

eration protests concerning every phase of the contracting process. Many of these protests when considered result in improvements in the procurement procedures. To illustrate, after a protest against failure of a cost-type contractor, acting as purchasing agent for the Atomic Energy Commission, to award a contract for generating units at Johnson Island, which equipment was urgently required incident to the need to implement the Nuclear Test Ban Treaty, the irregular aspects of the procurement were directed to the attention of the Commission for corrective action. In this case the agent had not only used a negotiated procurement procedure for an advertised procurement without a public opening of bids, but had failed to inform the bidders of the basis for evaluation of bids for the engineer services required. The Commission was requested to reconsider the purchasing agent's procurement authority to insure that future procurements would be conducted under procedures which conform to the Government's competitive bidding standards.[56]

Similarly, following a study of a bid protest against the negotiation of a series of contracts for snowplows on a sole-source basis by the Federal Aviation Agency, it was recommended that future purchases be publicized to obtain wider competition.[57]

As a result of the Government being precluded from a possible savings on a civil works project because the language in an invitation restricted bids to those based on the use of a specified land disposal area when other areas were available but not known to the contracting agency, the suggestion was made that the existing procurement procedure be revised to permit bidders to submit bids on alternate disposal areas to reduce the overall costs to the Government.[58]

Restrictive specifications that do not permit compliance with the full and free competition requirements of procurement statutes continued to be the subject of numerous contract decisions. As a result of procurements of industrial-type power sweepers by the Post Office Department and by the Army that favored the model of a particular manufacturer, the procurement offices were advised to use an interim Federal specification that was promulgated to eliminate any unneces-

[56] B-152946, May 14, 1964

[57] B-152081, January 14, 1964

[58] B-153004, April 1, 1964

sary technical requirements for equipment of a type manufactured by various concerns. In the case of the Army procurement, we recommended that steps be taken to see that justifications for deviations will be reviewed and approved by competent authority before the contracting officer issues an invitation containing deviations from a Federal specification.[59]

A new procurement practice considered by our Office during fiscal year 1964 concerned the use in invitations for construction projects of a provision requiring bidders to furnish a list of subcontractors with their bids. The inclusion of such a provision to eliminate "bid shopping" was sanctioned for use by the General Services Administration on a trial basis.[60]

On July 12, 1963, the Court of Claims in an opinion of first impression adopted one of our long established rules governing the nonliability of the Government when an award is predicated upon a bid which is nonresponsive to the advertised specification and when no benefits from the contractor's attempted performance are accepted by the Government.[61]

Our Office, like Government contracting agencies, gave attention to the disputes clause procedures following the *Bianchi* decision.[62] In July 1963 we considered the propriety of a contract default termination and determined that in light of the *Bianchi* opinion we could not find that the decision of the Armed Service Board of Contract Appeals was arbitrary, capricious, or not supported by substantial evidence, although we had been furnished evidence not before the Board that would have a material bearing on the determination that Government action concerning late deliveries under the contract might have affected the Board's decision.[63]

In connection with contract disputes, we reviewed the comments of the Department of Defense on a directive requiring agencies to include in releases entered into as a result of a decision under a disputes clause, a provision that would not bind the Government if the decision was later found to violate the Wunderlich Act. On review of the matter we once again

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[59] B-152422, December 5, 1963; B-152861, April 10, 1964

[60] 43 Comp. Gen. 206

[61] *Prestex, Inc.*, v. *United States*, Ct. Cl. No. 415-61

[62] *U.S.* v. *Carlo Bianchi & Co., Inc.*, 373 U.S. 709

[63] 43 Comp. Gen. 1

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advised that the directive should be followed by executive agencies.[64]

One of the unusual mistakes in bid cases of the many which are handled each year concerned a mutual error. The Bureau of Public Roads, in reducing to writing a contract for the development of an informational and data storage and retrieval system for highway construction, failed to reflect the actual agreement of the Government and the contractor. In this case we authorized reformation and at the same time advised administrative officers that they do not have authority themselves to reform contracts because reformation is a judicial and not an administrative function. Agencies were requested to refer all requests for contract reformation to our Office for settlement.[65]

INTERGOVERNMENTAL RELATIONS

Many of the decisions rendered each year settle legal questions arising between the Federal Government and State and local governments. In fiscal year 1964, the General Services Administration submitted for decision a question as to whether it could legally release the State of California from a contractual obligation to complete construction of a bridge and other highway facilities incident to an easement for rights-of-way through a portion of the Benicia Arsenal Reservation in Boland County, Calif. The State had refused to execute an amendment to a contract with the Department of the Army which would have obligated the State to pay $934,492.74 for the construction when the arsenal property was declared surplus. Upon a review of the contentions of the several agencies involved, our Office concluded that there was statutory authority incident to the disposition of surplus property, and incident to highway construction, to release the State from its obligation to complete the Army contract, and to reduce the Federal Government's claim to an amount representing a reasonable estimate of the increase in disposal value of the military reservation.[66] Another matter referred to our Office in 1964 was the claim of the University of Mississippi for damages resulting from the use and occupancy

[64] 43 Comp. Gen. 231

[65] B-152287, September 12, 1963

[66] B-153318, April 17, 1964

of its premises by the Army from September 1962 to May 1963. A review of the legal memorandums submitted by the Department of the Army, as well as an independent review of legal and statutory authorities, necessitated the rejection of the Army's contention that the claims were for settlement on the basis of an implied contract for lease.[67]

The effect of the failure of the Federal Government to defend its position in litigation concerning the applicability of the California minimum price law on dairy products to distributors selling milk to the Government was the subject of a decision on behalf of a milk producer selling dairy products to two veterans hospitals in California. In upholding the contracts which vested in the United States the legal right to have the milk delivered at the bid prices, recognition was accorded to the recent Supreme Court decision in *Paul* v. *U.S.*[68]

The effect of a judicial determination that the Illinois Retailers' Occupation Tax Act was unconstitutional as applied to sales to the United States during the period 1953 to 1961, was involved in a decision to the Secretary of the Navy authorizing reimbursement to a contractor for amounts representing the State sales taxes paid in connection with the performance of five Navy contracts.[69]

An escrow account procedure for handling claims for the refund of California sales and use taxes overpaid by contractors on Government contracts and subcontracts with the military departments was approved with modifications by our Office. The procedure was designed to eliminate the need for further litigation and to protect the interests of the United States to the refunds which under California law could not be paid directly to the United States since it was not the taxpayer.[70]

Another Federal-State tax matter, which represented considerable legal work during the year, concerned the claim of the United States for refund of motor fuel taxes collected by the State of Georgia on purchases of gasoline by the Federal Government for the Georgia National Guard. Pending the outcome of

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[67] 43 Comp. Gen. —, B-149993, May 1, 1964

[68] 371 U.S. 245; 43 Comp. Gen. 392

[69] 43 Comp. Gen. —, B-145607, May 6, 1964

[70] 43 Comp. Gen. —, B-153496, March 13, 1964

litigation, reinstitution of set-off action against U.S. funds due the State was considered.[71]

As a result of the Federalizing of the Alabama National Guard, the Secretary of the Army requested a decision concerning the pay entitlement of members of units of the State's Army and Air National Guard called for duty by television, radio, and newspaper announcements, but not required to report in person to their unit armories.[72]

Also in connection with Federal support of State National Guard activities, the Secretary of the Army requested our advice as to the propriety of hiring technicians to repair and maintain equipment being used by the State National Guard units, and as to whether the State Guard units could be considered a Federal agency for reimbursement purposes under section 601 of the Economy Act of June 30, 1932.[73] The traditional concept that the National Guard is essentially a State organization required the determination that there was no authority for the hiring of additional technicians by the State National Guard to take care of Federal equipment.[74]

Another decision in 1964, reflecting Federal-State relationships, was one rendered at the request of the Secretary of Agriculture on the availability of Forest Service appropriations to pay the costs of constructing curbs and other improvements on property leased from Utah State University of Agriculture and Applied Sciences.[75]

FEDERAL RESEARCH PROGRAMS

The increase in the performance of Federal research programs by educational and nonprofit institutions was reflected in our decision work in fiscal year 1964. For example, the Director of the National Science Foundation was advised that, while expenditures from research grants given to nonprofit institutions for the purchase of aircraft to conduct the Government research were proper, remedial legislation by the Congress should be obtained to reimburse contractors, operating federally

[71] B-151095, March 30, 1964
[72] 43 Comp. Gen. 293
[73] 31 U.S.C. 686
[74] B-152120, February 24, 1964
[75] 43 Comp. Gen. —, B-153804, April 29, 1964

owned research centers, for the costs in obtaining aircraft for research activities at such centers.[76] The availability of Public Health Service research grants to study the use of electronic storage and retrieval systems for better methods of communicating health research, was found to be within the scope of the statutory authority for the grants. However, the Secretary of Health, Education, and Welfare was advised that, in case of doubt as to whether any particular type of communication relates to the health purposes specified in the Public Health Service Act, the matter of supporting such health communication activities should be submitted to the Congress for consideration and clarification.[77]

The rights and benefits of Federal employees when detailed to State, municipal, and other nonprofit institutions to carry out public health activities under the Public Health Service Act were considered in our decision of January 16, 1964, to the Secretary of Health, Education, and Welfare. The Department was advised that detailed employees who continued to receive Federal salaries were entitled to leave, overtime, and holiday benefits but employees placed in a leave-without-pay status were not entitled to Federal employee benefits.[78]

The disposition of interest and other income earned on cash grants to colleges and universities under the Public Health Service Act was reviewed again during 1964. The legal review was done at the request of the American Council on Education. The Council was advised that the consistent rulings of our Office since 1918, as well as judicial opinion, required a reaffirmation of the policy that interest and other income earned on Federal grant funds belonged to the United States and were for deposit to the Treasury as miscellaneous receipts.[79]

FEDERAL AID PROGRAMS

As a result of the trend for oversight over Federal funds earmarked for various State programs, the Departments are submitting more legal questions arising under such programs

[76] 43 Comp. Gen. —, B-153348, April 22, 1964

[77] 43 Comp. Gen. 573

[78] 43 Comp. Gen. 511

[79] B-152505, January 30, 1964

to our Office for decision. For example, in fiscal year 1964, the Secretary of Labor requested a decision as to whether in the administration of the trade readjustment allowance program authorized by the Trade Expansion Act of 1962, the Secretary could omit a statutory condition concerning reduction of the State unemployment insurance from the agreements with certain State employment security agencies. We held that the statutory requirement against denial or reduction of unemployment insurance benefits was a condition precedent to the State agency's participation in the program and exception to any payments would be taken if the State agreements failed to meet the statutory requirements.[80]

Following a review of the Federal-aid highway program in the State of Virginia, the authority of the Federal Highway Administrator to waive requirements for advance approval for employment of private attorneys by States participating in the program was reviewed. In a decision to the Secretary of Commerce we held that, while retroactive waiver of the regulations was not proper and the act required all States to be treated uniformly insofar as rights to Federal participation in the costs were involved, no action with respect to past payments would be taken.[81]

FEDERAL LOAN PROGRAMS

Two decisions in 1964 illustrating legal questions arising under Federal loan programs involved the home loan program administered by the Veterans Administration and loans to Indian tribes under the Area Redevelopment Act. The decision on the Veterans Administration loan guaranty fund concerned the legality of permitting management brokers to pay maintenance costs out of the rents collected by the brokers on behalf of the Administration. The Administrator was advised that the requirement of law [82] for the deposit of the gross amount of all moneys received into miscellaneous receipts was applicable to the revolving fund of the Veterans Administration and that, while the proposal was desirable, it should be presented

[80] 42 Comp. Gen. 174

[81] 43 Comp. Gen. 31

[82] 31 U.S.C. 484

to the Congress for sanction.[83] Several different lending situations, in connection with the Indian loans to the Mescalero Reservation and the Unalaska natives, were considered in our decision to the Secretary of the Interior as to whether such loans constituted Federal aid under the Area Redevelopment Act.[84]

INTRAGOVERNMENTAL MATTERS

During a fiscal year we are often requested to resolve legal problems arising between departments and agencies. Representative of such decisions was one to the Secretary of the Air Force with respect to mortgage insurance losses on civilian housing acquired by default under section 809 of the National Housing Act, as amended.[85] Notwithstanding the contentions advanced by the Federal Housing Administration that losses were for computation on each individual property, the authorities substantiated the finding that it was only necessary to reimburse the Armed Services Housing Mortgage Insurance Fund for the net losses.[86] Similarly, a difference of opinion existed between the Commissioner of Internal Revenue and the Secretary of Agriculture concerning whether the Government's right of setoff for tax purposes takes precedence over an assignment of an agricultural conservation reserve contract. A review of the broad powers conferred on the Secretary of Agriculture under the Soil Bank Act to determine the amounts and conditions of payment necessitated the conclusion that an assignment before the notice of the tax levy precluded the setoff action.[87]

An objection by the Federal Home Loan Bank Board to the application of the apportionment procedure by the Bureau of the Budget to nonadministrative expenses of the Federal Savings and Loan Insurance Corporation was submitted for our consideration. A review of the legislative history of the amendment in 1950, enlarging the scope of the apportionment system, substantiated the conclusion that the system was applicable to all types

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[83] B-72015, November 7, 1963

[84] 43 Comp. Gen. 188

[85] 12 U.S.C. 1748h-1

[86] 43 Comp. Gen. —, B-153460, June 25, 1964

[87] 43 Comp. Gen. 183

of funds including the nonadministrative expenditures of the Federal Savings and Loan Insurance Corporation.[88]

LITIGATION

Considerable legal assistance is furnished to the Department of Justice and to United States Attorneys in connection with litigation in the Courts. Our views and recommendations are requested at all stages of the litigation process.

Our attorneys handling transportation cases involving suits by and against common carriers cooperate with attorneys in the Department of Justice in defending suits against the United States and in prosecuting collection actions.

Several significant court opinions in the transportation field which were rendered during the year upholding procedures of our Office represent considerable work over an extended period of time on the part of the attorneys assigned to transportation cases.

Among such cases was the case of *Strickland Transportation Company, Inc.* v. *United States* and *T.I.M.E. Freight, Inc.* v. *United States*[89] in which the Court of Appeals for the Fifth Circuit affirmed a lower court decision sustaining the audit action on various motor carrier accounts covering the transportation of aircraft engines. The Court found that the unreleased value ratings set forth in the exceptions tariffs did not supersede the lower released classification ratings on aircraft engines. Inasmuch as there are several similar suits pending in the Court of Claims and many accounts have been settled by our Office on the basis upheld in the *Strickland* case, the Circuit Court action was important.

Another issue which was in litigation and which has been present in our audit for several years was the one concerning the applicability of a classification basis on cranes or derricks as compared with a freight highway vehicle commodity tariff basis. This issue was resolved in the Government's favor by the Court

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[88] 43 Comp. Gen. —, B-153551, June 3, 1964

[89] Nos. 20409 and 20360

of Claims on December 13, 1963, in the case of *Union Pacific Railroad Company* v. *United States*.[90]

Another case decided by the Court of Claims involved the issue of exclusive use of vehicle service and supported the procedure our Office has been observing in requiring proof of performance of exclusive service even though the shipping documents bear an appropriate notation showing that exclusive use of the vehicle was requested.[91]

In a report on the advisability of an appeal from a judgment in favor of *Twentieth Century Air Lines, Inc.*, one of two remaining intervenors in the *Associated Air Transport* case, our Office recommended that, in view of the inordinate length of time that this docket had been opened, and the amount of effort and expense already expended in the settlement, the case be concluded as expeditiously as possible with as little additional expense as possible. However, we advised the Justice Department that our Office would not be justified in applying the *Associated Air Transport* case principles in settlement of similar pending claims.[92]

In January 1964, the District Court for the District of Columbia in *United States* v. *Interstate Commerce Commission*[93] decided that, ancillary to a court action, the Interstate Commerce Commission does not have jurisdiction to determine the rates applicable to transportation performed by a motor carrier outside its operating rights and without tariff rates published for its account. Our Office in a report analyzing the implications of the decision, strongly urged an appeal on the basis that the Commission refusal to look beyond the allegation of unreasonableness to the real question of applicability would in effect be countenancing an unauthorized carrier's profit from its own wrongdoing.[94]

The increase in decisions by the Court of Claims on military pay matters in recent years has been reflected in our decision work. Following the Court of Claims judgments, the military

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[90] Ct. Cl. No. 423-56

[91] *Pacific Intermountain Express* case, Ct. Cl. No. 216-61

[92] B-150192, March 9, 1964

[93] Civil Action No. 2365-61

[94] B-92241, March 3, 1964

departments submit questions on the application of the Court opinions to similar factual cases. Last year the Secretary of Defense requested advice as to whether our Office would follow the decision in the case of *Hortenia R. Acosta* v. *United States*[95] involving the presumption of death of a missing retired military member as precedent in similar cases for payment of military retired pay.[96] The Secretary of the Navy submitted various questions concerning the effect of the decision in *Meister* v. *United States*[97] on cases involving injuries suffered by members of the U.S. Naval Reserve who have been ordered to perform inactive duty training[98] and a disbursing officer of the Navy requested a decision as to the general application of the rule used by the Court of Claims in *Menocal* v. *United States*[99] concerning the recomputation of retired pay to members recalled to duty for short periods of time after retirement.[100]

Following a decision in which the Court of Claims extended the "constructive service" concept for computation of longevity pay increases our Office strongly urged that the Department of Justice institute further proceedings to seek a reversal of the decision.[101] Similarly, we recommended filing a motion for reconsideration in a case allowing annual premium compensation for irregular, unscheduled overtime work performed by certain employees of the Internal Revenue Service on the basis that overtime provisions in section 401(2) of the Federal Employees Pay Act of 1945, as amended[102] are not mandatory as ruled by the Court but are discretionary with each department.[103]

LEGAL REFERENCE ASSISTANCE

Departments and agencies are kept abreast of significant decisions as they are issued by the general distribution of advance copies and digests, and by the publication of monthly pamphlets. An annual volume of published decisions is compiled each year.

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[95] Ct. Cl. No. 82-62

[96] 43 Comp. Gen. 503

[97] Ct. Cl. No. 54-62, decided July 12, 1963

[98] 43 Comp. Gen. 412

[99] Ct. Cl. No. 63-61, decided April 4, 1962

[100] 43 Comp. Gen. 395

[101] *Callahan* v. *U.S.*, Ct. Cl. No. 349-62; B-150337, March 9, 1964

[102] 5 U.S.C. 926(2)

[103] B-141518, et al., December 5, 1963

Information on our unpublished decisions is made available to Government agencies by publication of quarterly digest pamphlets on the following subjects: (1) Appropriations and Miscellaneous, (2) Civilian Personnel, (3) Contracts, (4) Pay and Allowances of the Uniformed Services, and (5) Transportation.

A cumulative citation and subject card index is maintained on all decisions. Research services are furnished upon request. During 1964, 3,123 telephone research inquiries were answered.

Copies of decisions on selected subjects are also furnished upon request to Members of the Congress and to congressional committees.

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Recruiting and Staff Development

RECRUITING AND DEVELOPING OUR PROFESSIONAL STAFF OF ACCOUNTANTS, AUDITORS, AND INVESTIGATORS

To carry out the duties placed upon us by the Congress, we require a highly qualified staff of professional accountants, auditors, and investigators. We are continuously seeking the better graduates from the colleges and universities which have a high educational standard in the field of accounting. In addition, we have programs to increase the professional talents of the individual members of the staff and the professional skills of the staff as a whole.

We continued to use the services of leading educators from some of our foremost university schools of business administration to assist us in formulating a program to obtain and develop an outstanding staff of professional accountants, auditors, and investigators. They have counseled and advised us in establishing an overall long-range program for recruiting, training, and developing the members of our staff. Also, they have advised and assisted us in making plans to encourage continuing academic support for a program aimed at maintaining our staff at required levels.

Educator-consultants who have been of assistance to us in our recruiting and development programs, their university at time of appointment, and their period of service are:

Dr. Horace B. Brown, Jr., vice president of the university and dean, College of Business Administration, University of Oklahoma, September 1, 1955–December 31, 1961.

Dean S. Paul Garner, School of Commerce and Business Administration, University of Alabama, September 1, 1955–December 31, 1961.

Prof. C. Rollin Niswonger, School of Business Administration, Miami University, Ohio, September 1, 1955–June 30, 1958.

Prof. Oscar S. Nelson, Wharton School of Finance and Commerce, University of Pennsylvania, September 12, 1955–December 31, 1962.

Prof. Arthur M. Cannon, University of Washington, July 1, 1956–June 30, 1957.

Dean Paul M. Green, College of Commerce and Business Administration, University of Illinois, July 1, 1956–June 30, 1959.

Prof. William A. Paton, School of Business Administration, University of Michigan, December 1, 1957–June 30, 1961.

Dean Sidney G. Winter, College of Business Administration, State University of Iowa, July 1, 1958–June 30, 1963.

Prof. A. B. Carson, Graduate School of Business Administration, University of California at Los Angeles, July 1, 1959–June 30, 1964.

Prof. Charles J. Gaa, Department of Accounting and Financial Administration, College of Business and Public Service, Michigan State University, July 8, 1960–.

Prof. Raymond C. Dein, Department of Business Organization and Management, College of Business Administration, The University of Nebraska, July 24, 1961–.

Dean Frank S. Kaulback, Jr., McIntire School of Commerce, University of Virginia, July 31, 1961–.

Prof. Herbert F. Taggart, School of Business Administration, University of Michigan, February 7, 1962–.

Prof. Williard E. Stone, College of Business Administration, University of Florida, December 19, 1962–.

Prof. Gerald K. Nelson, College of Business Administration, The Pennsylvania State University, January 23, 1963–.

Prof. Charles E. Johnson, head, Department of Accounting and Business Statistics, School of Business Administration, University of Oregon, May 25, 1964–.

Recruiting

We have determined through observation and performance that staff members recruited from colleges and universities can develop rapidly to serve in positions of responsibility and maintain the high professional standards required in our work. Our recruitment of college graduates during the year continued to be successful; however, our losses, especially of staff members going into military service, were above the average losses experienced by the Office in recent years. A total of 268 high-quality students from 152 colleges and universities located in 44 States, with accounting as their major field of study, started their professional careers with us. In addition, 47 former staff members returned from military service and rejoined our staff. For detailed information concerning military separations and re-

appointments, see page 388. We also appointed three new staff members from industry or education.

We continued our association with college and university faculty members and honorary and professional organizations. We expanded our series of programs held for university and college faculty members to acquaint them with the professional quality of our work and to obtain their assistance in our recruiting efforts. Those attending these sessions during the year were:

Prof. L. Roland Aberle, in charge of Accounting, Department of Business Administration, Franklin and Marshall College, Lancaster, Pa.

Prof. O. Robert Anderson, University of Santa Clara, Santa Clara, Calif.

Prof. Hector R. Anton, chairman, Department of Accounting, University of California, Berkeley, Calif.

Prof. Bernard F. Aschbacher, San Fernando Valley State College, Northridge, Calif.

Prof. Billy L. Barnes, dean, College of Business Administration, State University of Iowa, Iowa City, Iowa

Prof. Bruce B. Bevens, chairman, Business and Commerce, Southern State College, Magnolia, Ark.

Prof. Martin Black, Jr., Duke University, Durham, N.C.

Prof. Robert K. Boyd, chairman, Department of Business Administration, Pacific Union College, Angwin, Calif.

Rev. Godfrey F. Burkhardt, O.S.B., chairman, Division of Business Administration, Saint Vincent College, Latrobe, Pa.

Prof. Eben Calder, head, Business Education, Bemidji State College, Bemidji, Minn.

Prof. James Chadwick, head of Department of Economics and Business, Thiel College, Greenville, Pa.

Prof. Wayne R. Chapin, Arizona State College, Flagstaff, Ariz.

Prof. Jay D. Cook, Jr., head, Accounting Department, Washington and Lee University, Lexington, Va.

Prof. Joseph R. Coppola, chairman, Accounting Department, Canisius College, Buffalo, N.Y.

Prof. L. Dale Corley, Arkansas Polytechnic College, Russellville, Ark.

Prof. Albert L. Craven, head of Accounting Department, Mississippi College, Clinton, Miss.

Prof. Gordon B. Davis, University of Minnesota, Minneapolis, Minn.

Prof. John S. Davis, chairman, Department of Business Administration, Kings College, Wilkes-Barre, Pa.

Prof. John DeLaCour, Villanova University, Villanova, Pa.

Prof. Clarence L. Dunn, head of Accounting Department, Louisiana State University, Baton Rouge, La.

Prof. Donald Etnier, Arkansas State College, Jonesboro, Ark.

Prof. Frank Fernandez, head of the Accounting Department, LeMoyne College, Syracuse, N.Y.

Prof. Dale B. Ferrel, chairman, Department of Accounting, San Diego State College, San Diego, Calif.

Prof. Lillian R. Gault, Geneva College, Beaver Falls, Pa.

Prof. William Gay, head of the Accounting Department, School of Business, Virginia Polytechnic Institute, Blacksburg, Va.

Prof. John C. Gibson, head, Division of Business and Economics, Delta State College, Cleveland, Miss.

Prof. Joseph Gibson, University of Virginia, Charlottesville, Va.

Prof. Reverdy T. Gliddon, acting dean, School of Business and Public Administration, University of Missouri at Kansas City, Kansas City, Mo.

Prof. Dennis Gordon, head, Accounting Department, The University of Akron, Akron, Ohio

Prof. John J. Gorman, Rider College, Trenton, N.J.

Prof. Vance E. Grover, chairman, Department of Accounting, Old Dominion College, Norfolk, Va.

Prof. Frank J. Guerin, chairman of Accounting Department, LaSalle College, Philadelphia, Pa.

Prof. S. John Guson, chairman of Accounting Department, Saint Bonaventure University, Olean, N.Y.

Prof. Paul K. Hall, St. Joseph's College, Rensselaer, Ind.

Prof. W. Marshall Hebblewhite, Wayne State University, Detroit, Mich.

Prof. Harvey Hendrickson, State University of New York at Buffalo, Buffalo, N.Y.

Prof. Joseph M. High, chairman, Department of Business Administration, Carson-Newman College, Jefferson City, Tenn.

Prof. Harold Hinkelman, Bucknell University, Lewisburg, Pa.

Prof. W. Asquith Howe, chairman, Accounting Department, Temple University, Philadelphia, Pa.

Prof. W. W. Howell, East Carolina College, Greenville, N.C.

Prof. Ray C. Hunt, University of Virginia, Charlottesville, Va.

Prof. Fran Jabara, chairman of Department, University of Wichita, Wichita, Kans.

Prof. Harry L. Jefferson, chairman, Accounting Department, Chico State College, Chico, Calif.

Prof. Robert M. Jennings, head of the Department of Accounting, Parsons College, Fairfield, Iowa

Prof. Howard Jensen, University of Colorado, Boulder, Colo.

Prof. Jay Johnson, West Virginia University, Morgantown, W. Va.

Prof. Louis Johnson, Jr., dean of School of Business Administration, Tennessee Polytechnic Institute, Cookeville, Tenn.

Prof. Louis C. Jurgensen, chairman, Accounting Program, University of South Florida, Tampa, Fla.

Prof. Daniel K. Kast, Iona College, New Rochelle, N.Y.

Prof. Donald E. Kieso, Northern Illinois University, DeKalb, Ill.

Prof. William S. Knight, Louisiana Polytechnic Institute, Ruston, La.

Prof. Oscar Kriegman, New York University, New York, N.Y.

Prof. Harold Q. Langenderfer, coordinator of Accounting, University of North Carolina, Chapel Hill, N.C.

Prof. William N. Latimer, director, Department of Marketing and Management, Gannon College, Erie, Pa.

Prof. Albert A. Leininger, chairman, Department of Accounting, Division of Business and Economics, San Fernando Valley State College, Northridge, Calif.

Prof. Thomas C. McCabe, Siena College, Loudonville, N.Y.

Prof. Bruce McCosh, head, Division of Accounting, Department of Business, Colorado State University, Fort Collins, Colo.

Prof. George W. McCreary, head, Department of Economics and Business Administration, Lenoir Rhyne College, Hickory, N.C.

Prof. James P. McNulty, Mount Saint Mary's College, Emmitsburg, Md.

Prof. Richard Maples, Sacramento State College, Sacramento, Calif.

Prof. William Markell, University of Delaware, Newark, Del.

Prof. Zacharian Mathew, Ithaca College, Ithaca, N.Y.

Prof. Jack H. Matthews, University of Rochester, Rochester, N.Y.

Prof. George Mead, Michigan State University, East Lansing, Mich.

Prof. Kemper W. Merriam, University of Arizona, Tucson, Ariz.

Prof. Edward Moore, head, Accounting Department, West Virginia Institute of Technology, Montgomery, W. Va.

Prof. Fred J. Mueller, University of Washington, Seattle, Wash.

Prof. Clifford A. Nelson, Pennsylvania State University, University Park, Pa.

Prof. William Niven, acting dean, Division of Business, San Francisco State College, San Francisco, Calif.

Prof. Fred Norwood, Texas Technological College, Lubbock, Tex.

Prof. James Parsons, Baylor University, Waco, Tex.

Prof. Ray M. Powell, head of the Department of Accountancy, College of Business Administration, University of Notre Dame, Notre Dame, Ind.

Prof. J. C. Ray, Los Angeles State College, Los Angeles, Calif.

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Prof. William T. Reece, College of William and Mary, Williamsburg, Va.

Prof. Donald E. Roark, head, Accounting Department, San Jose State College, San Jose, Calif.

Prof. Samuel Sapienza, University of Pennsylvania, Philadelphia, Pa.

Prof. Thomas G. Secoy, St. Louis University, St. Louis, Mo.

Prof. Herman L. Senker, chairman, Department of Business Administration, University of Scranton, Scranton, Pa.

Prof. Wilson Serfass, Muhlenberg College, Allentown, Pa.

Prof. Karl W. Sharp, East Tennessee State University, Johnson City, Tenn.

Prof. Wayne E. Shroyer, chairman, Department of Accounting, University of Denver, Denver, Colo.

Prof. Joseph A. Silvoso, Graduate Accountancy Studies coordinator, University of Missouri, Columbia, Mo.

Prof. Donald H. Skadden, University of Illinois, Urbana, Ill.

Prof. Karl M. Skousen, Brigham Young University, Provo, Utah.

Prof. Earl A. Spiller, Washington University, St. Louis, Mo.

Prof. Herbert L. Stone, Long Beach State College, Long Beach, Calif.

Prof. George H. Swain, chairman, Department of Business, Atlantic Christian College, Wilson, N.C.

Prof. L. H. Toler, Mississippi State University, Starkville, Miss.

Prof. Miles Tommeraasen, head, Department of Economics, Morningside College, Sioux City, Iowa

Prof. Wendell P. Trumbull, head, Accounting Department, Lehigh University, Bethlehem, Pa.

Prof. H. David Willis, head, Department of Accounting, Richmond Professional Institute, Richmond, Va.

Prof. Charles P. Wolfe, head of Accounting Department, St. John Fisher College, Rochester, N.Y.

Prof. Roland M. Wright, Arizona State University, Tempe, Ariz.

Prof. Elmer R. Young, head, Department of Accounting, University of Utah, Salt Lake City, Utah

Prof. Kenneth G. Young, chairman of the Accounting Department, Stanislaus State College, Turlock, Calif.

As of June 30, 1964, members of our professional accounting, auditing, and investigative staff held degrees from 367 colleges and universities. The colleges and universities from which these degrees were received are listed in the appendix beginning at page 393.

Training

During the past few years, as a part of our program of planned professional development, we have developed a series of coordinated training courses designed to meet the varied needs of the staff members at each level of responsibility.

The following tabulation shows the courses given during the fiscal year 1964 and the number of staff members attending each course.

a. *Training Given Through General Accounting Office Facilities*

Number of courses	Name of course	Length of course	Number attending
3	GS-7 Orientation Course	20 days	164
2	GS-7 Orientation Course	15 days	54
1	Intermediate Training Course—Washington.	10 days	40
4	Advanced Audit Management Course	5 days	157
2	Automatic Data Processing Training Course.	10 days	79
1	Advanced Accounting and Auditing Study Program—Washington.	18 weeks	78
1	Advanced Accounting and Auditing Study Program—Chicago.	18 weeks	22
1	Advanced Accounting and Auditing Study Program—Denver.	18 weeks	26
1	Advanced Accounting and Auditing Study Program—Detroit.	18 weeks	16
5	Regional Staff Members Report Review Training.	1 week	10
	Total		646

b. *Training Given Through Non-Government Facilities*

Number of courses	Name of course	Length of course	Number attending
21	Automatic Data Processing Courses and Others.	Various	90
1	Statistical Sampling	16 weeks	4
1	Program for Management Development	16 weeks	6
1	Advanced Management Program	13 weeks	4
1	Executive Development Program	4 weeks	4
1	Executive Development Program	8 weeks	3
	Total		111

A brief description of the objectives of these courses follows:

1. *GS-7 Orientation Course.*—The objective of this course, an introductory course, is to orient the newly appointed college graduate in the organization, functions, rules, policies, and procedures of the General Accounting Office; in the organization of the Federal Government and its financial system; and in the laws and regulations enacted to control the financial activities of the Federal departments and agencies in accordance with the intent of the Congress. The course is also designed to instruct the new staff member more specifically in our accounting, auditing, and investigative functions and responsibilities as well as to introduce him to the various phases of the processes by which these responsibilities are carried out. This course bridges the gap between the college classroom and the initial work assignments.

2. *Intermediate Training Course, GS-9—11.*—The objective of this course is to present to the staff members, GS-9—11, the application of the policies and procedures of the Office as set forth in our Comprehensive Audit Manual. The course specifically covers complex audit situations, stressing problem-solving techniques and judgment factors in the work performed by our staff members at this level.

3. *Advanced Seminar.*—The Advanced Seminar for staff members in grades GS-12—14 presents, interprets, and summarizes the policies and procedures of the Office which are applied in the work of the staff member at this level as related to his carrying out the goals of the Office. It also includes supervisory and human relation aspects of the staff member in carrying out his responsibilities.

4. *Automatic Data-Processing Training Course.*—In this course we instruct our staff members in (a) the functions of automatic data-processing systems and the procedures and techniques used, (b) the auditing procedures to be followed in examining agency operations when automatic data-processing equipment is used, (c) the examination of the factors considered by the agency in determining the need for automatic data-processing equipment, (d) the examination of the negotiations for and procurement of equipment and related maintenance agreements, and (e) the examination of the management and use of such equipment.

5. *Advanced Accounting and Auditing Study Program.*—The Advanced Accounting and Auditing Study Program is conducted at night and on Saturdays from January through May each year. Those participating attend on a voluntary basis. The study course is primarily designed to prepare the staff member to do a better job on his accounting and auditing assignments as well as to assist those who are interested in taking the CPA examination to attain the recognition which passing the examination affords.

Staff Development

In addition to providing training through the courses we conduct, we afford selected members of our staff the opportunity to attend advanced management programs at selected colleges and universities and to attend courses in specialized subjects provided by manufacturers or others.

During the year 17 members of our staff took part in either Advanced Management or Executive Development programs conducted by Harvard University, Graduate School of Business Administration; University of Michigan, School of Business Administration; and Stanford University, Graduate School of Business. Eleven of the participants occupied top or senior management positions in the field or regional offices and six occupied similar positions on our Washington staff.

In addition, 94 members of our staff attended at various times brief study programs provided by manufacturers on automatic data-processing systems and methods, and 4 other staff members attended a program on statistical sampling.

Many of our staff are members of professional accounting organizations at both National and State levels and actively participate in their affairs. We encourage our staff to continue their professional development.

A number of States recognize the professional nature of our work and have decided that General Accounting Office experience meets eligibility standards required for the CPA certificate. Many of our professional staff have obtained their CPA certificates on the basis of General Accounting Office experience. Forty-seven members of our staff passed the CPA examination given by State Boards. Thirty-three received their CPA certificates based upon passing the examination during the present

or prior years and completing their experience requirement. Four hundred members of our staff are holders of the CPA certificate and 46 others who have passed the required examination will receive their certificates upon completion of their experience requirement.

Not all States allow General Accounting Office experience as qualifying experience. Recognition of our experience by the remaining States would end the inconsistency now existing. As the situation is now, members of our staff in some States are afforded the opportunity to obtain the CPA certificate, while equally competent and highly qualified professional members of our staff in other States are denied this opportunity. We are working closely with State boards of accountancy and committees of professional organizations to bring to their attention the professional quality of our work so that the General Accounting Office experience will be recognized as qualifying for the CPA certificate in all States.

RECRUITING AND TRAINING OF ATTORNEYS

During the fiscal year 1964 we continued the recruiting and training of a limited number of attorneys for our Office of the General Counsel in order to replace those attorneys separated from the Office as a result of retirements and transfers. For the most part our new attorneys were recent law school graduates.

RECRUITING AND TRAINING TRANSPORTATION SPECIALISTS

During fiscal year 1964 we continued the recruiting and training of a limited number of trainees to replenish our technical staff of transportation specialists. Nine trainees completed their basic training and were assigned to the audit branches where on-the-job training is provided.

OVERALL PERSONNEL PROGRAM

During the fiscal year we continued our review of personnel procedures, guidelines, and policy statements to find areas for improvement. We issued a revised leave manual containing

our policy and regulations concerning leaves of absence. We developed a plan for granting additional salary step increases in recognition of high quality performance, and prepared instructions to assist supervisors in determining whether additional step-increases should be recommended. To keep our supervisors and employees informed of their rights and obligations under the Federal Employees' Compensation Act, as amended, and of the protection afforded Government drivers under the Federal Tort Claims Act, as amended, we prepared a manual on work injury benefits and procedures for employees who operate motor vehicles within the scope of their employment.

We cooperated with the Civil Service Commission in the development of new or revised position classification standards through the analysis of drafts of proposed standards and tests of these standards on existing positions in the Office. We made appropriate position classification reviews of positions in the Office as required by section 1310(d) of the act of November 1, 1951 (ch. 664, 65 Stat. 758), and reported the action we had taken to the appropriate committees of Congress.

Using the facilities of the Public Health Service, we provided 244 employees with physical examinations under our health maintenance program. Employees found to be in need of medical care were referred to their own private practitioners for treatment. We provided our employees with the fullest opportunity for making changes in enrollment under the health benefits program during the *open season*.

All new employees received orientation training upon joining the Office.

Additional data concerning our personnel program will be found in the appendix beginning at page 384.

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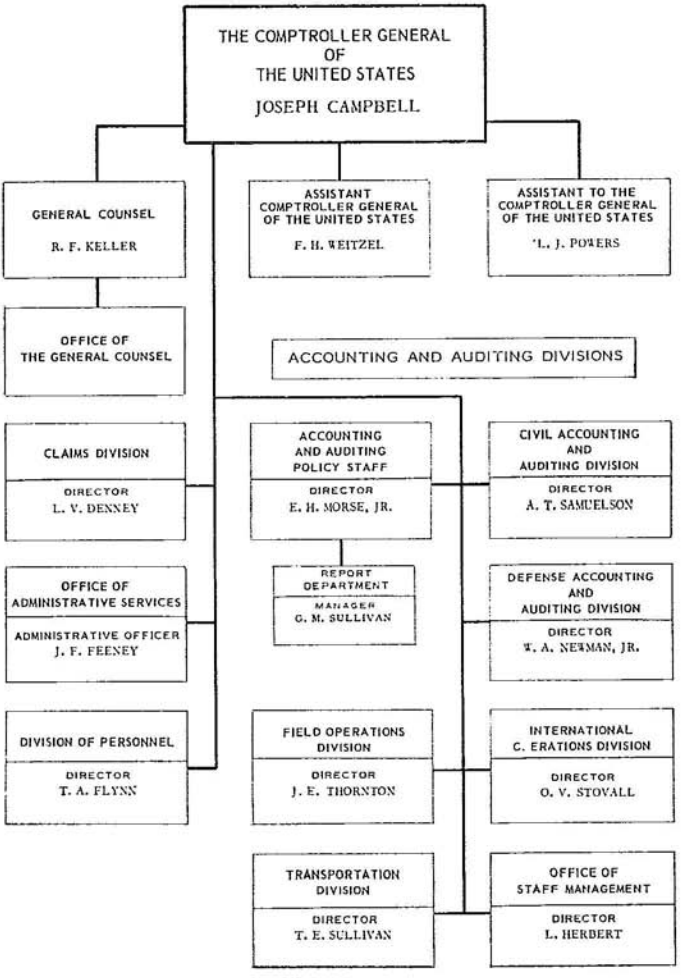
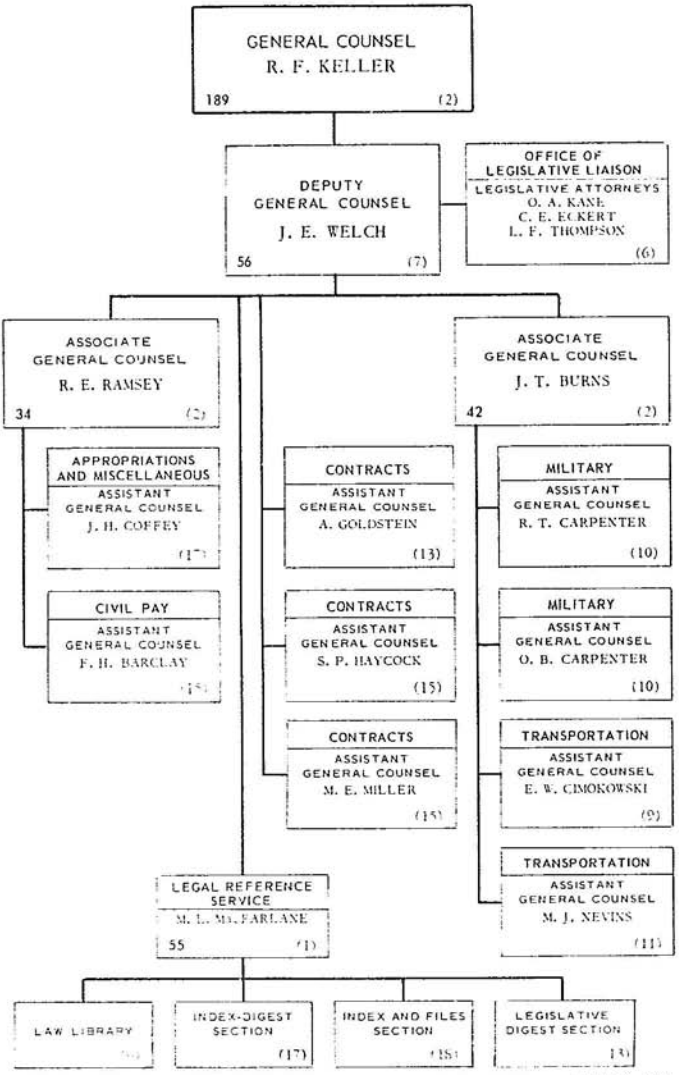
UNITED STATES GENERAL ACCOUNTING OFFICE



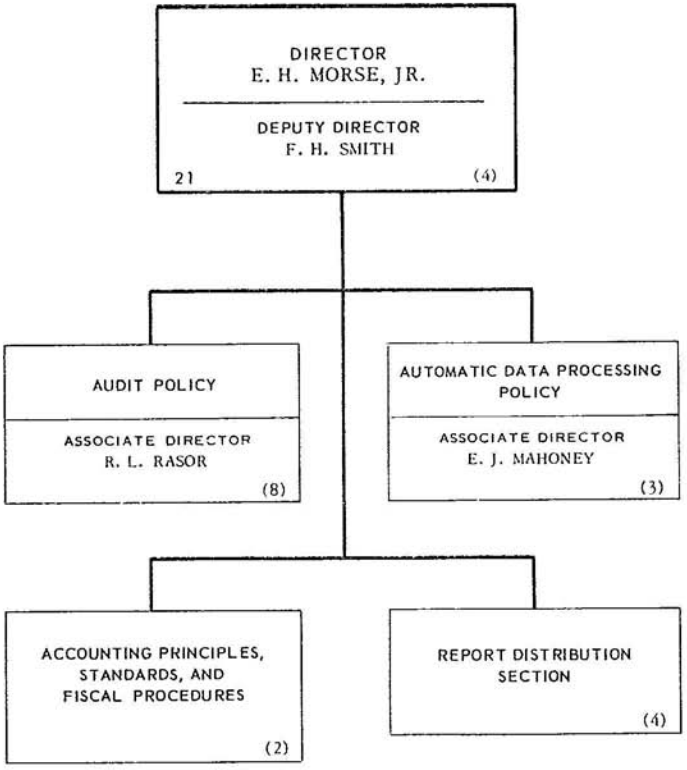
JUNE 30, 1964

OFFICE OF THE GENERAL COUNSEL



JUNE 30, 1964

ACCOUNTING AND AUDITING POLICY STAFF



JUNE 30, 1964

CIVIL ACCOUNTING AND AUDITING DIVISION

DIRECTOR
A. T. SAMUELSON

DEPUTY DIRECTOR
A. SCHOENHAUT
657 (13)

DEPARTMENT OF AGRICULTURE
FARM CREDIT ADMINISTRATION AND CORPORATIONS SUPERVISED

ASSOCIATE DIRECTOR
P. CHARAM (53)
ASSISTANT DIRECTORS
L. C. FENTON H. EICHLEGE

ATOMIC ENERGY COMMISSION
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
NATIONAL SCIENCE FOUNDATION

ASSOCIATE DIRECTOR
L. K. GERHARDT (42)
ASSISTANT DIRECTORS
I. M. CRAWFORD J. E. MILGATE

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE *(Social Security Administration)*
DEPARTMENT OF JUSTICE
DEPARTMENT OF LABOR
CIVIL SERVICE COMMISSION
RAILROAD RETIREMENT BOARD
JUDICIAL BRANCH

ASSOCIATE DIRECTOR
L. A. NELSON (44)

TREASURY DEPARTMENT
FEDERAL DEPOSIT INSURANCE CORPORATION
FEDERAL HOME LOAN BANK BOARD AND CORPORATIONS SUPERVISED
SMALL BUSINESS ADMINISTRATION
TAX COURT OF THE UNITED STATES
GOVERNMENT PRINTING OFFICE

ASSISTANT DIRECTOR
M. NEUBIRTH (50)

CORPS OF ENGINEERS *(Civil functions)*
DEPARTMENT OF THE INTERIOR *(Water and power agencies)*
DEPARTMENT OF STATE *(International Boundary and Water Commission)*
FEDERAL POWER COMMISSION
TENNESSEE VALLEY AUTHORITY

ASSISTANT DIRECTOR
J. T. HALL, JR. (16)

POST OFFICE DEPARTMENT
GENERAL SERVICES ADMINISTRATION
EXECUTIVE OFFICE OF THE PRESIDENT *(Office of Emergency Planning)*
GOVERNMENT SERVICES, INC.

ASSISTANT DIRECTORS
M. HIRSCHHORN
L. G. SMITH F. H. STUDT (40)

HOUSING AND HOME FINANCE AGENCY
DISTRICT OF COLUMBIA REDEVELOPMENT LAND AGENCY
NATIONAL CAPITAL HOUSING AGENCY
CIVIL AERONAUTICS BOARD
FEDERAL AVIATION AGENCY

ASSISTANT DIRECTOR
L. T. HUNTER (71)

DEPARTMENT OF COMMERCE
FEDERAL TRADE COMMISSION
INTERSTATE COMMERCE COMMISSION
PANAMA CANAL COMPANY AND CANAL ZONE GOVERNMENT
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

ASSISTANT DIRECTOR
C. P. PIN (37)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE *(Except Social Security Administration)*
GORGAS MEMORIAL INSTITUTE OF TROPICAL AND PREVENTIVE MEDICINE, INC.

ASSISTANT DIRECTOR
E. A. STEINMAN (37)

DEPARTMENT OF THE INTERIOR *(Except water and power agencies)*
NATIONAL CAPITAL PLANNING COMMISSION
INDIAN TRIBAL BRANCH (11)

ASSISTANT DIRECTOR
Z. PARKER (72)

DISTRICT OF COLUMBIA GOVERNMENT

ASSISTANT DIRECTOR
L. H. FREEMAN, JR. (30)

FEDERAL COMMUNICATIONS COMMISSION
VETERANS ADMINISTRATION

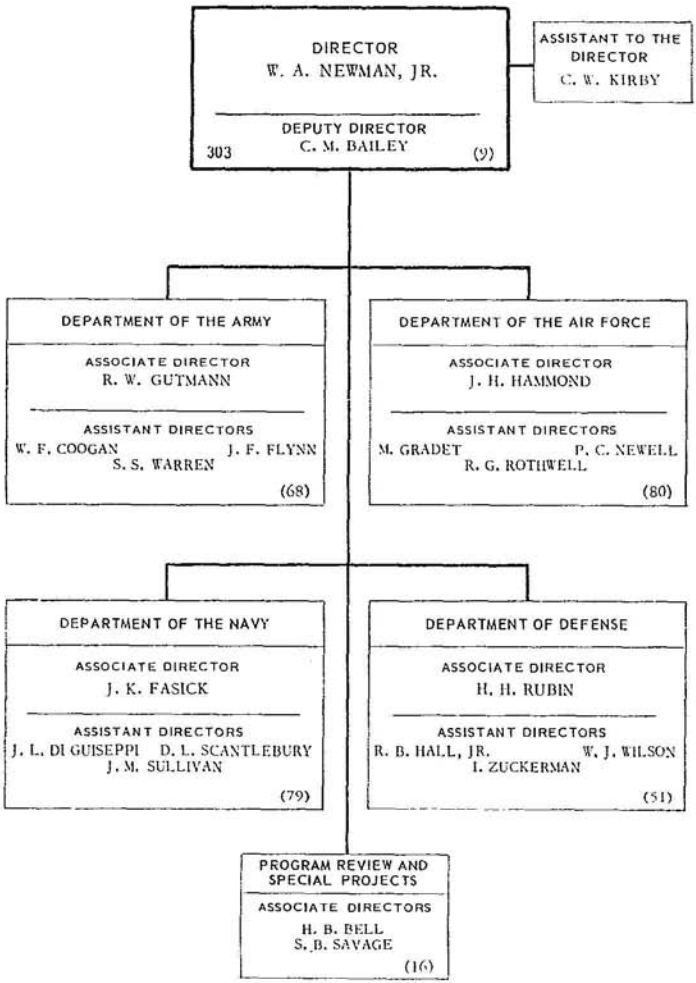
ASSISTANT DIRECTOR
J. F. TILLEY (35)

PROGRAM REVIEW AND SPECIAL PROJECTS

ASSISTANT DIRECTORS
R. S. LINDGREN
O. D. MAROTELLI
F. K. RABEL
J. A. VIGNALI (95)

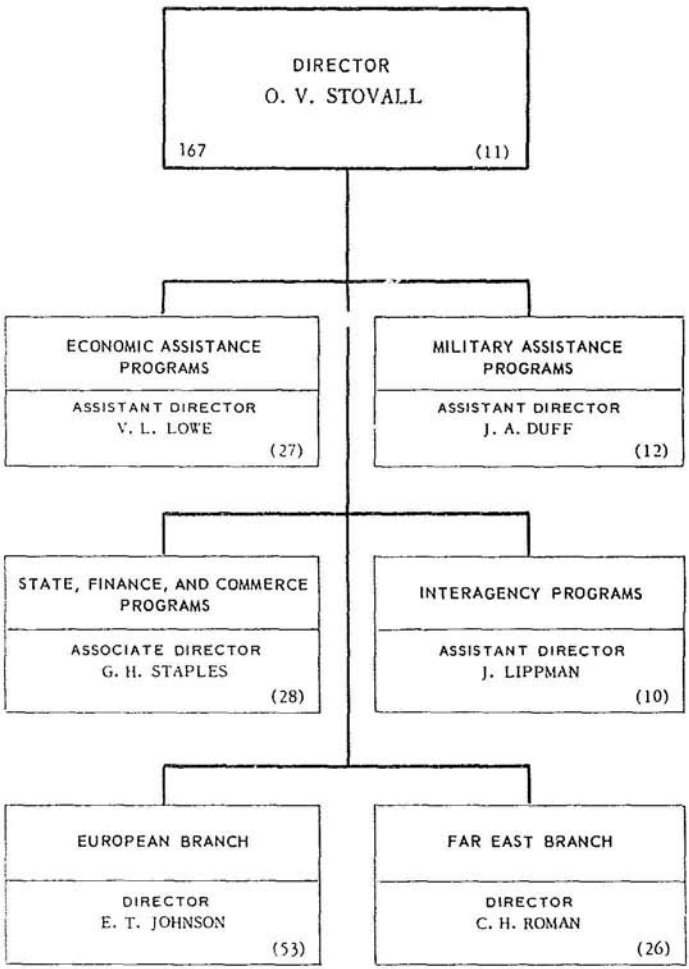
JUNE 30, 1964

DEFENSE ACCOUNTING AND AUDITING DIVISION



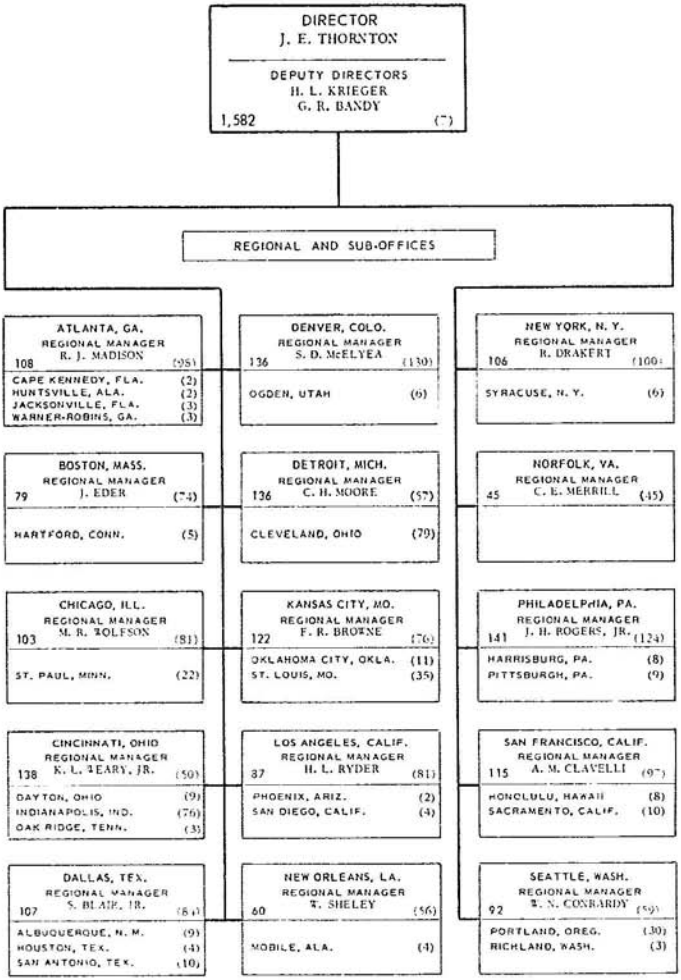
JUNE 30, 1964

INTERNATIONAL OPERATIONS DIVISION



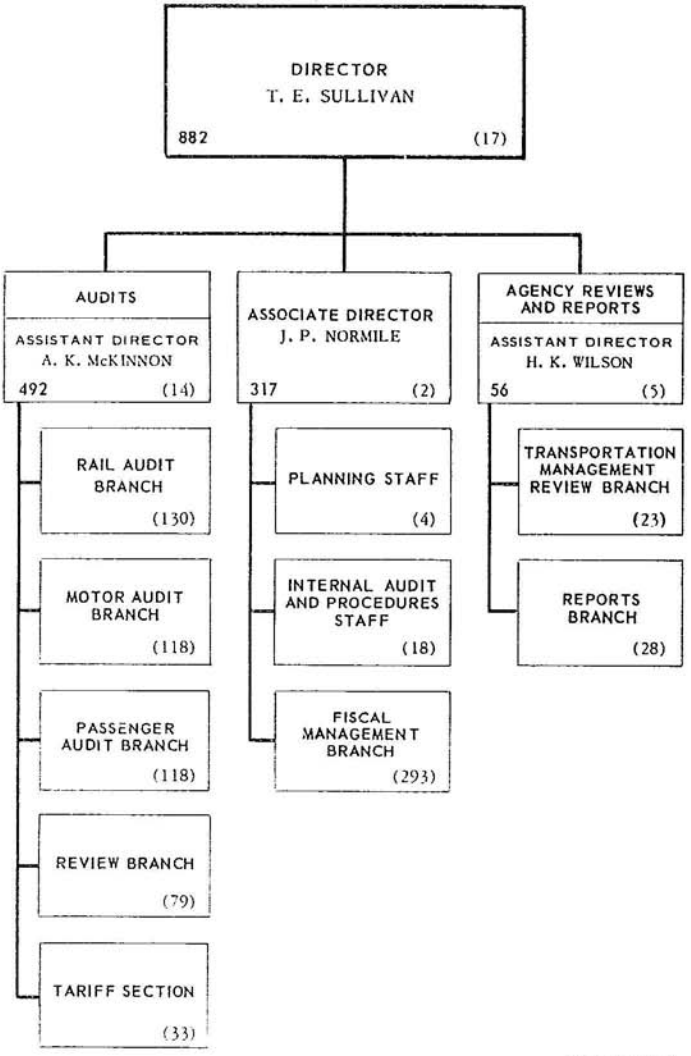
JUNE 30, 1964

FIELD OPERATIONS DIVISION



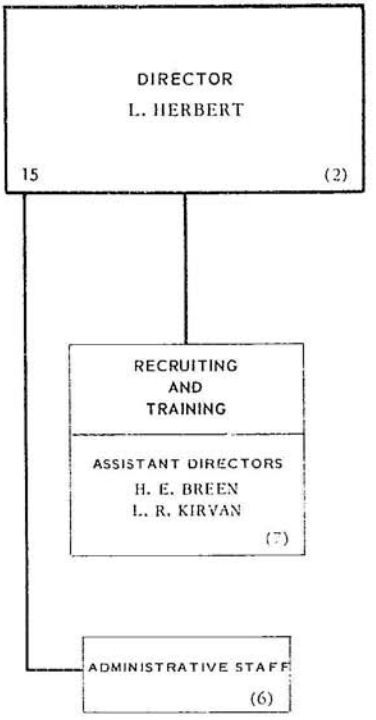
JUNE 30, 1964

TRANSPORTATION DIVISION



JUNE 30, 1964

OFFICE OF STAFF MANAGEMENT



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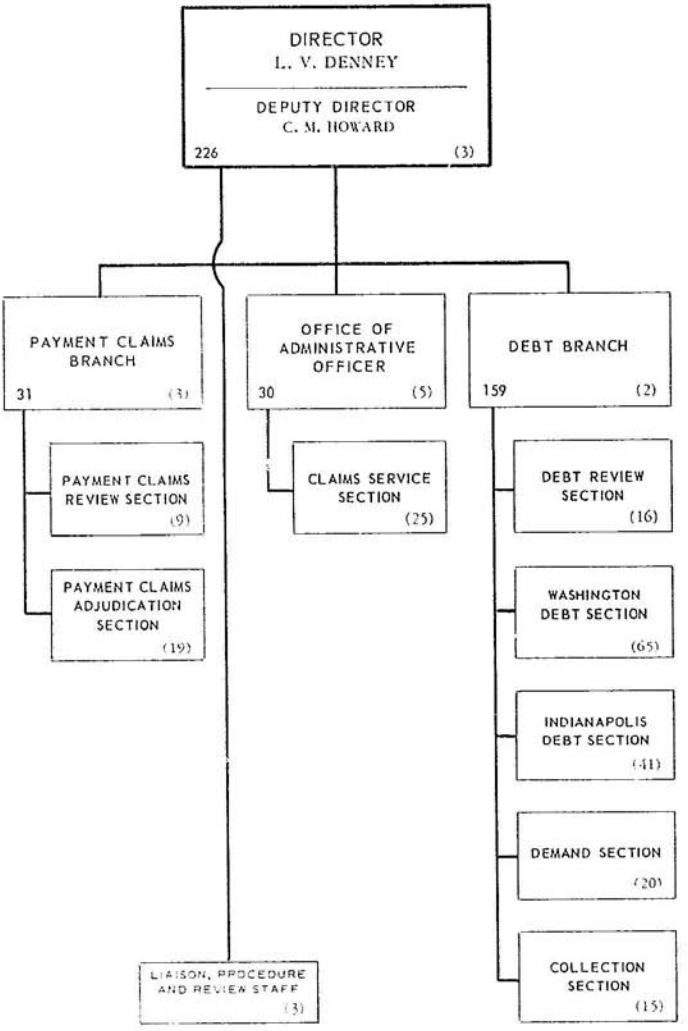
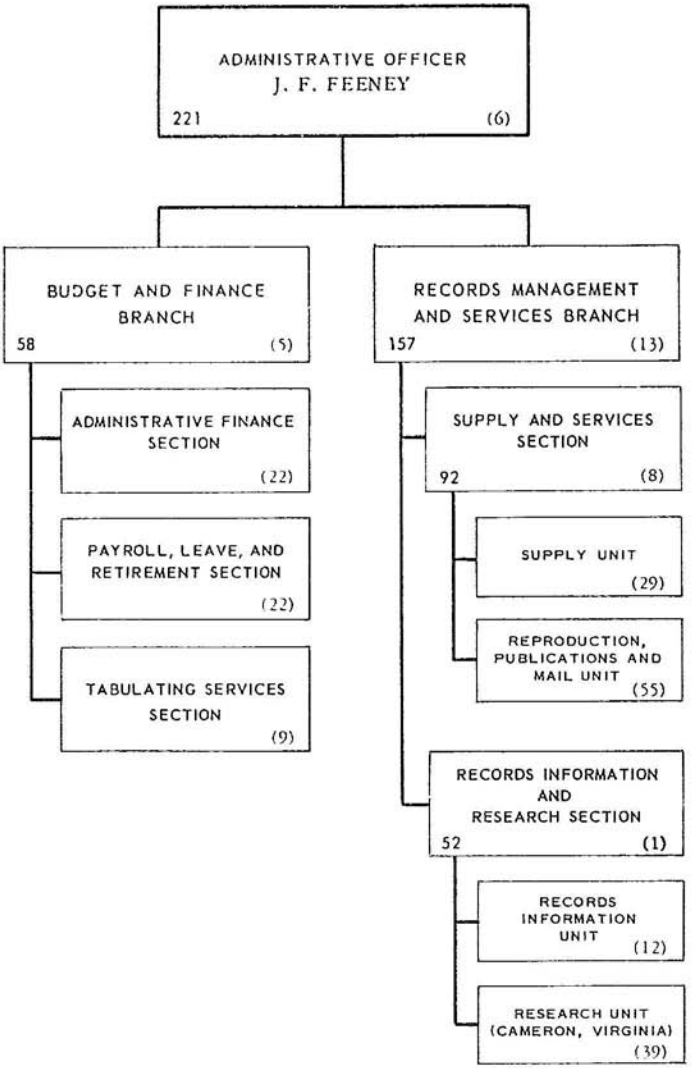
CLAIMS DIVISION



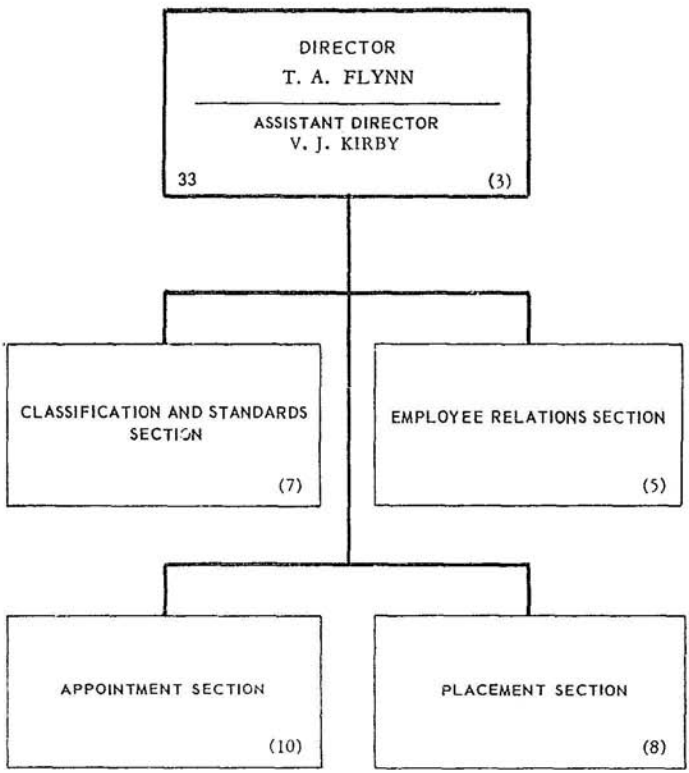
JUNE 30, 1964

OFFICE OF ADMINISTRATIVE SERVICES



JUNE 30, 1964

DIVISION OF PERSONNEL



JUNE 30, 1964

U.S. GENERAL ACCOUNTING OFFICE
APPROPRIATION RECEIPTS AND EXPENDITURES
FISCAL YEAR 1964

We received:			
By: Appropriation for salaries and expenses, 1964		$45,700,000	
Reimbursements and refunds		62,231	
Less: Transfer to "Operating Expenses, Public Building Service, General Services Administration, 1964 (77 Stat. 436)"		−834	
Total available			$45,761,397
We spent:			
For: Personnel compensation:			
Office of the Comptroller General	$73,172		
Office of the Assistant Comptroller General	35,501		
Office of Administrative Services	1,917,938		
Claims Division	1,880,563		
Transportation Division	6,429,156		
Division of Personnel	269,063		
Office of the General Counsel	1,793,151		
Accounting and Auditing Policy Staff	292,906		
Office of Staff Management	143,114		
Defense Accounting and Auditing Division	2,934,558		
Civil Accounting and Auditing Division	5,505,291		
Field Operations Division	13,597,145		
International Operations Division (Washington, D.C.)	758,748		
European Branch	576,482		
Far East Branch	292,259		
For: Travel and other expenses	7,213,646		
For: Personnel compensation, travel, etc. (reimbursed)	62,231		
Total obligations, June 30, 1964		$43,774,924	
Less: Outstanding obligations June 30, 1964 (net)		1,548,140	
Total expenditures, June 30, 1964			$42,226,784
We have left:			
Unexpended balance, June 30, 1964			3,534,613
Analysis of unexpended balance:			
Outstanding obligations, June 30, 1964 (net)		1,548,140	
Unobligated balance withdrawn June 30, 1964		1,986,473	
Total			$3,534,613

OPERATING COSTS OF THE U.S. GENERAL ACCOUNTING OFFICE, FISCAL YEARS 1953–64

	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Personnel compensation (note 1):												
Office of the Comptroller General	$459,952	$206,449	$213,167	$249,795	$219,803	$206,177	$79,400	$84,471	$101,289	$101,468	$104,993	$108,673
Office of the General Counsel	1,694,380	1,077,017	1,072,798	1,173,720	1,142,438	1,143,096	1,367,732	1,429,769	1,561,176	1,599,671	1,667,281	1,793,151
Claims Division	4,078,050	3,526,990	3,332,839	3,499,415	3,352,181	3,144,222	3,127,371	2,901,825	2,720,975	2,299,386	2,081,985	1,889,563
Office of Administrative Services	343,261	772,344	722,301	742,458	772,614	978,237	1,043,523	1,047,911	1,096,587	1,121,013	1,189,561	1,218,953
Indian Tribal Branch	409,074	397,382	379,721	394,739	427,592	501,458	528,023	513,173	501,582	470,981	442,055	391,549
Cameron, Va., Records Center	420,742	403,318	429,636	462,025	444,721	473,187	468,679	458,329	463,717	435,453	373,055	304,436
Division of Personnel	372,112	272,158	264,196	281,182	263,111	275,564	265,591	270,159	278,603	277,065	278,928	269,063
Accounting, Auditing, and Investigative Activities:												
Transportation Division	6,458,788	6,285,835	6,239,174	6,384,687	6,265,626	6,438,666	6,753,195	6,755,759	7,009,145	6,640,128	6,489,193	6,429,156
Civil Accounting and Auditing Division					5,693,013	5,517,347	5,363,772	5,109,739	5,545,381	5,489,905	5,779,174	5,505,291
Defense Accounting and Auditing Division	13,232,785	13,519,876	13,783,308	14,360,955	1,405,476	2,037,169	2,513,334	2,570,087	2,785,466	2,859,573	2,629,675	2,791,569
Accounting and Auditing Policy Staff					311,557	396,438	329,537	299,389	288,274	251,454	268,930	292,906
Office of Staff Management					99,633	149,564	119,004	110,188	130,891	116,683	139,121	143,114
Field Operations Division					6,453,577	7,428,037	7,781,585	7,864,593	8,950,761	9,439,841	10,924,346	12,018,524
Military Site Audits:												
Army Site Audit—Indianapolis	1,048,807	1,027,306	1,062,811	1,158,361	1,128,065	1,151,024	1,181,261	1,111,370	1,125,392	1,052,172	855,002	609,194
Air Force Site Audit—Denver	617,700	639,455	705,754	772,072	749,997	769,373	813,800	771,168	813,651	792,367	673,854	547,819
Navy Site Audit—Cleveland	613,713	618,558	618,490	646,647	624,803	640,151	665,972	647,667	675,347	638,678	528,531	421,608
Marine Corps Site Audit—Washington					154,641	194,485	216,341	217,027	234,569	215,623	178,270	142,989
International Operations Division:												
Washington												758,748
European Branch	177,360	342,510	462,260	454,719	592,011	562,991	574,573	544,559	534,535	445,619	637,508	707,854
Far East Branch					88,119	182,037	260,043	253,218	314,859	328,006	404,113	362,306
Total personnel compensation	29,326,724	29,089,198	29,265,455	30,580,895	30,188,954	32,102,223	33,452,736	33,050,392	35,132,266	34,578,086	35,645,575	36,700,466

Other costs:													
Travel and transportation of things	924,892	974,210	1,160,217	1,291,383	1,542,731	1,751,449	2,091,117	2,165,306	2,376,235	2,684,719	2,955,729	3,132,034
Telephone	95,547	98,384	92,565	101,068	102,010	109,135	121,393	135,320	135,188	142,2[illegible]	155,696	180,417
Supplies and materials	195,682	167,103	147,547	193,687	211,461	215,477	213,263	219,091	219,382	215,555	209,203	189,653
Security investigations	154,100	244,195	89,172	78,090	125,395	110,895	88,525	118,270	141,380	128,800	147,700	123,310
Printing and reproduction	147,148	119,426	109,160	106,749	144,688	95,080	93,525	99,500	98,599	90,769	77,349	106,059
Equipment	61,810	80,066	82,410	92,639	105,203	101,646	89,857	101,036	90,617	86,531	126,099	117,925
Penalty mail		53,556	52,539	40,000	41,000	41,000	60,000	60,000	62,500	70,000	70,000	62,000
Other expenses	321,901	358,578	328,277	316,196	382,331	379,265	334,604	292,297	274,439	330,829	559,950	347,458
Total other costs	1,901,083	2,095,478	2,061,947	2,249,812	2,654,852	2,803,937	3,092,283	3,190,820	3,398,340	3,749,413	4,301,726	4,258,886
Personnel benefits:												
Retirement and disability						1,970,959	2,132,800	2,107,127	2,240,069	2,211,108	2,278,856	2,319,507
Health benefits									258,375	260,195	255,022	251,558
Life insurance			80,475	100,958	98,378	100,385	109,253	110,034	116,755	114,866	118,515	121,227
Other benefits		58,819	53,014	26,256	32,689	32,012	31,818	47,635	49,611	41,070	35,171	31,049
Total personnel benefits		58,819	133,489	127,214	131,067	2,103,386	2,273,872	2,264,796	2,664,810	2,627,239	2,687,564	2,753,341
Total costs (note 2)	31,227,897	31,243,495	31,460,891	32,957,831	32,974,873	37,009,546	38,728,891	38,506,008	41,195,350	40,954,738	42,634,865	43,712,693
Budget	32,060,000	32,281,000	31,981,000	33,481,000	34,000,000	37,009,546	39,020,500	41,800,000	42,179,000	43,000,000	43,900,000	45,700,000
Excess of budget over costs	832,103	1,037,505	520,109	523,169	1,025,127		291,609	3,293,992	983,650	2,045,262	1,265,135	1,987,307

NOTES:

1. See schedule on p. 384 for explanation of organizational changes resulting in transfers of employees between the various offices and divisions.
2. See schedule on p. 334 for analysis of increases in operating costs attributable to legislation and regulations enacted since fiscal year 1953 increasing salary rates, employee benefits, travel allowances, and other costs.

INCREASES IN OPERATING COSTS OF THE U.S. GENERAL ACCOUNTING OFFICE ATTRIBUTABLE TO LEGISLATION AND REGULATIONS ENACTED SINCE FISCAL YEAR 1953, INCREASING SALARY RATES, EMPLOYEE BENEFITS, TRAVEL ALLOWANCES, AND OTHER COSTS

	Fiscal year 1964			Citation to public laws and regulations involved		
	Actual operating costs	Estimated operating costs at fiscal year 1953 rates (000 omitted)	Increases	Public law number	Date approved	Short title or regulation
Personal services	$36,701	$26,482	$10,219	22	May 5, 1955	Foreign Service Act Amendments of 1955.
				94	June 28, 1955	Federal Employees Salary Increase Act of 1955.
				854	July 31, 1956	Federal Executive Pay Act of 1956.
				85-462	June 20, 1958	Federal Employees Salary Increase Act of 1958.
				85-568	July 1, 1960	Federal Employees Salary Increase Act of 1960.
				87-322	Sept. 26, 1961	Amendment to Federal Executive Pay Act of 1956.
				87-793	Oct. 11, 1962	Classification Act Amendments of 1962.
Other costs:						
Travel and transportation of things	3,041	1,997	1,044	189	July 28, 1955	Amendments to Travel Expense Act of 1949.
				87-139	Aug. 14, 1961	
Penalty mail	62		62	286	Aug. 15, 1953	Amendment to Penalty Mail Act of 1948.
				87-793	Oct. 11, 1962	Postal Service and Federal Employees Salary Act of 1962.
Administrative support (foreign branches)	102		102			State Department Regulations.
All other	1,054	1,054				
Employee benefits:						
Retirement and disability	2,350		2,350	854	July 31, 1956	Civil Service Retirement Act Amendments of 1956.
Health benefits	252		252	86-382	Sept. 28, 1959	Federal Employees Health Benefits Act of 1959.
Life insurance	121		121	598	Aug. 17, 1954	Federal Employees' Group Life Insurance Act of 1954.
F.I.C.A. taxes	3	2	1	734	Aug. 28, 1950	Social Security Act Amendments of 1950.
Benefits for former personnel	17		17	161	July 28, 1953	Amendment to Budget and Accounting Act, 1921.
Other benefits	10	4	6		Sept. 13, 1960	Federal Employees Compensation Act Amendments of 1960.
Totals	$43,713	$29,539	$14,174			

COLLECTIONS BY OR THROUGH THE EFFORTS OF THE GENERAL ACCOUNTING OFFICE 1950-64

[000 omitted]

Fiscal year	General audit	Transportation audit	General claims	Investigations [1]	Postal accounts and claims	Total collections
1950	$14,642	$19,535	$4,946	$2,670	[2] $992	$42,785
1951	11,006	27,522	7,492	1,786	[2] 251	48,057
1952	9,362	36,753	9,078	644		55,837
1953	10,945	37,626	7,363	1,236		57,170
1954	12,659	40,755	7,895	594		61,903
1955	9,924	38,513	6,015	903		55,355
1956	8,420	52,097	7,388	401		68,306
1957	7,794	47,655	10,426			65,875
1958	19,305	40,162	7,424			66,891
1959	18,648	29,535	8,376			56,559
1960	14,661	21,545	7,233			43,439
1961	8,970	24,071	4,878			37,919
1962	13,826	28,160	6,233			48,219
1963	8,679	15,960	4,528			29,167
1964	10,257	10,499	6,410			27,166
Total	179,098	470,388	105,685	8,234	1,243	764,648

[1] Consolidated with accounting and auditing functions as of July 1, 1956, and reported under General audit in fiscal year 1957.

[2] Does not include collections for accounts with foreign countries and in fiscal year 1951 represents collections to Nov. 14, 1950, date of function transfer to Post Office Department.

SUMMARY OF FINANCIAL BENEFITS ATTRIBUTABLE TO THE WORK OF THE GENERAL ACCOUNTING OFFICE IDENTIFIED DURING THE FISCAL YEAR 1964

COLLECTIONS AND OTHER MEASURABLE BENEFITS

[000 omitted]

	Collections	Other measurable benefits	Total
DEPARTMENTS			
Army	$1,055	$43,308	$44,363
Navy	1,583	84,896	86,479
Air Force	2,464	94,297	96,761
Defense	875	26,232	27,107
Agriculture	57	2,134	2,191
Army Corps of Engineers (Civil Functions)	1	1,531	1,532
Commerce	247	714	961
Health, Education, and Welfare	760	9,319	10,079
Interior	58	1,897	1,955
Justice	1	19	20
Labor	331	375	706
Post office	5	1,840	1,845
State	3 2	10,315	10,667
Treasury	9	174	183
AGENCIES			
Atomic Energy Commission	231	2,811	3,042
Civil Service Commission	33	141	174
District of Columbia government	4	4	8
District of Columbia Redevelopment Land Agency	270		270
Federal Aviation Agency	33	1,434	1,467
General Services Administration	7	456	463
Housing and Home Finance Agency	155	8,716	8,871
Interstate Commerce Commission		50	50
National Aeronautics and Space Administration	474	253	727
Panama Canal Company	31	2,001	2,032
Small Business Administration		46	46
Veterans Administration	1,216	1,358	2,574
Other agencies	5	2	7
Total for audit of departments and agencies	10,257	294,323	304,580
Transportation audit	10,499		10,499
General claims work	6,410		6,410
Total	27,166	294,323	321,489

DETAILS OF OTHER MEASURABLE BENEFITS

Details of other measurable benefits attributable to the audit work of the General Accounting Office, totaling $294,323,000, are listed below. These financial benefits were identified during the fiscal year 1964 and consist of realized or potential savings in Government operations directly attributable to action taken or planned on findings developed by the General Accounting Office in its examination of agency and contractor operations. In most instances, the potential benefits are based on estimates and for some items the actual amounts to be realized are contingent upon future actions or events.

Action Taken or Planned	*Estimated Benefits*
Supply Management:	
Cancellation of plans to purchase materials for which there was no current need	$48,139,000
Reduction in procurement of spare aircraft engines needed as replacements during engine overhauls	45,000,000
Transfer of excess material to agencies or contractors for use in lieu of making new procurements	23,171,000
Conversion from central procurement, storage, and distribution of many low-volume items to procurement from local suppliers as needed	20,000,000
Return to active inventory excess or surplus material which was either unnecessarily held in reserve or was prematurely scheduled for disposal	10,722,000
Revision of policies and procedures on procurement of aircraft repair parts kits which provide for procurement of kits more economically suited to the overhaul activities	10,000,000
Adjustment of prices under existing contracts or proposed amendments	5,971,000
Reclamation of parts from excess aircraft engines	2,139,000
Procurement of repair parts from commercial sources rather than manufacture of the parts in Government plants	2,100,000
Derferment of cancellation of the lease or purchase of equipment for which there was no immediate need or the need was not adequately justified	1,660,000
Deferring the purchase of certain equipment until a decision had been made on how the equipment would be used	1,345,000
Avoiding payment of storage charges on cotton for overlapping periods	1,200,000
Revision of a policy which had caused unnecessary overhaul of serviceable aircraft engine accessories	1,200,000
Use of Government-owned petroleum storage facilities in lieu of commercial storage	472,000
Reduction in milk procurement costs at hospitals and domiciliaries by purchasing in bulk quantities rather than half-pint containers	436,000
Reduction of supply items through standardization	272,000
Cancellation of MAP requisitions for supplies and materials not needed by the Spanish Army	178,000
Restoration to accountability inventories of supplies otherwise unavailable for use	138,000
Other items	306,000
Communications:	
Increased use of the Federal Telecommunications System for long-distance telephone calls	696,000

Action Taken or Planned	*Estimated Benefits*
Communications—Continued	
Realinement of refile stations thereby reducing costs of long-distance communications	$563,000
Elimination of unneeded teletype circuits and replacement of leased teletype equipment with excess Government-owned equipment	153,000
Proficiency Flying:	
Savings in fiscal year 1964 in aircraft operating and maintenance expenses resulting from excusing certain rated officers from flying as authorized by sec. 614, P.L. 87-144. (The estimated savings included in our annual reports for the fiscal years 1962 and 1963 were $13,300,000 and $32,600,000, respectively.)	39,400,000
Payments to Government Employees, Veterans, and Other Individuals:	
Closing, consolidation, or reduction in staff of installations and offices in excess of actual needs	16,569,000
Revision of Joint Travel Regulations to prevent unnecessary per diem payments to prospective crews of nuclear powered submarines and surface vessels	9,200,000
Increase in rental rates for Government quarters furnished to civilian employees to a level comparable with private housing	1,432,000
Revision of regulations to preclude payments to reserve officers, on annual active duty training, for days on which no training or necessary travel was performed	1,220,000
Issuance of instructions designed to preclude unnecessary storage of household goods	1,200,000
Correction of erroneous pay and allowance computations and records	1,165,000
Correction of deficiencies in administration of the extra-hazard provision of veterans' insurance law	578,000
Termination or reduction of improper awards for Veterans Administration compensation and pension benefits	305,000
Reduction of unemployment compensation benefits to retired Federal employees and members of the Armed Forces	256,000
Revision of regulations to provide more definite guidelines and control over claims for shipment of professional books and other items	250,000
Reduction in cost-of-living allowance payments to servicemen by requiring the use of Government quarters and messing facilities where available	201,000
Reductions in future payments for retirement arising from correction of erroneous awards	180,000
Realinement of instruction operations and elimination of 27 positions	155,000
Other items	167,000
Loans, Contributions, and Grants:	
Reduction in need for borrowing by the Government with consequent decrease in interest cost resulting from new procedures for advancing Federal grant funds to State and local governments and other institutions as needed rather than in advance of need for grant funds	8,000,000
Amendments to 2 loan agreements providing for repayment with maintenance of value	4,000,000

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UNITED STATES GENERAL ACCOUNTING OFFICE

Action Taken or Planned	Estimated Benefits
Loans, Contributions, and Grants—Continued	
Reduction in the Government's share of the cost of slum clearance and urban renewal projects resulting from reduction or elimination of noncash grant-in-aid credits to local public agencies	$1,802,000
Including amounts of court judgments against the Government in the costs of revenue-producing water resources development projects which are to be recovered from project beneficiaries	1,800,000
Reduction in Federal contribution to the cost of a State irrigation district resulting from a reallocation of project costs	1,500,000
Reduction in Federal grants for school construction resulting from revised criteria for determining eligibility for construction grants	1,250,000
Additional interest income resulting from adoption of improved procedures	1,100,000
Reduction in Government's share of the cost of the Federal-aid highway program resulting from adjustment for unauthorized costs of relocating private utilities	235,000
Elimination of U.S. participation in the cost of fencing a section of the Inter-American Highway in the Republic of Costa Rica	153,000
Leasing and Rental Costs:	
Savings in rental costs resulting from purchasing rather than renting automatic data processing equipment	6,402,000
Installation of a "computime" device which registers actual automatic data processing machine usage	36,000
Administrative Costs:	
Increase in fees collected from applicants for mortgage insurance to cover the cost of processing applications	6,000,000
Mutual Education and Cultural Exchange Program:	
Reduction in appropriation requests for the fiscal year 1964 resulting from giving effect to unobligated reserve funds from prior years	2,600,000
Erroneous exchange rate used in allocating funds to Finland resulting in a reduction of funds by using the proper exchange rate	166,000
Transportation:	
Strengthening of controls exercised by the Department of Defense over weights stated by motor carriers in billing the Government for household goods shipments	5,000,000
Prevention of unnecessary expenditures by using less than 1st-class air accommodations and increased use of American-flag air carriers	2,400,000
Other Items:	
Utilization of the Treasury Department's electronic data processing equipment for processing paid postal money orders	840,000
Additional revenues resulting from increasing the sales price of Federal timber by including the value of byproducts in appraisals and by revising the method of computing the allowance for logging costs	595,000
Recovery of improper expenditures from an appropriation for the construction of a bridge	380,000
Discontinuing the purchase of hazard insurance on multifamily project properties acquired by the Government	290,000

Action Taken or Planned	Estimated Benefits
Other Items—Continued	
Timely cancellations of insurance on cotton upon its acquisition by the Government under the price support program	$278,000
Estimated annual earnings from transfer of foreign currency from a non-interest-bearing account to an interest-bearing account	268,000
Miscellaneous other items	1,089,000
Total other measurable benefits	294,323,000

ADDITIONAL FINANCIAL BENEFITS NOT FULLY OR READILY MEASURABLE

Many significant financial benefits of a recurring nature are attributable to the work of the General Accounting Office which are not fully or readily measurable in financial terms. These benefits also result from actions taken by Federal agencies in their efforts to eliminate the unnecessary expenditures or otherwise correct the deficiencies brought to light in our audit reports. A few examples of such actions identified during the fiscal year 1964 are described below.

Procurement of Materials and Supplies

In recent years, we have issued numerous reports on unnecessary costs incurred by the military departments through failure to purchase supplies competitively or through failure to purchase directly from the actual manufacturer repair parts customarily ordered through the supplier of equipment for which the repair parts were ordered. As a result of our reports and subsequent congressional hearings on them, the Department of Defense entered into various programs to increase competitive procurements. During the fiscal year 1964, the Department of Defense reported to the Congress that, as a result of these efforts, both the proportion and the volume of competitive procurement have increased significantly. Savings achieved through converting sole-source procurements to price competition in the fiscal year 1964 are estimated by the Department of Defense to be over $350 million, as follows:

	Million
Army	$120
Navy	135
Air Force	92
Defense Supply Agency	3
Total	350

Procurement of Automatic Data Processing Equipment

A number of our reports in fiscal years 1963 and 1964 pointed out the financial advantages to the Federal Government of purchasing over leasing of automatic data processing equipment. The Department of Defense studied this matter and determined that equipment costing over $225 million could be purchased at an economic advantage to the Government. We were advised by the Department of Defense that in the fiscal year 1964 actual purchases of the equipment which would otherwise have been leased amounted to about $179 million. Based upon an assumed useful life of 10 years for each machine, we estimate that the savings from this action for the fiscal years 1964 through 1975 will approximate $281.7 million, as follows:

Army	$99,132,000
Navy	55,414,000
Air Force	127,153,000
Total	281,699,000

Use of Foreign Currencies

As a result of our proposal in a report to the Congress (B-146749) in October 1962, our Office worked with the Bureau of the Budget and the Treasury Department to develop suitable legislation which would permit the United States to use United States-owned foreign currencies reserved for specific purposes but not currently needed for those purposes, with the provision that the dollar equivalent would be available to replace them when needed for the purposes for which they were originally reserved.

The proposed legislation was subsequently enacted as section 508, P.L. 88-257, approved December 31, 1963. The Treasury Department and the Bureau of the Budget have estimated that this legislation would immediately make available $75 million of administratively reserved foreign currencies. Purchases of foreign currencies for other purposes will thus be substantially reduced and the outflow of dollars curtailed.

Deposit of Loan Collections in Treasury

Collections of principal and interest on loans made by the Development Loan Fund, now abolished, were improperly retained by the Agency for International Development. As the result of our review, the collections through May 1964 of $44,300,000 were transferred to the miscellaneous receipt account of the Treasury Department. It is estimated that the ultimate amount of such collections and transfers of funds will exceed $500 million.

Consolidation and Reconfiguration of Department of Defense Communications Circuits

In July 1961, pursuant to our recommendation in a report to the Congress in November 1959, the Secretary of Defense established a central office within the Defense Communications Agency to order and pay for all leased private line communications as the only DOD customer. As a result, instead of being charged for communication services at rates applicable to 25 customers, the Department, as one customer, receives the advantage of reduced rates applicable to larger customers. Estimated savings for fiscal year 1963, included in our annual report for 1963, were $22,500,000. Estimated savings for fiscal year 1964 and future years are about $50 million a year.

Improvement of Employer Social Security Reporting

The Social Security Administration (SSA) has estimated that more than 20 million employee earnings items are reported improperly each year by employers and that the administrative cost to SSA in identifying or in attempting to identify these items has been as much as $5.8 million in one fiscal year. As a result of our recommendation, SSA has taken action to reduce administrative costs and to improve the accuracy of earnings reports by implementing an educational program directed toward employers who report employee earnings improperly. This action should result in substantial annual savings.

Revision of Urban Renewal Regulations

As a result of our recommendation, the Urban Renewal Administration (URA) revised its regulations regarding demolition of buildings in project areas. In addition, the regulations were revised to require that local agencies (1) justify the acquisition for demolition of all expensive and basically sound properties and (2) document all considerations given to proposals for retaining a maximum number of such properties. Although we are not able to estimate the financial effect of URA's revised procedures, the savings to the Federal Government should amount to millions of dollars since it pays two-thirds, and sometimes three-fourths, of the cost of acquiring and demolishing properties in urban renewal areas.

SUMMARY OF AUDIT REPORTS INDICATING WASTE AND MISMANAGEMENT IN FEDERAL AGENCIES ISSUED TO THE CONGRESS DURING FISCAL YEAR 1964

Most of our audit work in the Federal agencies is directed toward identifying management problems that result in unnecessary expenditures or losses, inefficiency, and other forms of waste and mismanagement. Reports on our findings are submitted to the Congress along with our recommendations as to action necessary to achieve greater efficiency and economy and improved management.

Incidents of waste and mismanagement cited in audit reports to the Congress during the fiscal year 1964 are summarized in the following compilation. In many cases it is not practicable to estimate the amounts of the actual or potential unnecessary costs or losses incurred or scheduled to be incurred by the Federal Government.

DEPARTMENT OF DEFENSE [1]

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Uneconomical use of parts kits to support depot overhaul activities in the Air Force Logistics Command, Department of the Air Force, B-133303, July 12, 1963.	Air Force Logistics Command devoted insufficient attention to criteria prescribed for determining which parts should be included in repair kits at aircraft overhaul activities. As a result, kits contained many unneeded parts.	$10,000,000.
Unnecessary planned procurement of 36,000 B.t.u. air conditioners by the Department of the Army, B-146897, July 31, 1963.	Engineer Supply Control Office, St. Louis, Mo., planned to buy 200 unnecessary air conditioners because of unrealistic replacement criteria.	$300,000.
Impairment of combat readiness of a Department of the Army combat unit at Fort George G. Meade, Md., resulting from lack of repair parts, B-146799, July 31, 1963.	The 3d Armored Cavalry Regiment, a Strategic Army Corps unit, had the majority of its combat and combat-support vehicles out of commission because of lack of repair parts and inefficient inspection practices during the preparation for deployment to Berlin in 1961. The vehicles were not made completely combat ready after 18 days of intensive effort and the poor condition dated back to 1959.	Not determined.
Overprocurement by the Department of the Navy of spare guidance components for the shipboard repair of improved Tartar missiles, B-146725, July 31, 1963.	The Navy procured about $1,000,000 worth of spare guidance components in excess of needs for maintenance of improved Tartar missiles on board vessels.	$1,000,000.
Unnecessary annual expenditures by the Departments of the Air Force and the Navy for leasing commercial facilities to store petroleum products in the San Francisco, Calif., area instead of using excess Government-owned petroleum facilities at the Navy Fuel Department, Point Molate, Richmond, Calif., B-133149, July 31, 1963.	A Navy-owned petroleum storage facility was excess to needs since December 1960. A nearby commercial facility was being leased by the Defense Petroleum Supply Center for the Air Force and Navy to store aviation fuels at an annual price of $305,500. By converting the unused Navy facility for $348,280 and eliminating all commercial leases the Government could save the $305,500 a year. The conversion costs would be recovered in about 14 months. Also the Air Force planned to spend $106,000 for constructing facilities at Point Molate for transporting fuel by truck although facilities were available for more economical transportation of fuel by water and pipeline.	$411,500.
Additional costs resulting from procurement of test equipment as special tooling under cost-plus-a-fixed-fee contracts awarded to Lockheed Aircraft Corp. Missile and Space Division, Sunnyvale, Calif., by the Departments of the Air Force and Navy, B-146788, July 31, 1963.	Lockheed acquired test equipment as special tooling under various cost-plus-a-fixed-fee contracts instead of industrial facilities under no fee facility contracts. If the equipment had been appropriately identified and described it could have been acquired under a no fee contract thereby exempting it from fees of about $289,000.	$289,000.

[1] Exclusive of International operations listed separately.

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DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Increased price for ballistic computers resulting from excessive estimated material costs under Department of the Air Force contract AF 09(603)-34097 with Servomechanisms, Inc., El Segundo, Calif., B-146891, July 31, 1963.	The price proposed by Servomechanisms, Inc., and accepted by the Air Force without change, included estimated material costs that were excessive in relation to cost and pricing information at the time the price proposal was prepared.	$83,800.
Noncompetitive procurement of military aircraft forgings from Aluminum Co. of America at prices substantially higher than current and expected costs of production, Department of the Air Force, B-146781, July 31, 1963.	Alcoa consistently quoted prices substantially above its current and expected production costs. Although there was no competition, the company refused to furnish cost data to its military customers thereby precluding open negotiation of prices. These prices exceeded current production costs by $893,300 or an average of 51 percent. The company refused to accept subcontracts on any basis other than its own terms. As a result the military customers had to accept the prices offered without benefit of normal negotiation processes. We found evidence that the practices noted above are generally followed by Alcoa in the pricing of all Government business amounting to many millions of dollars annually.	Not determined.
Unjustified cost-of-living allowances paid in the Alaska Command to military personnel not accompanied by dependents, Department of Defense, B-146800, Aug. 7, 1963.	Cost-of-living allowance payments were made to officers and noncommissioned officers on the basis that adequate Government messing facilities were not available when in fact existing military dining halls were adequate to serve both officer and enlisted personnel. Army noncommissioned officers who were residing in bachelor enlisted quarters were authorized to mess separately, merely on the basis of such residency, and to receive cost-of-living allowance payments in addition to their basic allowance for subsistence. (Continuation of these payments will result in questionable expenditures of $241,000 annually if not corrected.)	$355,000.
Unnecessary costs incurred in the procurement of radar altimeters, Department of the Navy, B-146774, Aug. 26, 1963.	The Government incurred unnecessary costs of $1,100,000 because the AN/APN-120 radar altimeter was built to operate in an unauthorized frequency band and the altimeters therefore could not be used for operational purposes. The Bureau of Aeronautics left selection of the frequency bands to the discretion of the manufacturer instead of obtaining approved frequency bands prior to development as required by written instructions.	$1,100,000.
Illegal use of operation and maintenance funds for rehabilitation and construction of family housing and construction of a related facility of the Department of Defense, B-133102, Aug. 30, 1963.	At 7 military installations operation and maintenance funds of $1,682,000 were illegally spent (1) to finance rehabilitation work on Wherry housing ($800,000), (2) for supplemental work or additional features on Capehart housing projects ($190,000), (3) for construction of a gas distribution system ($92,000).	$1,082,000.
Continued use of uneconomical 1st-class air-travel accommodations by employees of defense contractors, B-133371, Aug. 30, 1963.	In a follow-up review of 20 contractors, we found that 9 contractors continued uneconomical use of 1st-class air accommodations, increasing costs under defense contracts.	Not determined.
Unreasonably high prices paid for nickel cadmium aircraft storage batteries under negotiated fixed-price contract AF 01 (601)-22629 with Sonotone Corp., Elmsford, N.Y., Department of the Air Force, B-146905, Aug. 30, 1963.	Contract price of $1,901,290 exceeded costs by about $704,000 or 58 percent because significant cost and production information available to the contractor was not disclosed to the Air Force.	Do.
Increased costs resulting from failure to procure ships spare parts competitively or directly from the manufacturer, Department of the Navy, B-133958, Sept. 11, 1963.	Purchase of parts from sole source suppliers without inquiry into feasibility of other sources, despite savings obtainable.	$1,500,000.
Unnecessary costs resulting from the noncompetitive procurement of aeronautical replacement spare parts, Department of the Navy, B-133396, Sept. 17, 1963.	Failure to appreciably increase competitive procurement over that in fiscal year 1961. Of $14,000,000 worth of noncompetitive spare parts reviewed we found that the Navy incurred $3,300,000 of unnecessary costs.	$3,300,000.

[1] Exclusive of international operations listed separately.

DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Procurement of defective rocker arm assemblies for combat vehicle engines from Hawk Tool and Engineering Co., Clarkston, Mich., Department of the Army, B-146803, Sept. 19, 1963.	Contractor produced defective rocker arm assemblies and the Army accepted them without adequate inspection.	$156,000.
Excessive cost to the Government for leasing instead of purchasing analog computer systems for use under negotiated defense contracts by Martin Marietta Corp., Orlando, Fla., Department of Defense, B-146812, Sept. 19, 1963.	Excess costs will be incurred by Government because contractor leased rather than purchased EDP equipment used primarily under cost reimbursable contracts.	$230,000 (5 year period).
Overcharges by Westinghouse Electric Corp., for propulsion machinery for the aircraft carrier U.S.S. *Enterprise*, Department of the Navy, B-146733, Sept. 20, 1963.	Price proposed by the contractor and accepted by the Navy included unwarranted provision for contingencies.	$1,353,000.
Payments to Naval Reserve officers on annual active duty training for unnecessary days of travel and for days in which no training or travel is performed, Department of the Navy, B-146551, Sept. 30, 1963.	Unnecessary costs resulting from payments to Naval Reserve officers for authorized travel to and from active duty posts by automobile in excess of that which would have been required for air travel time and for commencing and terminating active duty assignments unnecessarily early or late when personnel lives within commuting distance of post of duty.	$600,000 (per annum).
Unnecessary procurement of helicopter components, Department of the Navy, B-146794, Sept. 30, 1963.	Failure of the Navy to obtain rotor assemblies from the Army which were excess to Army's needs. Also Navy failed to identify usable gear boxes available from Army.	$757,700.
Overstatement of needs and illegal use of commercial-type vehicles by the Kanto Base Command, Japan, 6100th Support Wing, Department of the Air Force, B-146816, Sept. 30, 1963.	Overstatement of needs resulted in the 6100th Support Wing having on hand 100 more pickup trucks than needed (acquisition cost $193,000). Also, military taxis were being used for unofficial purposes.	Not determined.
Unnecessary procurements of specially designed 60,000-B.t.u. air conditioners, Department of the Army, B-146807, Oct. 15, 1963.	Procured 557 unneeded 60,000-B.t.u. air conditioners.	$2,100,000.
Unnecessary procurement and repair costs by the Department of the Army for J-2 gyro magnetic compass components available in the military supply systems, Department of Defense, B-146814, Oct. 15, 1963.	Procurement costs—$348,000; repair costs—$105,000; planned procurement—$920,000.	$1,373,000.
Unnecessary costs in the procurement of clutch pressure plates, Department of the Army, B-146817, Oct. 15, 1963.	Inappropriate use of formal advertising procurement procedures resulted in unnecessary costs of $28,000; planned inappropriate use of advertised contract that would have resulted in excessive costs of $56,023.	$84,023.
Failure of the Department of the Navy to fully recover excessive administrative cost allowance included in fixed prices negotiated with Brown-Raymond Walsh (A Joint Venture) under contract NOy-83333 for the Spanish base construction program, Department of Defense, B-118763, Oct. 21, 1963.	Negotiated price included administrative expense allowances of $6,700,000 in excess of a reasonable estimate of costs to be incurred. Navy felt it had recovered $5,100,000 of the overpayments through negotiation of lower administrative expense allowances in prices for additional work. Investigation showed recovery of only $3,000,000.	$6,700,000.
xcessive costs included in Eprices for Falcon missile components purchased from AVCO Corp., Crosley Division, Cincinnati, Ohio, by Hughes Aircraft Co., Culver City, Calif., under a negotiated contract, Department of the Air Force, B-125071, Oct. 24, 1963.	Prices of missile stabilizers and flippers were excessive in relation to available cost data—acceptance of prices without appropriate review and evaluation.	$158,110.
Unnecessary costs incurred because of failure to standardize tropical wool trousers, Department of the Army and Marine Corps, B-133177, Oct. 28, 1963.	Procurement and supply of 2 types of trousers, trousers without flaps and trousers with flaps on hip pocket. Failure to refer this matter of practical standardization to the Defense Supply Agency.	$68,000.

[1] Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Use of former Government surplus parts without authorization under Contract DA-23-204-TC-1695 with Aerodex, Inc., Miami, Fla., Department of the Army, B-118694, Oct. 29, 1963.	Government paid Aerodex $321,554 for a portion of a lot of surplus parts which Aerodex purchased from a surplus parts dealer for $71,858. At least some of the parts were former Government surplus parts.	Not determined.
Unnecessary annual expenditures by the Departments of the Army and Navy for leasing commercial facilities to store Government-owned empty 55-gallon steel drums in the Los Angeles, Calif. area, Department of Defense, B-146827, Oct. 29, 1963.	The Army and Navy incur unnecessary charges of about $112,000 annually for storing Government-owned empty 55-gallon drums at 2 commercial facilities when Government facilities are available nearby.	$112,000 (per annum).
Unnecessary costs incurred because of administrative negligence and poor design in the construction of two Capehart housing projects, Department of the Air Force, B-143102, Oct. 30, 1963.	About $36,000 was spent for repair and repainting of siding because of failure to use proper exterior paint in construction of 800 houses at Myrtle Beach. About $127,000 will be required to correct defects in the drainage system at Chanute Air Force Base, which was known in advance of construction, and to repair damage from flooding.	$163,000.
Unnecessary costs incurred by use of an inadequate interior protective coating for fuel truck tankers, Department of the Army, B-146829, Oct. 30, 1963.	The Army used an inadequate protective coating in the interior of 380 fuel truck tankers. Officials directed the use of the inadequate coating material even though they had received reports on its ineffectiveness and knew that the Air Force was using an effective coating.	$113,000.
Illegal per diem payments to military personnel of the Navy and Marine Corps serving as military inspection representatives in Tokyo and Osaka, Japan, Department of the Navy, B-146822, Oct. 31, 1963.	Illegal payment of per diem because the personnel were improperly placed on temporary rather than permanent duty although they were at the same location for continuous periods up to almost 4 years duration. Per diem payments $265,000 minus $62,000 for allowances inspectors would have been allowed if on permanent duty.	$203,000.
Unsatisfactory condition of combat vehicles and equipment in the 3d Marine Division (Reinforced) Okinawa, U.S. Marine Corps, Department of the Navy, B-146832, Oct. 31, 1963.	Equipment reports of 4 battalions showed that 24 to 45 percent of the major equipment assigned to these battalions was out of service for repairs during various periods in fiscal year 1962.	Not determined.
Unnecessary costs incurred by leasing rather than purchasing electronic data processing equipment at White Sands Missile Range, N. Mex., Department of the Army, B-146752, Nov. 13, 1963.	The Government incurred unnecessary costs of $1,300,000 during the period Jan. 1, 1961, through Aug. 31, 1963, because the Army leased, rather than purchased, 2 electronic computers and supporting equipment.	$1,300,000.
Overprocurement of selected accessories for jet aircraft engines by the military services, Department of Defense, B-132989, Nov. 29, 1963.	Army, Navy, and Air Force bought selected accessories that would not have been needed if the services had removed accessories from uninstalled engines and used these accessories to meet the need for spare parts. (Estimated saving of $42,000,000 from January 1963 to June 1968 if the recommendations are followed.)	$9,400,000 (12-year period).
Uneconomical procurement of electronic equipment under contract AF 01(601)-31042 with Grumman Aircraft Engineering Corp., Bethpage, Long Island, N.Y., Department of the Air Force, B-146823, Nov. 29, 1963.	The Air Force did not furnish Grumman with pertinent information relative to past, current, and contemplated procurements of electronic equipment by the military services and as a result the prices paid for the equipment by Grumman were about 61 percent higher than prices currently being obtained by the services.	$1,150,000.
Uneconomical management of commercially available items, Department of Defense, B-146828, Nov. 29, 1963.	Department of Defense centrally manages hundreds of thousands of low-volume minor items which could be bought directly from commercial sources with the result of saving millions of dollars each year in management and supply inventory costs.	$50,000,000 (per annum).
Unnecessary procurement of office furniture for use in the Pentagon, Department of the Air Force, B-146835, Nov. 29, 1963.	The Air Force procured wood unitized office furniture to replace significant quantities of furniture that was in good serviceable condition without evidence that replacement was economically justified.	$323,000.
Overpricing of modification kits for interrogator sets under fixed-price contract with General Instrument Corp., Newark, N.J., Department of the Army, B-146736, Dec. 12, 1963.	Overpricing of modification kits for interrogator sets by the General Instrument Corp. and failure of responsible agency officials to adequately review the contractor's proposed prices.	$143,400.

[1] Exclusive of international operations listed separately.

DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Overpricing of spare parts purchased from Hughes Aircraft Co., Culver City, Calif., under fixed-price incentive contract AF 33(600)-38280, Department of the Air Force, B-125071, Dec. 16, 1963.	Overpricing of spare parts by the Hughes Aircraft Co. and failure of resident Air Force contracting officials to adequately examine the contractor's proposal resulted in excessive costs to the Government.	$201,000.
Procurement of inaccurate radiation measuring instruments, Department of the Army, B-146834, Dec. 17, 1963.	The Army awarded 5 contracts for 59,776 radiacmeters even though it was aware that the radiacmeters were not suitable for Army use; $663,000 was expended for modifications and an estimated $200,000 will be incurred for work stoppages. At least 10,800 radiacmeters were scrapped.	$863,000 (plus undetermined amount for scrap).
Excessive price paid for propulsion reduction gears purchased from Westinghouse Electric Corp., Sunnyvale, Calif., Department of the Navy, B-146833, Dec. 19, 1963.	A contract for gears for an amphibious transport dock vessel included rework cost although Westinghouse had successfully produced identical gears without having to perform any rework. Had Westinghouse advised Navy of this fact it would have been in a position to obtain a lower price.	$64,900.
Unnecessary costs being incurred as a result of the Navy's refusal to accept the standardized officers' dress shoes agreed upon by the Army, Air Force, and Marine Corps, Department of Defense, B-133177, Dec. 19, 1963	Navy is incurring unnecessary costs because the Navy refuses to discontinue using brown dress shoes and to use only the black shoes as used by the Army, Air Force, and Marine Corps.	$158,000 (per annum).
Unnecessary [illegible] incurred for temporar[illegible] of household goo[illegible] [illegible]litary personnel, D[illegible]ment of Defense, B-14[illegible]9, Dec. 20, 1963.	Unnecessary costs incurred for the storage of household goods because of the failure of transportation officers to have goods delivered to available quarters and the failure of transportation and housing officers to coordinate on the availability of quarters.	$1,200,000 (per annum).
Erroneous reporting of taxable income and taxes withheld from pay of military personnel, Department of the Air Force, B-125036, Dec. 20, 1963.	The Air Force inaccurately reported the taxable income and taxes withheld from the pay of members of the Air Force which has resulted in a potential loss of revenue to the Government.	Not determined.
Excessive cost of leasing compared with buying certain electronic data processing equipment at Kirtland Air Force Base, N. Mex., Department of the Air Force, B-146732, Dec. 24, 1963.	The Air Force would unnecessarily expend millions of dollars if it did not take advantage of the purchase option offered by Control Data Corp. for its 1604 electronic data processing system which the Air Force leases.	$1,780,000 (per annum).
Overestimated costs included in prices negotiated for modification of aircraft engine test stands under fixed-price contracts with Space Corp., Dallas, Tex., Department of the Air Force, B-114808, Dec. 30, 1963.	The Government incurred unnecessary costs in contracts for the modification of 32 jet engine test stands because Space Corp. did not supply the Air Force officials with all the cost data and the Air Force contracting officials did not perform a thorough review of the contractor's price proposal.	$213,000.
Erroneous purchase of a technical data package from Westinghouse Electric Corp. for $1,010,000, Department of the Navy B-146035, Dec. 31, 1963.	The Navy contracted to pay Westinghouse for a technical data package although it had already acquired unlimited rights to use all the significant data included in the package.	$1,010,000.
Increased costs resulting from the procurement of spare parts under contracts for related aeronautical equipment, Department of the Air Force, B-133396, Jan. 10, 1964.	During years 1959 through 1961, Air Force procured spare parts costing about $50,800,000 under contracts for related equipment although the parts could have been bought under spare parts contracts, generally from other suppliers for $18,700,000 less. Also spare parts were purchased although they had previously been declared obsolete.	$18,700,000. $300,000.
Improper disposition of refunds of group insurance premiums by Grumman Aircraft Engineering Corp., Bethpage, N.Y., Department of the Navy, B-146780, Jan. 13, 1964.	Grumman did not give the Government credit for a portion of refunds it received from a group insurance plan it maintains in its company. Since about 90 percent of Grumman's work was on Government contracts during this period, the majority of the refunds would have accrued to the benefit of the Government thus reducing the contract price.	$449,000.
Overbuying and unnecessary overhaul costs resulting from failure of the Air Force to follow the Navy's practice of separating accessories from spare reciprocating aircraft engines, Department of the Air Force, B-132989, Jan. 14, 1964.	The Air Force incurred unnecessary costs during the period of 1950 to 1962 by failing to remove accessories from spare aircraft reciprocating engines and buying extra accessories. By using the accessories from spare engines it reduces the number of accessories the services have to buy and it minimizes the amount of time the accessories are idle.	$6,149,000.

[1] Exclusive of international operations listed separately.

DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Unnecessary procurement initiated for 9,000 B.t.u. air conditioners, Department of the Army, B-146897, Jan. 16, 1964.	The Army initiated a procurement for 214 air conditioners for which firm requirements did not exist. The Signal Corps failed to advise the Corps of Engineers in a timely manner that the units were not needed.	$161,500.
Unnecessary cost incurred in the procurement of AN/ARN 21C TACAN radio components through failure to accept option offer, Department of the Air Force, B-146836, Jan. 24, 1964.	Air Force incurred unnecessary costs of over $1,000,000 by its failure to incorporate into a contract an option offered by the supplier of TACAN radio components to furnish additional quantities at the original contract price.	$1,000,000.
Unnecessary costs relating to reassignment of management responsibility for tool sets, Department of the Army and Defense Supply Agency, B-146856, Jan. 28, 1964.	The Defense General Supply Center (DGSC), under the Defense Supply Agency, had in process or planned unnecessary procurement of $261,000 worth of hand tools and $13,000 worth of needed tools were disposed of as a result of failure to transfer $1,200,000 worth of excess Army hand tools to the DGSC. Moreover, the cost of complete tool sets purchased by DGSC could have been reduced by $82,000 if DGSC had furnished its contractors some of the tools needed which were available from the excess stocks.	$356,000.
Overbuying and unnecessary overhaul costs resulting from the failure of the Army to follow the Navy's practice of separating accessories from spare reciprocating aircraft engines, Department of the Army, B-132989, Jan. 30, 1964.	The Army bought aircraft engine accessories costing $1,014,000 during the 6-year period ended Dec. 31, 1962, and incurred overhaul costs estimated at $421,000 during fiscal years 1961 and 1962 that could have been avoided by following the Navy's practice of removing accessories from spare engines.	$1,435,000.
Excessive charges for components for M-60 tanks under contract with Chrysler Corp., Detroit, Mich., Department of the Army, B-133295, Jan. 31, 1964.	The revised final contract price for M-60 tanks under Department of the Army contract with Chrysler Corp., contained duplicate and excessive costs which increased the contract price by about $315,200 for components made at certain of the contractor's plants. The procuring agency (1) failed to obtain a certification on the cost data, despite a contract requirement for such a certificate, and (2) accepted the summary cost data submitted without an adequate review.	$315,200.
Increased costs incurred for ammonium perchlorate purchased during 1961 for solid-propellant missile motors, Department of the Air Force, B-146843, Jan. 31, 1964.	The Government incurred increased costs, estimated to be $500,000 in 1961, in procuring its requirement of ammonium perchlorate because prices paid by Air Force contractors generally were higher than prices paid by the Navy under contracts negotiated directly with one of the principal suppliers.	$500,000.
Overpricing of ship propulsion boilers purchased under fixed-price contract NObs-76301 negotiated with Foster Wheeler Corp., New York, N.Y., Department of the Navy, B-146733, Jan. 31, 1964.	The price that the Bureau of Ships negotiated with Foster Wheeler for boilers amounting to $1,722,300, was at least $132,200 greater than the costs Foster Wheeler could reasonably expect to incur plus profit at the rate of 10 percent of such costs, the rate used in Foster Wheeler's price proposal.	$132,200.
Excessive stocks at selected bases of U.S. 5th Air Force in Japan and Korea, Department of the Air Force, B-146844, Jan. 31, 1964.	Over $4,300,000 worth of excess stocks were on hand or on order from U.S. depots. The excesses accumulated because of failure to appropriately consider (1) prior usage, (2) large number of items on hand in maintenance shops, and (3) available substitute or reparable items.	$4,300,000.
Overpricing of nuclear reactor components purchased from Westinghouse Electric Corp., Pittsburgh, Pa., under cost-plus-a-fixed-fee contracts awarded by the Bureau of Ships, Department of the Navy, B-146733, Feb. 6, 1964.	Plant Apparatus Division, Westinghouse, under Navy cost-plus-a-fixed-fee contracts, awarded a subcontract for 35 pumps and 16 casings to Atomic Equipment Division, Westinghouse, without obtaining AED's estimated cost of performance or information as to actual incurred costs in prior production of similar components.	$705,000.
Unnecessary costs resulting from Government production of M-14 rifle repair parts rather than procurement from commercial sources, Department of the Army, B-146848, Feb. 7, 1964.	The Government incurred unnecessary costs of $216,000 because the Army Weapons Command placed orders for certain repair parts for M-14 rifles with Springfield Armory without first comparing costs to be incurred by the armory with prices it was currently paying to commercial sources for the same parts.	$216,000.

[1] Exclusive of international operations listed separately.

DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Overpricing of B-58 aircraft bomber recording systems by Melpar, Inc., Falls Church, Va., on fixed-price purchase order 509 with General Dynamics Corp., Fort Worth, Tex., Department of the Air Force, B-118695, Feb. 7, 1964.	A firm price was negotiated by General Dynamics and Melpar, and approved by the Air Force, for production of bomber recording systems under purchase order 509 in the absence of certain data and without consideration of other cost and pricing data available. As of Sept. 1, 1963, Melpar's price exceeded incurred costs by about $821,200, or 41 percent, and it appears that a significant part of this was attributable more to negotiation of a price based on overstated cost estimates than to Melpar's efficiency.	Not determined.
Unnecessary costs incurred in the enlistment and discharge of unqualified applicants for Regular and Reserve forces, Department of the Navy, B-146852, Feb. 11, 1964.	In 1962, the Navy incurred unnecessary costs of more than $1,245,000 because it enlisted some 1,900 Regular and Reserve applicants who were mentally unqualified and had to be discharged from military service during recruit training.	$1,245,000.
Overpricing of nuclear submarine components purchased by Plant Apparatus Division, Westinghouse Electric Corp., under two subcontracts awarded to Edwin L. Wiegand Co., Pittsburgh, Pa., Department of the Navy, B-146760, Feb. 12, 1964.	Plant Apparatus Division acting as a prime contractor for the Navy, awarded two subcontracts to Wiegand Co. for 5,664 S5W pressurizer heaters and heater terminal connectors on a negotiated basis for $671,000. The Navy paid (1) $234,000 more than was warranted because the prices were negotiated without obtaining and analyzing Wiegand's most recent experienced costs and (2) $46,000 more than warranted for connectors because Wiegand charged higher prices than other suppliers would.	$280,000.
Deficiencies in administration of Government quarters, messing facilities, and military leave at Dow Air Force Base, Maine, Department of the Air Force, B-125037, Feb. 17, 1964.	(1) Unnecessary per diem payments were made because personnel on temporary duty were issued certificates showing that messing facilities or quarters were not available when they were.	$47,900 (per annum).
	(2) Unused leave for which service members got lump-sum payments upon discharge was erroneously carried forward to new leave accounts upon reenlistment.	$22,000 (per annum).
	(3) Members were not being properly charged for leave taken in conjunction with travel to new duty stations.	$10,000 (per annum).
Unclassified letter to the Congress of the United States which transmitted a secret report on ineffective program planning and uneconomical utilization of personnel assigned to the Air Force Reserve recovery program (January 1964, B-146831), Department of the Air Force, B-146831, Feb. 17, 1964.	Because the Air Force established Reserve recovery squadrons at 200 airports in the United States before ascertaining the needs of the major Air Force commands which these squadrons were intended to serve, over 100 of these squadrons have been assigned or are being considered for reassignment to airports that are so situated that the squadrons are of little value to the using commands in the event of an emergency. Unless the Air Force can find a way of utilizing these squadrons, over half of some $30,000,000 appropriated to date for the recovery program will have been largely wasted.	Not determined.
The uneconomical replacement of vehicles by the U.S. 5th Air Force, Fuchu Air Station, Japan, Department of the Air Force, B-146844, Feb. 17, 1964.	Between Jan. 1, 1961, and June 30, 1962, the 5th Air Force prematurely disposed of certain usable military (M series) vehicles, which had been used about one-half of their estimated useful life and would have been retained on the basis of Air Force regulations criteria.	$1,000,000.
Improper payments to military personnel for travel of dependents, Department of the Army, B-146861, Feb. 17, 1964.	During calendar years 1958 through 1962, Army personnel claimed reimbursement and were paid for travel of their dependents, although the Government had already paid the common carriers directly for such transportation. This was due to fraud or error on the part of service personnel coupled with an absence of controls to prevent the improper claims. In addition, administrative costs were incurred to investigate cases and collect overpayments.	$181,000.
Overprocurement of spare fuze component used for repair of improved Tartar and Homing Terrier missiles, Department of the Navy, B-146725, Feb. 18, 1964.	The Bureau of Naval Weapons unnecessarily purchased 199 units, valued at $353,000 of a fuze component used for repair of missiles because the requirements were based on outdated engineering judgments instead of actual usage experience. Due to a recent design change, there is no known current or future need for the items.	$353,000.
Unclassified summary of findings in classified report on development, procurement, and deployment of an unsatisfactory missile system, Department of the Army, B-146762, Feb. 18, 1964.	The Army spent $300,000,000 for development and production of a missile system which was unsatisfactory because of (1) its unreliable accuracy and (2) serious tactical problems in use, such as stringent maintenance requirements and high degree of susceptibility to electronic interference. The unsatisfactory characteristics were known at times when the Army ordered increasing quantities of equipment and missiles.	Not determined.

[1] Exclusive of international operations listed separately.

DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Unnecessary procurement initiated or planned because equipment requirements were overstated by White Sands Missile Range, N. Mex., Department of the Army, B-146897, Feb. 19, 1964.	The Army awarded contracts for $338,000 for air conditioners it did not need and planned future procurement for $3,000,000 worth of other unneeded equipment because the White Sands Missile Range overstated its requirements. These overstatements resulted from failure of White Sands Missile Range to assure that only actual needs were submitted to the Engineer Supply Control Office.	$3,338,000.
Overpayments made under a cost-plus-a-fixed-fee contract for the procurement of nuclear submarine components from Combustion Engineering Inc., New York, N.Y., Department of the Navy, B-146846, Feb. 19, 1964.	The Navy paid Combustion $200,000 more than it was entitled to under the provisions of cost-plus-a-fixed-fee contract NObs-72363 because the Navy paid fixed prices for certain components that should have been paid for on a cost-plus-a-fixed-fee basis.	$200,000.
Plans for purchase of leased automatic data processing components in use at military installations, Department of Defense, B-146796, Feb. 25, 1964.	Based on its studies, the Department identified ADP equipment costing over $225,000,000 that could be purchased at an economic advantage to the Government. After the break-even point is reached, the Government will realize annual savings of about $66,000,000. However, since neither defensewide nor Government-wide needs were considered, the Department's study cannot be relied upon to have identified all of the equipment that, if purchased, would result in savings to the Government or that it necessarily identified the particular items of equipment that, if purchased, would result in the greatest savings.	Not determined.
Excessive interest expense included in price negotiated for petroleum storage under contract ASP-21801 with New England Tank Industries of New Hampshire, Inc., Department of Defense, B-146813, Feb. 25, 1964.	The Government will incur increased costs under a contract for petroleum storage in a new commercial facility because interest expense included in the 5-year price was excessive in relation to information available to the contractor during negotiations.	$253,100.
Unnecessary costs incurred as a result of awarding without competition a contract for overhaul and modification of aircraft engines, Department of the Army, B-133396, Feb. 28, 1964.	The Army incurred unnecessary costs because it did not acquire technical data at the time it was first known that there would be a continuing need for aircraft engine overhaul and modification.	$193,000.
Overpricing of CAX-12 aerial reconnaissance cameras by Fairchild Camera and Instrument Corp., Syosset, N.Y., under negotiated fixed-price contract AF 33(600)-38890, Department of the Air Force, B-146854, Feb. 28, 1964.	The Air Force negotiated firm prices without making an adequate evaluation of the contractor's proposal, and was not aware that the proposed prices were based on cost estimates which included provisions for contingencies, clerical errors, and inadequate cost data. The final contract price was $814,000, or 64 percent greater than the cost of producing the items.	Not determined.
Overpricing of steam generators for nuclear aircraft carrier, Department of the Navy, B-146733, Mar. 5, 1964.	Generators costing over $4,000,000 were purchased from Foster Wheeler Corp. by Westinghouse Electric Corp., as prime contractor, for use under Navy cost-plus-a-fixed-fee contract NObs-72205, without either the Navy or Westinghouse reviewing Foster Wheeler's cost estimate, which contained undisclosed contingency allowances and provisions for costs that were not likely to be incurred.	$489,600.
Shipment of household goods improperly classified as professional items by military personnel to avoid payment for excess weight, Department of the Army, B-146867, Mar. 5, 1964.	Army military personnel improperly claimed weight for more professional books, papers, and equipment than they actually had shipped. Improper claims were allowed because shipments were not examined to ascertain if the weight was for professional items. Also, there were no clear definitions in the travel regulations of what should properly have been classified as professional books, papers, and equipment.	$250,000 (per annum).
Overpricing of contracts negotiated for T38A electrical power systems with Westinghouse Electric Corp., Department of the Air Force, B-146845, Mar. 6, 1964.	The Government incurred unnecessary costs because negotiated prices for the power systems included overstated cost estimates for material. The cost estimates proposed by Westinghouse were accepted by the Air Force and Westinghouse furnished pricing certifications for the three contracts involved.	$190,000.
Wasteful practices in the management of age-controlled aeronautical spare parts, Department of the Air Force, B-146865, Mar. 10, 1964.	Air Force depots condemned and committed to disposal $1,800,000 worth of spare parts without examination to determine their serviceability. Ineffective control over the storage of age-controlled parts in warehouses and technical orders which were lacking in clarity further prevented the Air Force from obtaining benefit of these parts while still serviceable.	Not determined.

[1] Exclusive of international operations listed separately.

DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Unnecessary costs incurred in furnishing ammunition for test-firing M-14 rifles, Department of the Army, B-146818, Mar. 17, 1964.	The Government incurred unnecessary costs because the Army shipped to a contractor, for use in test-firing rifles, ammunition that either had been (1) manufactured and shipped to Army depots by the rifle manufacturer, (2) unnecessarily packaged and then unpackaged by the same contractor, or (3) manufactured by a different contractor and shipped to the rifle manufacturer.	$145,000.
Excessive costs incurred as a result of multiple management of supplies at the Atlantic Missile Range, Department of the Air Force, B-146866, Mar. 17, 1964.	Over $1,000,000 a year in administrative costs could be saved if supply management at the missile range were consolidated under the control of either the Air Force or Pan American World Airways, Inc. Savings would result from the anticipated decreased volume of supply actions and need for fewer personnel; also, savings from a reduction in inventories.	$1,000,000 (per annum).
Overpricing of the nuclear frigate U.S.S. *Bainbridge* purchased from the Bethlehem Steel Co., Quincy, Mass., Department of the Navy, B-146718, Mar. 18, 1964.	The Navy contracted to pay Bethlehem about $5,000,000 more for the construction of the U.S.S. *Bainbridge* than was warranted based on available cost data and circumstances existing at the time of negotiations, since Bethlehem included provision for contingencies and cost overstatements in its statement of actual and estimated costs.	$5,000,000.
Unnecessary cost to the Government in the leasing of electronic data processing systems by the Aerospace Division of Martin Marietta Corp., Baltimore, Md.; Denver, Colo.; Orlando, Fla.; Department of Defense, B-146812, Mar. 18, 1964.	The Government will incur unnecessary costs of about $7,700,000 over a 5-year period if the contractor continues to lease the systems because the contractor will pay rentals greater than the full purchase and maintenance cost to the Government, including interest on the investment. Amount of unnecessary cost will increase to $13,000,000 at end of 6 years and $37,000,000 by the end of 10 years.	$7,700,000 (5-year period).
Excessive costs incurred in using contractor-furnished personnel instead of Government personnel by the Pacific region of the Ground Electronics Engineering Installation Agency, Air Force Logistics Command, Department of the Air Force, B-146824, Mar. 19, 1964.	The Air Force practice of using contract technical services personnel to augment in-service manpower is costing the Government more than it would cost if civil service employees were used.	$230,000 (for fiscal year 1963).
Follow-up review of the failure to use excess spare parts and assemblies in aircraft production, Department of the Navy, B-146727, Mar. 20, 1964.	At the time of our earlier review, the Navy had $294,000 in excess parts usable in the production of S2-type aircraft. Our follow-up review disclosed that these excess items were not used for that purpose because the Navy delayed so long in furnishing the items that the contractor's production schedule would not permit it to wait for a transfer from the Navy.	$294,000.
Unnecessary per diem payments for military personnel reporting early for temporary duty assignments, Department of the Navy, B-146551, Mar. 23, 1964.	Unnecessary per diem payments estimated at over $600,000 annually are made by the Navy because military personnel report to temporary duty assignments during transfers between permanent posts of duty and are paid per diem prior to the dates that the temporary duty for which the member has been assigned to that station is scheduled to begin.	$600,000 (per annum).
Additional costs incurred in the procurement of P6M seaplanes from Glenn L. Martin Co., Baltimore, Md., Department of the Navy, B-146885, Mar. 23, 1964.	The Navy spent more than $445,400,000 over a 10-year period and did not receive a single serviceable P6M seaplane. Quantity production of 24 operational aircraft were ordered before a reasonably satisfactory seaplane had been developed and it was known that there were serious unsolved problems with the prototype aircraft. This resulted in the expenditure of $209,200,000 which might have been saved if these contracts had not been awarded. Also, significant cost increases were incurred by the Navy because of design and engineering errors committed by the contractor as well as a failure by contractor to adhere to the Navy's aircraft testing procedures.	$209,200,000.
Overpricing of B-58 electrical power systems purchased from Westinghouse Electric Corp. by General Dynamics Corp. under a cost-plus-a-fixed-fee prime contract, Department of the Air Force, B-118095, Mar. 30, 1964.	The Government incurred excessive costs because the prices negotiated for major components of the B-58 electrical power systems included overstated cost estimates for material, labor, and overhead.	$81,000.

[1] Exclusive of international operations listed separately.

DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Unnecessary per diem payments to military personnel during construction of nuclear powered submarines, Department of the Navy, B-146740, Mar. 30, 1964.	The Government incurred unnecessary costs because the Bureau of Naval Personnel placed prospective crewmembers of nuclear-powered submarines at construction sites on temporary duty rather than permanent duty and paid them per diem. We found $6,100,000 in unnecessary costs in per diem paid to members assigned to construction sites of 33 nuclear-powered submarines. In addition, if the Navy were to continue this policy, the prospective crews of other nuclear-powered submarines under contract at October 1963 would receive per diem, which would result in unnecessary costs to the Government totaling about $9,200,000.	$6,100,000.
Unnecessary planned procurement of major assemblies for the M-151 utility truck, Department of the Army, B-146793, Mar. 31, 1964.	The Army was preparing to incur unnecessary costs of $284,000 procuring spare engines and other major assemblies for the M-151 utility truck. The Army officials either misunderstood or were unaware of the Army's policy of prohibiting rebuild of M-151 major assemblies and trucks and providing for procurement of only a limited quantity of replacement major assemblies. The planned procurement was canceled after we brought this to the attention of the Army.	$284,000.
Unnecessary costs incurred in the procurement of the M-405 rocket handling unit, Department of the Army, B-146870, Mar. 31, 1964.	The Army incurred unnecessary costs of $7,400,000 in the production of a new trailer for transporting the Honest John rocket when knowledge was available that it had design limitations and did not represent an improvement over existing ground handling equipment. The Army procured the new design at a cost of $10,400,000 when the same number of a design already in use would have cost $3,000,000. Additional orders were placed which will increase unnecessary costs by $297,000.	$7,400,000. $297,000.
Excessive costs of duplicate automatic teletype switching centers in the military services, Department of Defense, B-146872, Apr. 3, 1964.	Military services will incur unnecessary expenditures from July 1964 through December 1966 because Department of Defense is delaying closing duplicate automatic teletype switching centers at Stockton, Calif., and Cheltenham, Md., until calendar year 1966 although they could be completely closed by Dec. 31, 1964.	$3,570,000.
Excessive costs resulting from the operation of separate departmental public information offices, Department of Defense, B-146880, Apr. 3, 1964.	The Government incurred excessive costs due to the operation of separate departmental public information offices. Consolidation of these offices under a single Defense organization would permit improved workload distribution, more efficient utilization of personnel and save more than $1,000,000 annually.	$1,000,000 (per annum).
Improper charges to Government cost-type and incentive-type contracts held by Grumman Aircraft Engineering Corp., Bethpage, N.Y., Department of the Navy, B-146877, Apr. 8, 1964.	Grumman improperly charged Government cost-type and incentive-type contracts with $188,000 in costs incurred under other contracts from 1958 through 1961. The other contracts were for research and development projects that were of primary interest to Grumman.	$188,000.
Uneconomical practices in the management of mobilization reserve stocks of construction equipment and commercial-type vehicles, Department of the Navy, B-146765, Apr. 9, 1964.	The Navy incurred unnecessary cost of $66,400 because of inadequacies in the management of mobilization reserve stocks of commercial vehicles and construction equipment.	$66,400.
Unnecessary costs incurred for the naval radio research station project at Sugar Grove, W. Va., Department of the Navy, B-149779, Apr. 9, 1964.	Unnecessary costs were incurred by the Navy in the construction and cancellation of the radio telescope and other facilities because of (1) the stated urgent military need for the project for national defense purposes which led to the decision to concurrently design and construct the project and (2) the delay of almost 2 years by the Department of Defense in deciding that the project would have to be canceled.	Not determined.
Unnecessary procurement resulting from failure to review requirements for nonrecoverable spare parts during fiscal year 1963, Department of the Air Force, B-146874, Apr. 13, 1964.	The Air Force initiated procurement for $13,000,000 worth of nonrecoverable spare parts which were already in excess of current requirements. The need to reduce excess parts under contract or to be procured was not detected because the Air Force knowingly excluded nonrecoverable spare parts from mid-fiscal-year 1963 review of supply requirements.	$13,000,000.
Unnecessary cost incurred by the Government by not using surplus stockpiled materials to satisfy defense contract needs, Department of the Air Force, B-125071, Apr. 13, 1964.	Although the Government owns, and is storing titanium and aluminum surplus to current stockpile requirements, the Air Force is procuring through its contractors substantial quantities of these materials for use in the manufacture of Minuteman weapon system. The Air Force had not considered obtaining the surpluses because the Government's disposal policies are not clearly defined.	Not determined.

[1] Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Failure to curtail operation at Government expense of military commissary stores in continental United States where adequate commercial facilities are available, Department of Defense, B-146875, Apr. 16, 1964.	Although competitive food stores are located near most military commissary stores in the United States, commissary stores have continued in operation and increased number despite the statutory requirement since 1953 that such stores be authorized only if reasonable prices are not otherwise readily available. Their authorization has continued because the criteria established by the Department of Defense defeat the purpose of the law. Under any realistic criteria, more than half the commissary stores in the United States would be closed.	Not determined.
	Additionally, Department of Defense conducts surveys yearly at all stores in the United States for compliance with the criteria, costing the Government about $100,000 annually or $1,000,000 since 1953.	$1,000,000.
Unnecessary interest costs incurred by the Government because of improper retention of overpayments by Burroughs Corp., Detroit, Mich., Department of the Army, B-146747, Apr. 17, 1964.	The Government incurred unnecessary interest costs of $208,000 because the contractor improperly retained for long periods of time about $1,900,000 of progress payments made by the Government.	$208,000.
Improper utilization of trained enlisted personnel, Department of the Army, B-146890, Apr. 20, 1964.	The Army has misassigned about 35,000 trained enlisted personnel throughout the Army, with the result that $48,700,000 in training costs is being wasted. Because of deficiencies in the Army's personnel system, personnel are assigned to installations where they are not needed and utilized for duties other than those for which they are trained.	$48,700,000.
Unnecessary cost to the Government in the leasing of electronic data processing systems by the Boeing Co., Airplane Division, Wichita, Kans., Department of Defense, B-146732, Apr. 23, 1964.	The leasing of an EDP system by Boeing is substantially more costly to the Government, in the form of reimbursable costs and as elements of Government contract prices, than it would be for the Government to purchase this equipment and furnish it to the contractor for use on Government work. For the equipment at Boeing, Wichita, the leasing costs exceeded purchase costs by $3,700,000 over a 5-year period, $6,300,000 over a 6-year period, and $17,300,000 over a 10-year period.	$3,700,000 (5-year period).
Overpricing of B-58 aircraft components under cost-plus-incentive-fee purchase orders issued to Sperry Gyroscope Co., Division of Sperry Rand Corp., Great Neck, N.Y., by Convair, a division of General Dynamics Corp., Fort Worth, Tex., Department of the Air Force, B-118695, Apr. 27, 1964.	In negotiations for primary navigation systems for B-58 airplanes, Sperry proposed and Convair accepted target costs which were overstated by $3,289,000 because Sperry (1) estimated unit prices for proposed purchased parts at prices higher than Sperry was already paying; (2) applied an arbitrary increase of 100 percent to the estimated unit price for each purchased part proposed; and (3) added a 10 percent provision for contingencies to the estimates. These overstatements will result in increased costs to the Government for target and incentive fees of about $1,084,000.	$1,084,000.
Unnecessary costs to the Government in the leasing of an electronic data processing system by the Chrysler Corp., Defense Operations Division, Center Line, Mich., Department of the Army, B-146732, Apr. 28, 1964.	The leasing of an EDP system by Chrysler is more costly to the Government than it would be for the Government to purchase it and furnish the equipment to Chrysler for use on Government work. For the equipment at the Chrysler plant, leasing costs exceed purchase costs by $56,000 over a 5-year period; $141,400 over a 6-year period, and $505,000 over a 10-year period.	$56,000 (5-year period).
Unnecessary costs to the Government in the leasing of an electronic data processing system by the Continental Aviation and Engineering Corp., Research Division, Detroit, Mich., Department of Defense, B-146732, Apr. 29, 1964.	Leasing by the contractor of an EDP system is more costly to the Government than it would be if the Government purchased the equipment and furnished it to the contractor for use on Government work. At Continental, leasing costs exceed purchase costs by $72,400 over a 5-year period, $139,000 over a 6-year period, and $414,300 over a 10-year period.	$72,400 (5-year period).
Impairment of combat capability and unnecessary costs due to inefficient and uneconomical supply and maintenance practices for communications and electronic equipment within certain units of the 8th U.S. Army, Korea, Department of the Army, B-132990, Apr. 30, 1964.	The capability of certain units within the 8th Army to perform sustained combat during fiscal year 1963 was seriously impaired because significant quantities of required communications and electronic equipment had been inoperable for periods up to 150 days, because (1) responsible personnel failed to fulfill management responsibilities and stock the parts, (2) maintenance personnel were misassigned and lax in repairing materiel, and (3) unit commanders failed to aggressively comply with instructions from the Commanding General, 8th Army to correct known deficiencies.	Not determined.
	Materiel was prematurely or needlessly ordered from the United States and Japan, and, for a portion of this materiel returned from Korea to the United States, handling and transportation costs were incurred.	$2,687,300.

[1] Exclusive of international operations listed separately.

DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Payments to Army and Air Force Reserve officers on annual active duty training for days on which no training or necessary travel was performed, Department of Defense, B-146551, May 4, 1964.	Army and Air Force Reserve officers were paid for days on which no training or necessary travel was performed because of deficiencies in regulations.	$620,000.
Unnecessary retention of spare parts at Western Pacific supply depots, Department of the Navy, B-133958, May 12, 1964.	The Navy was retaining excessive quantities of spare parts for ships and submarines at Western Pacific supply depots because the depots had been authorized to retain stock equivalent to 2 years' supply for peacetime operating needs or twice the mobilization needs, whichever was the greater.	$1,000,000.
Unnecessary procurement due to the failure to identify and utilize available missiles spare parts, 8th U.S. Army, Korea, Department of the Army, B-132990, May 15, 1964.	The failure of the Army to identify about $1,100,000 worth of expensive Nike spare parts in Korea and in excess of the needs of the 8th U.S. Army resulted in unnecessary procurement of at least $100,000 worth of additional quantities of some of these parts.	$100,000.
Unnecessary packaging costs incurred in the procurement of repair kits from Hamilton Standard Division, United Aircraft Corp., Windsor Locks, Conn., Department of the Air Force, B-146882, May 15, 1964.	From December 1957 to September 1962, the Government incurred unnecessary packaging costs of about $344,000 in the procurement of about 40,000 aircraft equipment repair kits from Hamilton Standard. These overcharges occurred because contract prices were not reduced for packaging not actually performed and, in other instances, there was unnecessary packaging of parts into kits which were used at the Hamilton Standard plant in connection with overhaul work performed for the Government. After these matters were brought to the attention of Hamilton Standard and agency officials, the Government received credits of $144,000.	$344,000.
Unnecessary costs being incurred by leasing teletype equipment rather than using available Government-owned equipment, Department of Defense, B-146872, May 19, 1964.	The military departments needlessly spent over $750,000 annually by leasing teletype machines from commercial communications companies, for use in the continental United States, instead of using identical or functionally equivalent Government-owned teletype machines which are not being used and are considered excess. About $318,468 could be saved annually if each military department used its own equipment. Additional savings of $438,252 could be attained by transferring excess equipment from the Army and the Navy to the Air Force.	$750,000 (per annum).
Improper or unnecessary payments of pay, travel, and other allowances to crewmembers of the U.S.S. *Kitty Hawk*, Department of the Navy, B-146889, May 19, 1964.	The Navy made improper or unnecessary payments of pay, travel, and other allowances totaling about $110,400 to the crewmembers of the U.S.S. *Kitty Hawk* during the period May 1, 1961, through June 30, 1962.	$110,400.
Procurement of militarily designed transmitter when commercially designed equivalent was available at less cost, Department of the Navy, B-146881, May 21, 1964.	The Navy purchased more than 1,100 militarily developed AN/WRT-2 radio transmitters during the period June 1958 to July 1962, even though the Navy was aware that a commercially developed AN/URC-32 radio transceiver, with practically equal operational capabilities, was available at less than one-half the cost of the AN/WRT-2 communication system. The same quantity of commercially developed transceivers could have been purchased at $29,000,000 less than cost of the militarily developed system. Navy plans include future purchase of 768 more AN/WRT-2 transmitters which could result in further excess costs of $20,000,000.	$29,000,000. $20,000,000.
Excessive relocation payments to employees transferred from 1 company location to another by Lockheed Missiles and Space Co., Sunnyvale, Calif., a division of Lockheed Aircraft Corp., Department of Defense and National Aeronautics and Space Administration, B-146886, May 21, 1964.	Under defense and space contracts held by Lockheed, the Government was charged unnecessary relocation costs totaling $101,200 for a 12-month period, resulting from the company's excessive payments of daily relocation allowances to its employees. These excessive payments were caused by Lockheed's practice of paying employees transferred from 1 location to another a daily relocation allowance for a period greatly in excess of the period actually needed to establish a new residence.	$101,200.
Unnecessary costs incurred for aircraft parts supplied by overhaul contractors, Department of the Army, B-146888, May 21, 1964.	Unnecessary costs estimated at $1,900,000 were incurred by the Army because the Aviation Materiel Command, St. Louis, Mo., permitted overhaul contractors to purchase parts which were available to the Army at a substantially lower cost either under existing supply contracts with parts suppliers or from inventory.	$1,900,000.

[1] Exclusive of international operations listed separately.

DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Inefficient and uneconomical utilization of military maintenance personnel, Fort Campbell, Ky., Department of the Army, B-146890, May 21, 1964.	Aircraft mechanics of the 101st Airborne Division, Fort Campbell, were deprived of experience and training essential to the accomplishment of the unit's mission because they were assigned duties unrelated to their primary qualifications and because most of the aircraft maintenance work which they could have and should have performed was performed by a commercial contractor at a cost of about $237,000 annually.	$237,000 (per annum).
Overstated cost estimates included in the initial target prices of incentive contracts AF 33(600)-36319 and AF 33(600)-38098 with the Boeing Co., Seattle, Wash., for the Bomarc "A" weapon system, Department of the Air Force, B-146717, May 25, 1964.	Initial target prices negotiated by the Air Force and Boeing for the production of Bomarc "A" missiles under 2 Air Force contracts included certain proposed costs which were overstated by about $23,034,500. The overstated initial target costs made available to Boeing additional profits of at least $2,303,450.	$2,303,450.
Unnecessary costs to the Government for unreasonable delay by Collins Radio Co., Cedar Rapids, Iowa, in releasing special tooling, Department of the Army, B-125016, June 2, 1964.	The Government has borne unnecessary costs of $418,000 as a result of the failure of Collins Radio Co., Cedar Rapids, Iowa, to transfer Government-owned special tooling in a timely manner to a subsequent producer of R-390A radio receivers for the Army. Late receipt of this special tooling at the subsequent producer's plant necessitated Government authorization to accelerate production so the contractor could meet the original completion date.	$418,000.
Illegal award of advertised construction contract and excessive costs for contract modifications, Departments of the Army and Air Force, B-146891, June 2, 1964.	Work contemplated under an advertised construction contract, for about $12,000,000 after modifications, awarded to The Lane Construction Corp., Meriden, Conn., by the U.S. Army Corps of Engineers, differed so substantially in kind and quantity from that advertised that the contract must be considered as having been illegally awarded.	Not determined.
Available Government quarters and messes not used by military personnel attending classes at contractors, facilities, Department of the Air Force, B-146895, June 5, 1964.	The Government incurred $110,000 in unnecessary costs in connection with training programs conducted at contractors' plants because Government facilities available nearby were not fully utilized to house and feed servicemen attending the classes.	$110,000.
Overstatement of contract target price negotiated with American Bosch Arma Corp., Arma Division, Garden City, N.Y., Department of the Air Force, B-118663, June 9, 1964.	The target cost negotiated for contract AF 04(647)-684 was overstated by $216,153 because the contractor proposed, and the Air Force accepted, estimated costs of purchased parts that were higher than were reasonable in view of suppliers' known prices at the time of negotiations. Unless adjusted increased costs to the Government in the form of unwarranted profits to the contractor of $52,958 will result.	$53,000.
Erroneous payments made for military pay, leave, and travel at Biggs Air Force Base, Tex., Department of the Air Force, B-118768, June 11, 1964.	Ineffective administration of finance and personnel office activities was resulting in erroneous or potentially erroneous payments to service members at the rate of about $83,600 a year at Biggs Air Force Base.	$83,600 (per annum).
Unnecessary costs to the Government in the leasing of electronic data processing systems by General Dynamics Corp., Fort Worth Division, Fort Worth, Tex., Department of Defense, B-146732, June 11, 1964.	The leasing of electronic data processing systems by General Dynamics Corp., Fort Worth Division, is substantially more costly to the Government, in the form of reimbursable costs and as elements of contract prices paid by the Government, than it would be for the Government to purchase the equipment and furnish it to the contractor for use on Government work. Leasing costs exceed purchase costs by about $2,000,000 for a 5-year period, about $3,900,000 for a 6-year period, and about $11,500,000 for a 10-year period.	$2,000,000 (5-year period).
Unnecessary costs to the Government in the leasing of electronic data processing systems by Aerojet-General Corp., Sacramento, Calif., Department of Defense, B-146732, June 12, 1964.	Leasing of electronic data processing systems by Aerojet-General, primarily for use in performance of Government contracts, is more costly to the Government, in form of reimbursable costs and as elements of contract prices than it would be for the Government to purchase this equipment and furnish it to the contractor for use on Government work. Leasing costs at the above plant would exceed purchase costs by about $901,000 over a 5-year period, about $2,800,000 over a 6-year period and about $10,800,000 over a 10-year period.	$901,000 (5-year period).

Exclusive of international operations listed separately.

DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Excessive prices negotiated by the Defense Petroleum Supply Center for storage of petroleum in a commercial facility at St. Ignace, Mich., Department of Defense, B-133149, June 15, 1964.	Prices negotiated under contract ASP-15731 for petroleum storage in a new commercial facility at St. Ignace included excessive amounts of $67,000 for interest on a contractor's construction loan and $223,-190 for operating costs.	$290,190.
	In addition prices negotiated for future renewal periods are excessive because they are $761,551 more than estimated operating costs of $983,269 for 7 option years, representing a profit of 77 percent.	Not determined.
Unnecessary costs to the Government in the leasing of electronic data processing systems by Autonetics, a Division of North American Aviation, Inc., Anaheim, Calif., Department of Defense, B-146732, June 15, 1964.	The leasing of electronic data processing systems by Autonetics, primarily for use in performance of Government contracts, is more costly to the Government, in reimbursable costs and elements of contract prices, than it would be for the Government to purchase and furnish equipment to the contractor. Leasing costs exceeded purchase costs by about $3,200,000 over a 5-year period, about $5,900,000 over a 6-year period and about $17,900,000 over a 10-year period.	$3,200,000 (5-year period).
Unnecessary costs incurred due to the development and procurement of an expensive utility cap with serviceability limitations, Department of the Army, B-133177, June 16, 1964.	The Government incurred unnecessary costs of about $1,400,000 through December 1963 and will incur further unnecessary costs of $1,300,000 through fiscal year 1965 because the Army, after the services could not agree on a common utility cap, developed its own cap using material and a design more expensive than that used by Navy and Marine Corps. Moreover, tests have shown the Army cap has serious drawbacks.	$2,700,000.
Unnecessary costs incurred for M61 machine gun components under contracts with General Electric Co., Burlington, Vt., Department of the Army, B-146883, June 16, 1964.	The Government incurred unnecessary costs of $74,500 because General Electric (1) failed to disclose information during negotiations that a new manufacturing process had been adopted which reduced manufacturing costs and (2) improperly included in the contract price an amount for items which were furnished by the Government.	$74,500.
Unnecessary costs to the Government in the leasing of electronic data processing equipment by the Finance Center, Fort Benjamin Harrison, Indianapolis, Ind., Department of the Army, B-133063, June 18, 1964.	The leasing of electronic data processing equipment was substantially more costly to the Government than it would have been for the Army to exercise an option to purchase offered by the manufacturer. If leasing continued unnecessary costs of about $1,150,-000 for 5 years would have been incurred, and about $485,000 for each additional year. We have been subsequently informed that the Army has purchased this equipment.	$1,150,000 (5-year period).
Unnecessary costs for rebuild of used T97 track for tanks, Department of the Army, B-146773, June 18, 1964.	The Government has incurred unnecessary costs that we estimate to be over $7,200,000 because the Army rebuilt used T97 track for tanks instead of procuring new track. The Army could have procured new track at a cost of $5,300,000 and obtained the same mileage as that obtained from the track that was rebuilt at a cost of $12,500,000.	$7,200,000.
Unnecessary procurement of photographic supplies for the Atlantic Missile Range, Department of the Air Force, B-146711, June 19, 1964.	The Air Force incurred a loss of about $137,000 when photographic supplies procured for use at the Atlantic Missile Range were disposed of after deterioration during prolonged storage. The procurement of excess photographic supplies which later deteriorated was caused primarily by inaccurate requirements, determinations and duplicate purchasing.	$137,000.
Overpricing of contracts DA-20-089-ORD-8405 and DA-36-034-ORD-897 with Chrysler Corp., Newark, Del., Department of the Army, B-146873, June 22, 1964.	The Government incurred excessive costs estimated to be $4,780,000 because an adjustment to the tentative contract prices for changes in the cost of certain components was not based on the cost of components that had been included in the price originally.	$4,780,000.
Uneconomical contracting for service-station-type vehicle maintenance at Olmsted Air Force Base, Pa., Department of the Air Force, B-146891, June 22, 1964.	The Air Force paid unnecessarily high prices for service-station-type maintenance during a 27-month period. Charges for such maintenance are established by using contract rates agreed to for skilled mechanical work but the services that were provided required little or no mechanical skill.	$40,000 (per annum).
Combat readiness of aircraft of the 1st and 2d armored divisions impaired by inadequate maintenance at Fort Hood, Tex., Department of the Army, B-146896, June 22, 1964.	At Fort Hood, aircraft were not being maintained as they could and should have been maintained and, as a result, and to the extent that aircraft are used in combat, the combat readiness of the armored divisions was impaired.	Not determined.

[1] Exclusive of international operations listed separately.

DEPARTMENT OF DEFENSE [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
Unnecessary planned procurement of AN/UPM-98 radar test sets, Department of the Army, B-146906, June 22 1964.	The Army Electronics Command had needlessly taken actions to procure AN/UPM-98 radar test sets valued at $484,000 to satisfy a specified application. These actions were taken because stock already in the Army Supply System that would have satisfied this application was not properly accounted for by using organizations and the Electronics Command did not reconcile the data received from users with other available information.	$484,000.
Cancellation and curtailment of specialized rotary wing pilot training courses because helicopters were grounded for lack of serviceable engines, Department of the Army, B-146902, June 24, 1964.	During fiscal years 1962 and 1963, many training courses necessary for the attainment of required skills were either canceled or curtailed at the Aviation School, Fort Rucker, Ala., because 22 UH-1A aircraft were grounded up to 60 percent of the time for lack of serviceable engines.	Not determined.
Unjustified disposal of aircraft parts, Department of the Army, B-146903, June 25, 1964.	The United States Army Aviation Materiel Command was in the process of disposing of various quantities of 975 aircraft parts valued at about $414,000 which were needed by the Army.	$414,000.
Unnecessary costs to the Government through the leasing of electronic data processing systems by the operating contractor, ARO, Inc., Arnold Engineering Development Center, Arnold Air Force Station, Tenn., Department of the Air Force, B-146732, June 26, 1964.	Leasing of electronic data processing systems by ARO, Inc., is more costly to the Government in the form of reimbursable costs to the contractor than it would be for the Government to purchase the equipment and furnish it to the contractor. For the equipment installed at the time of our review leasing costs exceeded purchase costs by about $424,000 for a 5-year period, about $432,000 annually after the 5-year period and $2,600,000 over a 10-year period.	$424,000 (5-year period).
Unnecessary costs incurred in the procurement of aircraft engine ring and vane assemblies from the Allison Division of General Motors Corp., Department of the Navy, B-133341, June 29, 1964.	Unnecessary costs of about $310,000 were incurred by the Navy because of its failure to terminate orders for aircraft ring and vane assemblies that were excess to its needs.	$310,000.
Unnecessary costs to the Government in the leasing of electronic data processing systems by the Goodyear Aerospace Corp., Akron, Ohio, Department of Defense, B-146732, June 30, 1964.	The leasing of electronic data processing systems by Goodyear, primarily for use in performance of Government contracts, is more costly to the Government, in the form of reimbursable costs and elements of contract prices, than it would be for the Government to purchase the equipment and furnish it to the contractor for use on Government work. Leasing costs exceeded purchase by about $174,000 for a 5-year period, about $492,000 for a 6-year period, and about $1,300,000 over a 10-year period.	$174,000 (5-year period).
Overcharges to the Government for change orders issued under Navy contracts awarded to the Ingalls Shipbuilding Corp., a Division of Litton Industries, Inc., Pascagoula, Miss., Department of the Navy, B-146751, June 30, 1964.	Prices negotiated by the Navy with Ingalls Shipbuilding Corp. for a group of change orders under its shipbuilding contracts were excessive by about $175,500. The Navy accepted without adequate review the contractor's estimates which were excessive in relation to cost data available at the time of negotiation or contained mathematical errors not detected by the Navy.	$175,500.
Overcharges for aircraft products liability insurance under various contracts awarded to Pratt & Whitney Aircraft Division of United Aircraft Corp., East Hartford, Conn., Department of the Navy, B-146900, June 30, 1964.	During the years 1955 through 1961, Pratt & Whitney charged the Government $2,200,000 of the costs of providing aircraft products liability insurance on items sold commercially. Certain adjustments have been made to 1962 contracts and such charges will not be allowed under future contracts.	$2,200,000.
Overstatement of requirements for aircraft electronic systems resulted in improper procurement actions, Department of the Navy, B-146914, July 6, 1964.	The Navy issued contracts and purchase requisitions for 333 receiver transmitter groups, valued at about $2,329,000, although it already had sufficient stocks of this equipment on hand to meet its needs.	$2,329,000.
Unnecessary payments for temporary lodging allowances to military personnel in Naples, Italy, Department of Defense, B-146912, July 7, 1964.	Unnecessary payments of temporary lodging allowances amounting to about $114,600 annually are being made to military personnel stationed in the Naples area because members do not move into suitable permanent quarters as soon after arrival as the quarters become available or because members prematurely surrender permanent quarters before leaving Naples.	$114,600 (per annum).

[1] Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
DEPARTMENT OF AGRICULTURE		
Weaknesses in animal disease control activities involving primarily eradication of brucellosis in cattle, Agricultural Research Service, B-133192, May 22, 1964.	Trucks which had transported brucellosis-infected animals were not cleaned and disinfected before reuse; premises in stockyards and auction markets which had been occupied by diseased animals were not cleaned and disinfected promptly after discovery of the infected animals; and farm premises where brucellosis-infected animals had been discovered were not cleaned and disinfected under Federal or State supervision.	Not determined.
	Some herds of cattle in which previous tests revealed the presence of brucellosis were not retested within the required time limits to determine whether the herds were still infected.	
Unnecessary expenditures of Government funds and violations of law relating to facilities leased to provide electric power for the Agricultural Research Center, Beltsville, Md., B-152142, June 24, 1964.	Excessive costs are incurred by the Government because of Agricultural Research Service's decisions to lease rather than purchase two electric substations at the Agricultural Research Center.	$409,000.
Inadequacies in planning and operation of Electronic Data Processing Systems at the Kansas City and Evanston Commodity Offices, Agricultural Stabilization and Conservation Service, B-133305, Oct. 11, 1963.	Of four installations of EDP equipment at two commodity offices, the agency was unable to make sufficient use of the first system installed and two others proved to be inadequate for the purposes for which they had been acquired. Equipment had been selected without soliciting competitive proposals and decisions to use the equipment were made without comprehensive studies of the effect of its use on costs of operations.	Not determined.
	Ineffective procedures for controlling the use of magnetic tapes and the unreasonably long periods for retention of some information on the tapes prevented maximum use of the tapes at one office.	$51,500.
	At our suggestion, the agency recovered rental charges and obtained reimbursement for lost processing time applicable to the defective magnetic tape cleaning unit, rented in conjunction with the Univac EDP systems at one commodity office.	$9,400.
	Unnecessary rental costs were incurred by one office because idle machine time was not fully minimized.	$80,000 (during 2 years ended May 31, 1961).
Unnecessary costs incurred through leasing rather than purchasing electronic data processing equipment at the Evanston Commodity Office of the Agricultural Stabilization and Conservation Office, B-133306, May 7, 1964.	The Department continued to lease various components of an electronic data processing system through Nov. 30, 1963, instead of purchasing the components at reduced prices on Nov. 1, 1961, at which time it appeared practicable to do so.	$56,000.
Overpayments of wages made to firefighters by the Forest Service, B-146871, Mar. 6, 1961.	Firefighters were overpaid because inapplicable rate schedules were used and firefighters were assigned job classifications carrying higher wage rates than those to which they were entitled. Also, there were unauthorized payments for travel time in one region.	$31,500.
Possibilities for reducing Federal expenditures under the electric loan program and other matters pertaining to the Rural Electrification Administration, B-114838, Nov. 22, 1963.	In arriving at its decision to approve or disapprove requests for loans, REA does not consider the funds expected to be generated by the borrowers' income-producing operations except to determine whether the borrowers will be able to repay the proposed loans within the required period. Neither does it consider such funds from the standpoint of establishing the feasibility of a repayment period shorter than 35 years. Inasmuch as the interest rate paid by the Treasury was higher than the 2 percent rate paid by REA's borrowers, reductions in the loan amounts disbursed or in the repayment periods would permit the Government to achieve savings.	$3,900,000.
DEPARTMENT OF THE ARMY		
Corps of Engineers (Civil Functions)		
Cost allocation resulting in increased Federal contribution to the State of California for flood control, Oroville project, Feather River, B-146863, Apr. 29, 1964.	The omission by the Corps of Engineers of recreation as a primary project purpose in the allocation of joint costs resulted in an increase in the Federal contribution of about $9,000,000. In addition, the use of a compromise rate of interest higher than the Federal rate of interest on long-term borrowings in the mathematical allocation procedures increased the Federal contribution by about $4,650,000.	$13,650,000.

[1] Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
DEPARTMENT OF COMMERCE		
Overstatement of number of jobs created under the accelerated public works program, Area Redevelopment Administration (ARA), B-146910, June 3, 1964.	The reports to the Congress by ARA contained significant overstatements of the number of jobs estimated to be created by accelerated public works projects approved by the Community Facilities Administration, Housing and Home Finance Agency. Also, the reports contained overstatements with respect to the number of actual man-months of work created by approved projects already under construction.	Not determined.
Assistance under the Public Works Acceleration Act to areas no longer burdened by substantial unemployment, Area Redevelopment Administration (ARA), B-153419, June 25, 1964.	In the administration of the accelerated public works program by the ARA and other Federal agencies, grants of over $21,000,000 were made for 85 projects in areas which were no longer burdened by conditions of substantial unemployment at the time the grants were consummated.	Do.
Interagency problem areas and deficiencies concerning the direct Federal highway construction programs in the eastern United States as administered by Bureau of Public Roads, B-118653, Sept. 26, 1963.	The Bureau maintained an inefficient and uneconomical organization for the direction of the direct Federal highway and construction programs in the eastern United States.	$150,000 (annually).
	Also, there were deficiencies pertaining to the manner in which certain highway construction activities in the eastern United States had been administered. These included (1) inadequate subsurface investigations, (2) increased costs due to hasty preparation of plans, (3) deficient testing of materials, (4) improper evaluation of contractor qualifications, and (5) inaccuracies in information shown on contract plans furnished to bidders.	Not determined.
Deficiencies and problem areas relating to design and construction activities of the Federal-aid highway program in the State of Nebraska, Bureau of Public Roads, B-118653, October 17, 1963.	Considerable uncontrolled cracking occurred in concrete pavements on various segments of the Interstate System in Nebraska. Although engineering investigations into the causes of the cracking were generally inconclusive, we noted that Bureau and State inspection and testing procedures which are intended to provide assurance that a contractor is fully complying with the contractual specifications were inadequate in certain respects.	Do.
	The justification for collector-distributor roads planned or constructed at three major interchanges on Interstate Route 80 appeared questionable in the light of established Bureau design criteria and the relatively low volumes of traffic.	$339,000.
	Interchange ramps were not constructed so as to accommodate in the most economical manner the proposed ultimate design of an interchange. As a result, unnecessary costs will be incurred in future reconstruction of the interchange.	$40,000.
	Bureau approval of the installation of a number of overhead signs at an interstate highway interchange did not appear to have been consistent with applicable Bureau policy.	$45,000.
	Inadequacies existed in State controls over payments for certain materials used in the construction of Federal-aid highways.	Not determined.
	State specifications for highway lighting materials identified the products of particular firms as being those acceptable for use on Federal-aid highway projects. This practice tends to reduce the competitive aspects of highway construction contemplated by governing Federal legislation.	
Legislative and policy requirements governing Federal participation in acquisition of rights-of-way and in other activities of the Federal-aid highway program in the State of California, Bureau of Public Roads, B-118653, Feb. 10, 1964.	Federal reimbursements to the State, on account of severance damages to remainder lands acquired by the State, substantially exceeded amounts proper for reimbursement under controlling Federal-aid highway legislation.	Do.
	Inadequacies in State documentation of the economic justification for demolishing improvements on excess lands raised a serious question as to whether Federal participation was justified.	
	Bureau policy governing the extent of Federal participation in the cost of relocation of utility facilities necessitated by the construction of Federal-aid highway projects had not been applied in the State on a basis consistent with the controlling provisions of Federal-aid highway legislation.	

[1] Exclusive of international operations listed separately.

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Title	Waste and mismanagement	Estimated unnecessary costs and losses
DEPT. OF COMMERCE—con.		
	A Bureau audited and approved rate of 5 percent, to be used by the State in computing preliminary engineering costs eligible for Federal participation on about 60 interstate projects, would have resulted in the State's recovering considerably more than its actual reimbursable costs. Our review of 22 of these projects disclosed that the Federal Government's share of the additional costs would have been about $2,440,000.	$2,440,000.
	The Bureau's division office had not established procedures to assure that questions raised by Bureau auditors in the audit of right-of-way claims and referred to the right-of-way section for review are given consideration in the Bureau's final determination of the eligibility of the amount of the State's claim for Federal participation. On one transaction, failure to follow up on a questioned item resulted in an excessive payment of about $100,000.	$100,000.
Improper waiver of policy requirements applicable to the Federal-aid highway program, Bureau of Public Roads, B-118653, Feb. 11, 1964.	The retroactive waiver of policy requirements imposed upon the States by the Federal Highway Administrator in connection with their entitlement to Federal participation under the various Federal-aid highway laws resulted in Federal reimbursements to certain States under circumstances where such payments were specifically prohibited by Bureau policy.	Not determined.
Deficiencies and problem areas relating to the administration of the Federal-aid highway program in the State of New York, Bureau of Public Roads, B-118653, Mar. 24, 1964.	The Bureau improperly approved the use of Federal funds to reimburse the State for costs of relocations of privately owned utilities located on public lands.	$261,000.
	The Bureau approved a contract provision which provided for a designated disposal site for surplus material without an adequate showing that it would result in the most economical cost to the highway project.	Not determined.
	The Bureau approved the use of stone blocks for surfacing shoulders on Federal-aid highway projects in New York City and the adjacent metropolitan area, despite the fact that the use of these blocks substantially increased contruction costs without providing corresponding benefits in improved operation, increased safety, or greater utility.	$100,000.
	Deficiencies in the Bureau's administration of right-of-way acquisition activities as carried out by the State and city of New York included (1) untimely or ineffective Bureau reviews of State and city right-of-way organizations, policies, and procedures and (2) delays in taking actions to correct weaknesses in State right-of-way activities brought to the attention of the Bureau's management through its various administrative processes.	Not determined.
Deficiencies in the administration of construction contracts and right-of-way activities of the Federal-aid highway program in the State of Oklahoma, Bureau of Public Roads, B-118653, June 22, 1964.	In connection with the contract administration of several large interstate construction projects near Oklahoma City, the Bureau approved the State's rejection of bids and the readvertising of the projects, although the rejection had been based on engineering estimates which were known to be faulty. Higher bid prices were received at the second bid opening, and as a result construction costs were increased by about $254,000.	$254,000.
	The Bureau concurred in the award of construction contracts despite the fact that the low bidder submitted an unbalanced bid. In this case a high unit price was bid on an item for which a substantial error in the quantity shown in the plans was eventually disclosed.	$94,100.
	Deficiencies in the acquisition and management of highway rights-of-way which, for the most part, related to two projects on the Oklahoma City Cross-Town Expressway included (1) delays in acquiring properties, which increased right-of-way costs, (2) actions concerning the disposal of improvements acquired with the right-of-way, which were not in accordance with accepted procedures and involved possible irregularities, (3) inadequate control over delivery of right-of-way payments, (4) unsound negotiation procedures and practices, and (5) questionable payments to a fee appraiser.	$127,000.

[1] Exclusive of international operations listed separately.

CIVIL DEPARTMENTS AND AGENCIES [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE		
Inadequacies in administration of Federal grants under title III of National Defense Education Act of 1958, B-114836, Jan. 9, 1964.	A review in nine States of expenditures under title III of the National Defense Education Act of 1958, totaling about $8,000,000 disclosed (1) Federal participation of $161,800 in expenditures which the Office of Education subsequently determined to be ineligible under the provisions of the law and regulations and for which recoveries have been or will be sought from the States and (2) Federal participation of over $295,000 in expenditures essentially similar to those considered ineligible for which the Office of Education will not seek recoveries.	$456,800.
	Other matters concern (1) questionable Federal participation of over $270,000 in expenditures for which the Office of Education had not, as of October 31, 1963, made final determinations as to eligibility, (2) the excessive accumulation of grant funds in States, and (3) inaccurate financial reporting by States.	Not determined.
Weaknesses in administration of hospital research grant program, Public Health Service, B-114836, Oct. 22, 1963.	Weaknesses in administration were evidenced by the following: (1) specific program goals and priority areas needing research were not established; (2) completed research grant projects were not systematically evaluated and beneficial research results were not disseminated; and (3) control over expenditures by grantees was weak.	Do.
Weaknesses in accountability and management of Government-furnished and contractor-acquired property under cost reimbursement research and development contracts, Public Health Service (PHS), B-114836, Mar. 12, 1964.	These weaknesses included: (1) property records were incomplete or were not kept, (2) controls over disposition of property at termination of contracts were generally inadequate, (3) property settlements with contractors generally were not made in a timely manner, and (4) no systematic screening procedures existed to enable a matching of equipment requirements with Government-owned equipment no longer needed for use on completed contracts. Under these circumstances appropriate safeguards against loss, unnecessary procurement, and unauthorized use of property have been lacking, and PHS management has been unable to make reliable determinations that the property furnished or acquired under the contracts continued to be effectively used.	Do.
Need to strengthen requirements for establishing entitlement to social security benefits, Social Security Administration, B-114836, June 16, 1964.	In this report we commented on the need for better safeguards so that the required facts of entitlement will be ascertained and documented before claims are approved for payment. The specific entitlement factors discussed are age, marriage, dependency, and the entitlement of a mother having an entitled child "in her care."	Do.
Excessive financial participation in federally aided public assistance programs in the States of Louisiana and Oklahoma, Welfare Administration, B-114836, Feb. 11 1964.	Our report discussed a need to: (1) establish procedures to strengthen the control over Federal participation in State administrative expenses, including those involving the acquisition of automatic data processing equipment, (2) seek recovery of funds from Oklahoma because of excess Federal sharing in payments into a pooled medical care fund, (3) revise the plan for Louisiana to eliminate Federal participation in payments made to welfare recipients for whom a Federal hospital has the function of providing full maintenance and medical care, and (4) review a certain category of cases in Louisiana to determine the reasons for a relatively high percentage of ineligible cases and recover the amount of the Federal participation in such cases.	$1,639,000.
Certain deficient practices relating to Federal matching of State administrative expenses for public assistance programs in North Carolina, Welfare Administration, B-114836, Mar. 4, 1964.	Excessive Federal funds were paid because of the methods used to allocate certain administrative expenses between the public assistance activities subject to Federal matching and those not subject to Federal matching.	$36,000 (annually).
	Also, Federal funds were paid for part of the cost of a demonstration project which we believe was ineligible for Federal aid.	$16,500.
	Claims for Federal matching for the cost of office space were excessive because amortization charges were based on incorrect information as to the total cost and area of a building.	$58,000 (over life of building).

[1] Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
DEPARTMENT OF JUSTICE		
Inadequate rents charged for employee housing, Bureau of Prisons, B-133223, Apr. 30, 1964.	The Bureau, in establishing rents for its housing, has not given adequate effect to the basic Government-wide principle of requiring rents equivalent with rents of similar private housing. Bureau housing is generally comparable to average private housing in quality, and in a number of instances is above average. Comparisons showed that Bureau average monthly rents were significantly lower than the statistical averages of commercial rents, both countrywide and in areas where Federal prison housing is located.	From $338,000 to $749,000 (annually).
	The Bureau designated some of its housing units as inadequate, thus enabling Public Health Service officers living in the housing to continue receiving allowances, aggregating $7,000 a year, in excess of the rentals paid to the Bureau of Prisons by such officers. This situation continued for about 1½ years after the Congress had directed that it be remedied.	Not determined.
Unreasonably expensive one-family employee residence built at the United States Penitentiary, Leavenworth, Kans., Bureau of Prisons, B-133223, June 15, 1964.	The Bureau incurred costs of about $100,000 to construct and furnish a residence for the warden at the penitentiary and to extend utilities and a road to the residence site. The cost of this house is about 3½ times the maximum amount authorized to be spent for a comparable family housing unit of a commanding officer of a military post within the United States and exceeded, by about 50 percent, the limitations prescribed by Bureau of the Budget Circular No. A-18 as to the size of one-family dwellings which may be constructed.	Do.
DEPARTMENT OF LABOR		
Concurrent payments of unemployment benefits and retired pay to retired members of the Armed Forces, Bureau of Employment Security, B-133285, Aug. 9, 1963.	The practice of paying unemployment benefits to retired members of the Armed Forces while they are concurrently receiving retired pay is not in harmony with the purpose of the Ex-Servicemen's Unemployment Compensation Act of 1958 and results in dual benefits being paid by the Federal Government. The act, although not precluding unemployment benefits to retirees, primarily contemplates payments of unemployment benefits to non-career military personnel during the period of their economic readjustment to civilian life and until they obtain employment following their discharge or release from active duty.	$33,000,000 (1963 through 1970).
Practice of making available for expenditure in the current fiscal year uncommitted granted funds arising from prior fiscal year appropriations, Bureau of Employment Security, B-133182, Sept. 30, 1963.	The Bureau authorized State agencies to expend about $32,400,000 appropriated by the Congress and granted in preceding years and remaining uncommitted by the State agencies at the end of the fiscal years for which appropriated. These funds were authorized for use in the succeeding fiscal years without adequate disclosure to the Congress for its consideration in determining the amounts which should be appropriated for the new fiscal year. As a result the amounts made available by the Bureau from current year appropriations together with amounts made available from prior years provided the State agencies with funds for expenditure in fiscal years 1958, 1960, and 1962 in excess of the amounts appropriated by the Congress for those years and, in effect, permitted funds appropriated for annual use to be treated as no-year funds.	Not determined.
Need for adequate employment data for evaluating the effectiveness of training under Manpower Development and Training Act of 1962, B-146879, Apr. 30, 1964.	A review of posttraining employment data accumulated and reported by the Department disclosed that reporting procedures did not produce data that were adequate for evaluating the effectiveness of institutional training programs conducted under the Manpower Development and Training Act.	Do.
Ineffective administration and control of travel advances and purchase of transportation, B-133182, June 29, 1964.	Funds were advanced by the Department to its employees for travel expenses without adequate regard to the character and probable duration of travel to be performed and advances remained outstanding for extended periods during which the employees either did not travel or performed only limited travel. Procedures of the Department did not provide for adequate periodic review in order to control and limit the advances to the amounts necessary, as required by the Travel Expense Act of 1949 and the Standardized Government Travel Regulations.	Do.

[1] Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
DEPARTMENT OF LABOR—con.		
	The Department did not collect a large number of refunds from carriers for unused transportation tickets or portions thereof returned to administrative offices by travelers. Unused tickets and related documents were misfiled and overlooked with the result that amounts due the Government were not collected or were claimed only after an excessive lapse of time. The matter was brought to the attention of representatives of the Department who found documentation upon which over 650 refunds for unused tickets were claimed and collected.	$15,000.
Costs incurred in excess of those intended and necessary in the Administration of Public information Activities, B-133182, June 30, 1964.	The Department spent about $140,000 on its 50th anniversary celebration, although the Statement of the Managers on the Part of the House in the Conference Report on the Department of Labor appropriation for fiscal year 1963 identified only $80,000 for this purpose.	$60,000.
	The Department did not circularize most of its mailing lists for several years and therefore failed to eliminate the expense of transmitting material to persons no longer interested in receiving it.	$11,000. (annually).
	Unnecessary costs were incurred because unrequested copies of booklets and publications issued by the Department were being attached to and mailed with certain news releases announcing and summarizing the publications. The Director, Office of Information, Publications and Reports, subsequently stated that about 3,600 copies of these periodicals would no longer be distributed with the news releases.	$10,000. (annually).
POST OFFICE DEPARTMENT		
Review of determinations of Railway Post Office requirements, contracting practices, and other activities relating to transportation of mail by railroad companies, B-133083, Sept. 25, 1963.	More effective management action is needed for determining whether railway post offices (RPOs) should be discontinued and the distribution and transportation of mail should be provided by other means to meet service objectives and to effect economies in operations. At Department headquarters we noted that, about 2 years after the regions had submitted 10 proposals to substitute less costly means of service for RPO service, the Department had not taken final action on the proposals even though the operating divisions concerned at Department headquarters believed the proposals were operationally feasible.	$1,170,000 (annually).
	In addition, in three postal regions visited by us the need for certain RPOs was questionable. If these RPOs were discontinued or the authorized unit size reduced, service could be provided by other means.	$490,000 (annually).
	The average cubic capacity per linear foot of certain refrigerator cars used for the transportation of mail was less than the prescribed minimum capacity. We estimate that the Department paid about $200,000 a year for the deficiency in usable space in refrigerator cars used in destination and destination-relay service into and through the Dallas, Denver, and Seattle regions.	$200,000 (annually).
	Some contracts were negotiated with railroad companies for mail transportation service by trucks in the Seattle, Boston, Cincinnati, and Dallas regions at prices that appeared high in relation to prices obtained by the Department for similar services under contracts awarded under competitive procedures. In some cases competitive prices were not considered and in others competitive prices were considered but the contract prices negotiated exceeded these competitive prices.	$230,000 (annually).
	In the Seattle region we noted that small quantities of mail were being dispatched on trains when savings could be effected by consolidating dispatches without a significant delay in service to the patrons.	$135,000 (annually).

[1] Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
POST OFFICE DEPARTMENT—con.		
Comparison of fund requirements for lease and Government ownership and other matters relating to leasing of small-size and medium-size postal facilities, B-145650, Sept. 30, 1963.	Our comparisons showed that the total costs of leasing 91 facilities, selected for our review, for a 10-year basic lease period were less than the total Post Office Department estimates of the lessors' costs to construct these facilities by about $610,000; however, under Government ownership the Department would have title to land originally costing $745,000 and to buildings with remaining useful lives of 30 or 40 years which had cost about $4,590,000 to construct. Moreover, our computations showed that, if the Department exercises its renewal options and continues to occupy these 91 facilities for 5 or 10 or more years beyond the basic 10-year lease terms, the cost of leasing at the end of 15 and 20 years of occupancy would exceed the cost of Government ownership by about $2,100,000 and $4,900,000, respectively.	Not determined.
Inadequate studies to determine the feasibility of mail-flo systems and effect of systems upon operating costs at the Philadelphia, Denver, and Los Angeles Post Offices, B-118662, Oct. 24, 1963.	The Department did not make adequate studies to determine whether the installation of the mail-flo systems at the Philadelphia, Denver, and Los Angeles post offices would be economically and operationally feasible.	Do.
	Our review at the Philadelphia and Denver post offices disclosed that the costs, as adjusted for comparability, of the affected operations increased after installation of the mail-flo systems.	$1,406,900.
Uneconomical scheduling of certain city delivery carriers, B-114874, Feb. 12, 1964.	The need for scheduling certain city delivery carriers to report for work on delivery routes prior to 6 a.m. is questionable and results in additional costs for night differential compensation of 10 percent of the carriers' hourly basic rate. If certain of these carriers were rescheduled to work at a later time, reasonable service could still be provided and economies in operations could be effected by reducing night differential compensation.	Not determined.
Need for improvement in procurement practices for counterline-screenline equipment, B-114874, Mar. 4, 1964.	There was a significant overstock of counterline-screenline equipment on order or in the Department's warehouses at June 30, 1962. At that date the overstock, which included certain slow-moving items, was valued at about $1,400,000 or about 70 percent of the total inventory value of counterline-screenline equipment of about $2,000,000. We estimate that the cost of maintaining this overstock was about $140,000 a year.	$140,000 (annually).
Report on weaknesses in regional payroll activities, B-114874, Apr. 6, 1964.	The Comptroller General advised the Department that its regulation regarding eligibility of employees for higher level pay issued in October 1960 was contrary to law. The Department estimated that the higher level compensation paid in calendar year 1961, when the invalid regulation was in effect, was about $1 million more than the amount of such compensation in 1960. The Department suspended the invalid regulation and we estimate the suspension resulted in a reduction of about $1,000,000 in payments of higher level compensation for calendar year 1962. Legislation enacted in October 1962 validated the higher level compensation payments made under the provisions of the invalid regulation and gave the Postmaster General broader authority in determining an employee's eligibility for higher level pay.	$1,000,000.
	Additional costs were incurred by the Department because of the separation of employees who have used more annual leave than they have earned. This situation results from the Department's policy of advancing annual leave at the beginning of the leave year.	$240,000.
Unnecessary costs incurred in transporting 1st-class mail by air, B-133083, May 26, 1964.	Certain segments of the airlift have not met the program's stated cost and/or service objectives; rather than reducing costs by about $212,000 a year as had been estimated by the Department, the 1960-61 expansion of the program increased costs by about $1 million a year—about 85 percent more than the estimated costs of surface transportation.	$1,000,000 (annually).
	Also, the use of airlift service on certain routes on weekends and at certain other times when existing surface transportation media could provide the same service to patrons resulted in increased transportation costs.	Not determined.

[1] Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
POST OFFICE DEPARTMENT—con.		
	The Department compared service by existing surface transportation with service by air transportation, without giving adequate consideration to the comparative costs of such services or the reasonable need for such services, as related to patrons' expectations when they choose to use regular 1st-class postage rather than premium airmail postage.	
TREASURY DEPARTMENT		
Office of Defense Lending, fiscal year 1963, B-125013, Dec. 12, 1963.	At June 30, 1963, the Office of Defense Lending (ODL) had 7 employees to service its 21 outstanding loans. We believe that it is unnecessary and uneconomical to use 7 full-time employees to service these loans and that the functions of ODL could be carried out more economically as part of the functions of another office of the Department.	$88,000.
Deficiencies in Customs control over unloadings of bulk petroleum, Bureau of Customs, B-118617, Apr. 8, 1964.	Bureau of Customs control over unloadings of bulk petroleum imports into the United States—on which taxes are collected—was deficient at several ports because, contrary to Customs procedures, inspectors failed to properly seal certain tank and pipeline valves during the unloading operations. At 1 port Customs inspectors accepted importers' statements of quantities unloaded instead of making their own independent determinations. Control was also deficient in that the Bureau was relying upon public gaugers for reports on the amount of petroleum unloaded, although at several locations public gaugers did not make it a practice to seal pipeline and tank valves and were accepting importers' statements of imported oil withdrawn for use to arrive at the quantity imported. Public gaugers are independent contractors hired jointly by importers and exporters.	Not determined.
Examination of financial statements of Bureau of Engraving and Printing Fund, fiscal years 1961-63, B-114801, Apr. 9, 1964.	Costs incurred in compiling a 100-year history of the Bureau which was not authorized by law.	$60,000.
Opportunities for economies in aviation facility requirements and aircraft utilization, U.S. Coast Guard, B-114851, Aug. 12, 1963.	A review of aviation facility requirements for certain locations disclosed a need for reconsideration of the site selected for an air unit at Boston, Mass., and of the need for establishing proposed air units at Rockland, Maine, and New Orleans, La. After we presented our audit observations to the Coast Guard, an Air Force base was selected as the site of the Boston air unit, in lieu of the commercial airport previously selected. Other substantial savings in facility costs may be realized through a reconsideration of the need for a planned air unit at Rockland, Maine, and for a planned consolidation of the Biloxi, Miss., and New Orleans, La., air units into a new facility at New Orleans.	$[3],400,000.
	The low volume of Coast Guard search and rescue activity of the Bermuda air unit and the potential savings in operating cost through discontinuing operation of the unit's aircraft warrant a reexamination of the need for Coast Guard aircraft at Bermuda.	Not determined.
	A reduction in operating costs at the Arlington, Va., air unit appeared to be possible and will be realized with the adoption of contemplated revisions in aircraft and training requirements.	
	There is a possibility of effecting substantial economies in search and rescue activities by replacing existing medium helicopters and fixed-wing aircraft at certain locations with new twin-turbine helicopters. Other significant economies appear possible through a reduction of medium- and long-range aircraft requirements.	
	Other matters disclosed by our review pertain to the need for closer supervision over training flights, to uneconomical logistic flights, to issuance of flight orders excess to needs, and to overpayments of subsistence allowance.	

Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
TREASURY DEPARTMENT—con.		
Need for reconsideration of costly proposals under the expansion and improvement program, Coast Guard Academy, U.S. Coast Guard, B-114851, Sept 30, 1963.	The Academy is currently engaged in an expansion and improvement program involving long-range new construction and remodeling plans based on a master plan prepared by a firm of planning consultants. Although the master plan for the expansion and improvement program is based on a cadet corps strength of 850 men or 250 men over the present strength, the Coast Guard has not developed a long-range plan showing a need for this number of cadets. A sound projection of the number of cadets needed is prerequisite to a facilities expansion program.	Not determined.
	The Academy plans to reclaim for expansion purposes 12.5 acres of land from offshore at the Thames River boundary. We noted that 12.69 acres of adjacent park land were acquired by the Academy through condemnation proceedings in fiscal year 1961, with total acquisition and development cost expected to be about $35,134 an acre. A comparison of the estimated cost of the proposed reclamation of 12.5 acres with that of the 12.69 acres recently acquired indicates that a potential savings of about $90,000 an acre, or a total of about $1,100,000 for the entire 12.5 acres, may result if the additional land were acquired from the park area.	$1,100,000.
	The construction of 8 additional officer family quarters was not sufficiently justified. We found that, while the supply of rental housing in the New London area was limited, there was an adequate supply of purchase housing suitable in price, location, and character for occupancy by senior officers.	Not determined.
ATOMIC ENERGY COMMISSION (AEC)		
Procurements of aluminum caps and cans without adequate pricing data by the E. I. du Pont de Nemours and Co., Inc., from the Aluminum Co. of America under an Atomic Energy Commission contract, B-114878, July 23, 1963.	The E. I. du Pont de Nemours & Co., Inc., the operator of a Commission facility under a cost-type contract, procured numerous aluminum caps and cans from the Aluminum Co. of America (ALCOA), a sole-source supplier, with AEC approval, at prices proposed by ALCOA without either ALCOA or the Commission obtaining ALCOA's analyses of its prior actual or estimated costs for use in determining the reasonableness of the proposed prices. The prices of the caps and cans under 9 purchase orders aggregating about $2,700,000 were about $1,400,000 or 105 percent, in excess of ALCOA's previously experienced costs in producing the same or similar items in similar quantities. The Commission is attempting to negotiate an equitable adjustment of the prices with ALCOA.	Do.
Overpricing of K-27 tube sheet assemblies procured from Fairbanks, Morse and Co., by Union Carbide Nuclear Co. under Atomic Energy Commission cost-type contract, B-114878, Oct. 14, 1963.	The Union Carbide Nuclear Co., the operator of an AEC facility under a cost-type contract, procured K-27 tube sheet assemblies from Fairbanks, Morse & Co., under a negotiated fixed-price agreement at the price proposed by Fairbanks which was not based on the cost Fairbanks was likely to incur in producing the tube sheet assemblies. The failure of Carbide and the Commission to make proper analysis and evaluation of Fairbanks' prior cost experience in producing similar tube sheets resulted in the Government incurring additional costs.	$464,000.
Unwarranted inclusion of tooling costs in the price of case extrusion cylinders procured from Wyman-Gordon Co. by the Bendix Corp. under Atomic Energy Commission cost-type contract, B-114878, Apr. 9, 1964.	The pricing of case extrusion cylinders procured from the Wyman-Gordon Co. by the Bendix Corp., Kansas City Division, for AEC included a factor providing for Wyman-Gordon's recovery of tooling costs of about $49,000 which should not have been included because Bendix, under a prior tooling order with Wyman-Gordon, had provided for the tooling necessary to produce the forgings at no cost to Bendix beyond the amount provided for in that order.	$49,000.
Significant savings to be attained as a result of the purchase of a leased automatic data processing system in use at Sandia Laboratory, B-146732, Apr. 30, 1964.	The Sandia Corp., the operator of AEC's Sandia Laboratory, was leasing a large-scale automatic data processing system. A comparison of the cost of leasing with the cost of purchasing the system showed that significant cost savings could be attained through Government ownership of the system. After this was pointed out to AEC, the system was purchased.	$2,700,000 (over a 5-year period and $1,000,000 each year thereafter).

[1] Exclusive of International operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
ATOMIC ENERGY COMMISSION (AEC)—continued		
	Also, unnecessary costs were incurred because the system was not purchased in July 1962 when an adequate evaluation by AEC of a Sandia lease-versus-purchase study would have indicated that the purchase of the system would be advantageous to the Government.	$512,000.
Inadequate rental rates for Government-owned housing at the Brookhaven National Laboratory, B-146719, May 11, 1964.	The rental rates for Government-owned housing at the Brookhaven National Laboratory of the Commission were substantially lower than required under the Government's rental rate policy. After this matter was brought to the attention of AEC and Laboratory officials, the rental rates were substantially increased.	$50,000 (annually).
Overpricing of reactor weldments procured from the Aluminum Co. of America under purchase orders awarded by E. I. du Pont de Nemours & Co., Inc., B-114878, June 23, 1964.	The E. I. du Pont de Nemours & Co., Inc., the operator of AEC facility under a cost-type contract, purchased reactor weldments from the Aluminum Co. of America (ALCOA), a sole-source supplier, with AEC approval, at prices proposed by ALCOA without either du Pont or AEC evaluating the prices in relation to the costs ALCOA was likely to incur in producing the weldments because of ALCOA's refusal to furnish cost information. The prices of the weldments under 14 purchase orders were about 60 percent in excess of ALCOA's costs based on prior actual or estimated production costs.	Not determined.
DISTRICT OF COLUMBIA		
Delay in development and implementation of medical assistance for the aged program, B-118638, July 8, 1963.	The federally sponsored medical assistance for the aged program was established effective October 1, 1960, by Public Law 86-778, the Social Security Amendments of 1960, to encourage States to provide medical assistance to low-income aged people by providing Federal grants for expenditures made under the program. Participation in the program by the District of Columbia Government was approved by the Department of Health, Education, and Welfare, effective January 1, 1963. The District delayed seeking necessary legislative authority and did not adequately prepare for participation in the program.	Do.
Lack of effective supervisory controls over Federal and District of Columbia Government employees licensed to drive taxicabs in the District of Columbia, B-146850, Dec. 12, 1963.	Our review of the time and attendance records of selected employees of the District of Columbia Government, the Post Office Department, the Veterans Administration, and the General Services Administration, who were also licensed to drive taxicabs in the District of Columbia, disclosed that a substantial percentage of the employees included in our tests apparently drove taxicabs during official duty hours while not on authorized leave or on days when sick leave was used. This resulted from a lack of supervisory control over these employees. Of the 4 agencies only the District of Columbia required its employees to obtain written permission to engage in outside employment.	Do.
Excessive costs resulting from weaknesses in admission and billing practices relating to hospitals under contracts with Department of Public Health, B-133173, Mar. 30, 1964.	The District incurred unnecessary costs by paying significant amounts for providing medical treatment to District residents who are either ineligible for treatment at District expense or able to pay a larger part of the cost of such treatment than they are required to pay. We found that (1) the procedures for ascertaining financial resources of patients were not adequate to detect inaccurate or incomplete information on financial resources submitted by a large percentage of patients and (2) the criteria used in determining each patient's ability to pay gave only limited recognition to the earning capacity of the patient's family group.	$800,000 (annually).
Need to consider realignment of organizational and management structure for health and medical activities, B-133173, Mar. 31, 1964.	Health and medical activities are carried out not only by the Department of Public Health but also by 4 other major departments of the District of Columbia Government. Under the existing arrangements there is some duplication and overlapping of health and medical activities, limited flexibility in the utilization of medical personnel, and limited coordination in the overall health and medical activities of the District of Columbia Government.	Not determined.

[1] Exclusive of international operations listed separately.

CIVIL DEPARTMENTS AND AGENCIES [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
FEDERAL AVIATION AGENCY (FAA)		
Charges required by prescribed Government policies not assessed against recipients of Government services, B-133127, Mar. 26, 1964.	FAA has not assessed user charges (1) to recover from airlines any portion of the costs incurred in inspecting aircraft and aircraft components and in issuing the required certificates or (2) to recover from airmen any portion of the costs incurred in conducting practical and written examinations to determine their competency and in issuing the certificates of competency.	$5,000,000 (annually).
	FAA performs various types of work on aircraft and aircraft components for other Government agencies and non-Government entities, but, the charges to the recipients of these services were inadequate to recover the related costs.	Not determined.
Unnecessary costs incurred under the semiautomatic flight inspection program, B-133127, Mar. 26, 1964.	Additional costs were incurred because of FAA's weaknesses in planning, contracting, and administration of the program. A major portion of such costs could have been avoided by the development of a proven flight inspection system before undertaking the production of additional systems.	$944,000.
	In addition, possible cost savings will not be attained as a result of the failure to purchase a leased computer in December 1960, when it was offered for purchase at a special discount price.	$720,000.
Deficiencies in aircraft procurements, utilization, maintenance, and accounting, B-133127, Mar. 31, 1964.	FAA leased costly twin-engine aircraft for administrative, job performance, and proficiency flying without a justification clearly establishing a need for that type of aircraft for such purposes, and leased aircraft under a lease/purchase contractual arrangement without obtaining price proposals on such an arrangement from another company whose aircraft met the prescribed specifications. Also, FAA made unnecessary expenditures for the purchase from commercial sources of aircraft engine parts and accessories that could have been obtained from excess military stocks.	Not determined.
	The failure of the FAA contracting officer to request an analysis of and to adequately evaluate the reasonableness of a contractor's proposal for an increase in his original price, because of modifications made, resulted in excess costs to FAA.	$21,800.
Inadequate administration of automatic data processing operations, Air Route Traffic Control Centers, Boston, Mass., and Washington, D.C., B-133127, Mar. 31, 1964.	Additional costs of about $47,600 were incurred in operating automatic data processing systems because FAA did not establish adequate management controls over the administration of rental contracts and did not properly avail itself of beneficial provisions in the rental contracts for allowable time to reprocess data rejected for errors due to equipment failure, allowable free program-testing time, and reportable use time of equipment. After we brought these matters to the attention of Agency officials, about $8,800 was recovered.	$38,800.
Excessive costs incurred because of extended contractor-furnished technical services and other deficiencies in administration of contracts for electronic air traffic control simulator systems, B-133127, Apr. 23, 1964.	Contracts awarded on a continuing basis by FAA to maintain electronic air traffic control simulator systems resulted in costs in excess of those which would have been incurred by the use of civil service employees trained to maintain the simulator systems.	Not determined.
	Additional costs were incurred for the development and maintenance of the simulator systems because of (1) the Agency's failure to provide certain Government-furnished equipment and (2) the unnecessary payments of subsistence allowances and fees.	$19,400.
Excessive payments for rental of punched card machines incurred because of ineffective contract administration, B-133127, May 18, 1964.	In administering the rental contracts for certain punched card machines, the FAA Washington office did not (1) provide timely reporting instructions to FAA regional offices on the computation of extra use time, (2) follow up on the implementation of the Washington-issued instructions, and (3) review adequately the contractor's billings which were based on user reports. As a result excessive payments were made.	$21,000 (annually).
	After these matters were brought to the attention of agency officials, FAA took corrective action which should prevent continuing overpayments.	

[1] Exclusive of international operations listed separately.

CIVIL DEPARTMENTS AND AGENCIES [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
GENERAL SERVICES ADMINISTRATION (GSA)		
Unnecessary depot handling and transportation costs of supply items, Federal Supply Service, B-114897, Aug. 20, 1963.	GSA in many instances did not utilize the direct-delivery method of supplying stores items when it was practical and economical to do so. If the 157 orders included in our review had been delivered direct, warehouse handling costs of about $20,500 would have been avoided and savings of about $27,800 in transportation and export-packing costs would have been realized.	$48,300.
Need for better controls over manpower utilization and other aspects of buildings management activities, Public Buildings Service, B-118623, Oct. 18, 1963.	The agency had not developed complete and valid guides to determine the number and types of skilled trades needed, and the proper amount of staffing for skilled trades could not readily be determined in the maintenance and operation of buildings under the control of GSA. Wide variations in the level of cleaning services indicated a need for better compliance with prescribed cleaning standards in order to promote adequate manpower utilization and control of buildings management costs.	Not determined.
	Also there was a need for (1) improved controls over materials and supplies, (2) acceleration of the development of the preventive maintenance program, and (3) a more effective inspection program.	
Unnecessary costs to the Government for commercial long distance telephone calls made by civil agencies in the Washington, D.C., area between cities served by the Federal Telecommunications System, B-146864, Mar. 12, 1964.	During calendar year 1963, long-distance telephone costs at a rate of over $1 million annually were being incurred by civil agencies reviewed by us in the Washington, D.C., area for commercial long-distance telephone calls between cities served by the Federal Telecommunications System. Such costs in most cases would be unnecessary or at least substantially less if agencies would use the Federal Telecommunications System leased-line facilities, because the charges paid for the leased lines are fixed, regardless of the extent to which they are utilized. The inadequate use of the system is being corrected by GSA and user agencies.	$1,000,000 (annually).
Additional costs resulting from failure to consolidate certain Federal communications services in the Washington, D.C., area, B-146893, May 25, 1964.	Unnecessary costs have been incurred for telephone service because agressive action had not been taken by the GSA to consolidate Government switchboards wherever feasible.	$1,900,000 (over an 8-year period).
	Many Government agencies operate their own teletypewriter communication systems even though teletypewriter service is available through GSA facilities. We believe that a unified system should have been considered because of evidence indicating that such a system is more efficient and economical than the individual agency system.	Not determined.
Uneconomical practices relating to brand name procurements, Federal Supply Service, B-114897, June 1, 1964.	In the procurement of about 50 selected brand name items GSA did not make an adequate evaluation of these items to determine whether similar, less costly items were available before the brand name items were placed into its supply depots or self-service stores for sale to customer agencies. The Government incurred excess costs by procuring certain of these brand name items at prices higher than would have been paid if similar items had been procured under more detailed purchase descriptions.	$650,000.
	Also, GSA was stocking over long periods a substantial number of items procured through the use of single "brand name or equal" purchase descriptions.	Not determined.
Unnecessary costs incurred in the construction of the Smithsonian Institution Museum of History and Technology, B-133332, June 30, 1964.	No provision for window washing equipment was made in the original building design plans, and revisions to the building roof became necessary to permit installation and operation of the equipment, resulting in unnecessary costs.	$78,000.
	Also, had timely recognition been given to the apparent delay in the completion of the building design, prompt action could have been taken to defer the award of the contract for excavating, piling, and dewatering the site. Because the contract was not deferred, unnecessary costs were incurred in dewatering the site over a 6-month extension period.	$31,000.

[1] Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
HOUSING AND HOME FINANCE AGENCY (HHFA)		
Inadequate collection procedures and other weaknesses in the administration of the programs for making advances for public works planning, Community Facilities Administration, B-118754, Dec. 31, 1963.	Community Facilities Administration advances to State and local jurisdictions (public agencies) to assist them in preparing or maintaining a shelf of planned public works totaling about $51,000,000 applicable to over 4,200 projects were outstanding at June 30, 1962, of which almost $13,000,000 was for over 1,700 projects that had been determined obsolete, and active efforts to collect the advances had been discontinued.	Not determined.
Weaknesses in administration of requirement for the workable program for community improvement for the city of Cincinnati, Ohio, B-118754, May 18, 1964.	As a prerequisite to the receipt of Federal financial assistance for certain housing programs, a community must present to the Administrator, HHFA, a workable program for community improvement, which is a continuing plan of action for effectively dealing with the problem of urban slums and blight. These programs must be certified by the Administrator who then recertifies them periodically. HHFA repeatedly recertified Cincinnati's workable program and executed 2 urban renewal contracts providing for loans of about $40,000,000 and grants of about $25,600,000, although the city did not make reasonable progress in correcting certain basic housing code deficiencies, the correction of which the Agency considered essential. Further, the loan and grant contracts were executed at times when the Agency had withheld recertification of the workable program.	Do.
Need to revise procedures in administration of the mortgage insurance program for urban renewal housing, Federal Housing Administration (FHA), B-118679, Oct. 29, 1963.	Developers in New York were permitted by FHA to use estimated land costs rather than actual costs when certifying to project costs and thereby possibly obtained larger mortgages. The Agency's estimates of project replacement costs did not give consideration to the savings which could reasonably be expected from the simultaneous construction of several projects by the same builder. This factor inflated the estimate of replacement costs and increased the amount of the mortgages to be insured. Other areas disclosed by the review included (1) instances where the agency approved increased mortgage amounts which were not justified, (2) the need for the agency to make audits, on a test basis, of the records supporting the cost certifications submitted by mortgagors, and (3) inadequate instructions to the independent public accountants regarding their verifications of these cost certifications.	Do.
Increased risk of loss because of inadequate mortgage servicing activities, Federal Housing Administration (FHA), B-114860, Jan. 30, 1964.	There were excessive delays in acquiring defaulted multifamily properties and in obtaining control over project operations from the time defaulted mortgages were assigned by the mortgagee until their final acquisition by FHA. In many of these cases, mortgagors collected rents and made no payments on the mortgage indebtedness while FHA paid the real estate taxes and hazard insurance on the properties. Inspections were not made to provide for the timely detection and correction of physical deterioration of project properties securing the mortgages. Mortgagors were charging rents in excess of the rent ceilings established by FHA.	Do.
Undue increases in maximum Federal contributions resulting from method of financing off-site community facilities for low-rent housing projects, Public Housing Administration (PHA), B-148088, Sept. 13, 1963.	PHA procedures for making and collecting loans for off-site community facilities, authorized prior to August 1961, may result in losses to the Federal Government. The Administration's requirement that local housing authorities include loans for off-site community facilities in project development costs resulted in unduly increasing the maximum Federal annual contributions, and the Administration's requirement that local housing authorities include collections on these loans in project operating receipts does not ensure that the collections will be used to reduce the maximum contributions. Also, interest was not charged on some loans for off-site community facilities and the principal amounts of others may not be recovered. To the extent that local housing authorities fail to collect interest or principal amounts on outstanding loans, Federal annual contributions generally will be increased, and, in effect, the increases represent subsidies to local governing bodies that are not authorized by the existing housing legislation.	Do.

[1] Exclusive of International operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
HOUSING AND HOME FINANCE AGENCY (HHFA)—continued		
High costs pertaining to acquisition of sites for selected low-rent housing projects in the 8-State area administered by the New York Regional Office, Public Housing Administration, B-118718, Dec. 12, 1963.	PHA (1) purchased excess land for the primary purpose of eradicating slums to further civic improvement which will increase the cost of two low-rent public housing projects by about $519,000, (2) failed to make advance payments for property in land condemnation proceedings resulting in unnecessary interest costs for 2 projects, and (3) improperly allocated costs of acquiring combined Federal-City project sites thus increasing the cost to a Federal low-rent housing project. After the improper price allocation was reported to the New York regional officials, they obtained a price reduction of about $79,300 for the Federal project.	$598,300.
Construction of new low-rent housing projects without adequate consideration of available Government-owned housing, Public Housing Administration, B-118718, Dec. 17, 1963.	A review of the construction of new low-rent public housing projects by PHA disclosed two instances wherein existing Government-owned housing could have been acquired and converted to low-rent public housing use with resulting savings of about $1,140,000. Also there were 4 instances wherein we believe that existing Government-owned properties could have been acquired and converted to satisfy, in whole or in part, the housing needs of local housing authorities which have new low-rent public housing projects in the early stages of development. Based on cost information that was available in 3 of the 4 instances, about $1,450,000, less estimated cost of rehabilitation, could have been saved in the three instances.	$1,140,000
High costs pertaining to sites for selected low-rent housing projects in the area administered by the San Francisco Regional Office, Public Housing Administration, B-118718, Dec. 18, 1963.	A local housing authority, with PHA approval, acquired high-cost property as a project site without giving adequate justification for rejection of less expensive sites. The same local housing authority acquired property requiring costly improvements to make it suitable for construction of the project without giving any evident consideration to the selection of alternate sites with more favorable physical characteristics. The PHA Regional Office discontinued negotiations for local contributions with the local housing authority despite the latter's proposal to make and to obtain substantial local contributions that would have reduced Federal subsidies applicable to this project.	Not determined.
Unnecessary payments to local housing authorities owning former Federal land to be used for low-rent housing project sites, Public Housing Administration, B-118718, June 18, 1964.	PHA approved payments totaling about $326,700 to 5 local housing authorities for authority-owned land purchased from PHA pursuant to title VI of the Lanham Act (public war housing and veterans' re-use housing) and subsequently used in the development of new low-rent public housing projects. Although the law does not clearly prohibit these payments, they were unnecessary since the local housing authorities already owned the land.	$326,700.
Improper inclusion of Melan Bridge costs in the cost of Keyway Slum Clearance and Urban Renewal Project, Topeka, Kans., by Urban Renewal Administration, B-118754, Oct. 18, 1963.	Urban Renewal Administration tentatively approved a noncash grant-in-aid credit in the amount of $1,080,000 for replacing the existing Melan Bridge which spans the Kansas River at Topeka, Kans. In our opinion the new bridge is ineligible for noncash grant-in-aid credit because it will not provide the flood control or traffic benefits upon which the credit was based. If the tentative credit is sustained, the Federal Government will participate to the extent of ⅔ of the cost.	$720,000.
Inadequate relocation assistance to families displaced from certain urban renewal projects in Kansas and Missouri administered by Fort Worth Regional Office, B-118754, June 12, 1964.	A significant number of the families displaced from urban renewal projects in St. Louis, Mo., and Kansas City, Kans., were relocated into substandard housing and a substantial number of the families displaced in these cities and in Columbia, Mo., were not afforded relocation assistance.	Not determined.
Sound structures scheduled for demolition without adequate consideration of less costly methods of redevelopment, Keyway Urban Renewal Project, Topeka, Kans., B-118754, June 17, 1964.	HHFA approved in March 1961 an urban renewal plan for the Keyway project, Topeka, Kans., which provided for the acquisition and demolition of 5 structurally sound buildings valued at about $350,000, without giving adequate consideration to less costly methods of redevelopment. Subsequent to our review, the Commissioner, Urban Renewal Administration, informed us that the local public agency would attempt to integrate 2 of the properties, valued at about $100,000, into the project. The Federal Government participates in the cost of the project to the extent of two-thirds.	Do.

[1] Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)		
Certain weaknesses in the management of orbiting solar observatory projects for the period January 1959 through December 1962, B-133340, Jan. 31, 1964.	NASA's establishment of unrealistic delivery dates for 2 spacecraft required an extension of the delivery dates and resulted in keeping contractor personnel on project work longer than was actually necessary to integrate the experiments and complete the spacecraft.	$526,000.
	NASA awarded a contract for a backup spacecraft at a time when negligible time savings could be expected in the event the backup spacecraft was needed and that substantial nonrecoverable costs could be expected if the backup spacecraft was not needed. The backup spacecraft was not needed.	$273,000.
	Instances of poor coordination between the technical and the administrative personnel of the agency unnecessarily limited competition for the 1st project spacecraft contract and resulted in a lack of administrative control over certain work being performed by the contractor.	Not determined.
Excessive costs incurred in transporting Saturn launch vehicles, B-146801, Apr. 3, 1964.	NASA incurred unnecessary costs in transporting Saturn launch vehicles to Cape Kennedy because (1) an unsuitable type of contract was used, (2) operating experience was not effectively used in negotiations, (3) a questionable requirement for exclusive tow of barges was set, and (4) unnecessary financial protection was purchased for the United States.	$115,000.
	Also, NASA permitted the contractor to retain title to equipment purchased with contract funds and installed on a Government-owned barge.	Not determined.
Excessive costs incurred by leasing rather than purchasing automatic data processing machines at the Jet Propulsion Laboratory, Pasadena, Calif., B-133394, May 18, 1964.	NASA's failure to adequately consider, at the time of installing certain automatic data processing machines now being leased by its Jet Propulsion Laboratory, the alternative of purchasing the machines will result in costs that could have been avoided if the machines had been purchased at the time of their installation.	$1,812,000 (date of installation to December 1965).
PANAMA CANAL COMPANY		
Improper use of funds appropriated for construction of the Thatcher Ferry Bridge, B-114839, Apr. 14, 1964.	The Panama Canal Company improperly used funds appropriated for the construction of the Thatcher Ferry Bridge and its approaches to finance the construction of facilities and facility improvements which were not directly related to or necessitated by the bridge project.	$640,000.
Exclusion of certain personnel from application of policy requiring use of less than 1st-class air accommodation, Canal Zone Government and Panama Canal Company, B-146731, Apr. 30, 1964.	Members of the Governor-President's staff, bureau directors, certain consultants, and, in general, personnel accompanying these travelers on official detached duty assignments were authorized to use 1st-class accommodations, whereas other employees were generally required to use less costly accommodations.	Not determined.
Excessive ocean freight charges on commercial shipments, B-114839, June 22, 1964.	A review of selected cargo shipments made by the Panama Canal Company on commercial vessels disclosed deficiencies in the Company's traffic management procedures and practices which resulted in payment of excessive freight charges and in expenditure of unnecessary administrative effort to effect adjustments in freight charges billed by carriers.	$2[illegible],000.
SMALL BUSINESS ADMINISTRATION (SBA)		
Need for better supervision and administration of business loan activities, B-114835, Jan. 31, 1964.	The rates of interest charged to borrowers by SBA have not produced sufficient income to cover the expenses of the business loan program. Because of the SBA policy of not charging applicants for business loans a loan application fee, a potential source of additional income is lost.	Not determined.
	Weaknesses in the processing of applications for business loans and in the servicing of outstanding business loans included (1) some loans made without adequately considering the applicant's ability to repay, (2) large loans made without requiring applicants to submit independently audited financial statements, (3) direct loan proceeds sometimes used to purchase fixed assets, pay salaries of officials, and repay debts in violation of limitations in loan agreements, (4) similar violations of limitations in participation loan	

[1] Exclusive of international operations listed separately.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
SMALL BUSINESS ADMINISTRATION (SBA)—continued		
	agreements, as well as the use of loan proceeds to repay unsecured and delinquent loans made to applicants by the participating banks, indicating the need for SBA to strengthen its supervision over loan servicing by banks participating in the business loan program.	
VETERANS ADMINISTRATION (VA)		
Need for more effective management action to reduce costs by filling private physicians' prescriptions in Veterans Administration pharmacies, B-133014, Aug. 20, 1963.	The VA central office did not take action to achieve the most effective utilization of VA pharmacies for filling prescriptions written by private physicians. Significant economies can be realized if action is taken to require that certain types of prescriptions be filled by VA pharmacies.	$1,600,000 (annually).
Excessive costs of maintenance and management of properties acquired upon default of loans made under the loan guaranty and direct loan programs, B-118660, Aug. 30, 1963.	VA had incurred excessive costs for property maintenance and management brokers' fees because the field offices did not establish criteria needed to properly review and evaluate broker activities, and did not make changes in operating procedures to deal with circumstances arising as a result of rapidly expanding property inventories. In addition, there was a lack of central office direction and coordination of field office activities.	$800,000 (annually).
Inadequate management action to avoid excessive costs of milk procurement by hospitals and domiciliaries, B-133014, Jan. 10, 1964.	The VA central office recognized, as early as 1958, the economies which could be realized by purchasing milk in bulk quantities, usually in 5-gallon containers, and serving it from refrigerated dispensers rather than purchasing and serving the milk in individual ½-pint containers. However, effective action by the central office had not been taken to have individual stations use such equipment, wherever feasible. We noted that 143 of the total 172 stations, were still purchasing milk for patient and employee consumption in individual ½-pint rather than bulk containers.	$1,800,000 (unnecessary costs from 1959 through 1963—$450,000 annually thereafter).
Waste of funds and adverse effects on patient care from procurement of unsatisfactory X-ray film development equipment, B-133014, Feb. 4, 1964.	The VA entered into a contract for the procurement of newly developed complex automatic X-ray film development processors before testing and evaluating the automatic processor's operating performance and without determining whether the contractor met the standards of a responsible bidder. Shortly after installation of the equipment in field stations, serious and frequent malfunctions occurred which caused extensive film spoilage and production of diagnostically unacceptable film, and in adverse effects on patient care. Although considerable information was available to VA officials which clearly showed the deficiencies of the units installed, the VA continued to accept delivery of the units.	Not determined.
Inclusion of volunteer workers in determining the allowable number of employees engaged in personnel work tends to defeat intent of appropriation act limitations, B-152893, Apr. 30, 1964.	The VA follows the practice of considering volunteer workers to be employees of the VA for the purpose of determining the maximum number of employees engaged in personnel work allowable under limitations established by the annual Independent Offices Appropriations acts. This practice, although not illegal, tends to defeat the intent of the acts.	$2,000,000 (annually).
Loss of revenue resulting from inadequate rental rates for garages used by field station employees, B-118660, May 8, 1964.	Rental rates charged by the VA for garages used by field station employees to house personally owned automobiles had remained unchanged, for the most part, since 1935 and the rates were significantly lower than rental rates for comparable private garages in the local communities.	$95,000 (annually).
Memorial certificate program established without legal authority, B-152482, May 19, 1964.	The cost of carrying out the memorial certificate program was financed from VA appropriations for general operating expenses although the appropriations do not contain specific authority for the expenditures. We could find no statutory authority for conducting the program. While we express no opinion on the merits of the program, we advised the Veterans Administration of the necessity for either obtaining statutory authority or discontinuing the program.	$4,500,000 (through fiscal year 2010).

[1] Exclusive of international operations listed separately.

CIVIL DEPARTMENTS AND AGENCIES [1]—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
VETERANS ADMINISTRATION (VA)—continued		
Excessive disability pension payments resulting from inadequate procedures for review of annual income questionnaires, B-114859, June 24, 1964.	Our review of disability pension awards at 8 VA regional offices disclosed that excessive pension payments were made in about 7 percent of the awards we selected for review. These incorrect payments were made because the regional offices had not adequately reviewed the annual income questionnaires which were submitted by veterans as a basis for determining the amounts of pension benefits to which the veterans are entitled under the income limitations provided by law. We believe that the Central Office had not devised adequate procedures for use by the regional offices in making these determinations.	$4,000,000 (fiscal years 1962 and 1963).
Audit of Veterans Canteen Service, fiscal year 1963, B-114818, June 25, 1964.	Our review showed that the amount of $311,142, out of $5,416,592 cash on hand at June 30, 1963, computed by the Veterans Canteen Service (VCS) as a proposed payment to the Treasury was insufficient to meet the requirements of law because in computing the amount VCS did not give sufficient consideration to funds to be generated during the ensuing fiscal year. We proposed that the Administrator of Veterans Affairs instruct the VCS to revise its estimate of fund requirements. The Deputy Administrator advised us that $1,500,000 would be paid into the Treasury and that a future evaluation of VCS fund requirements would be made to determine the level of fund requirements needed to maintain canteen service operations.	Not determined.
VIRGIN ISLANDS GOVERNMENT		
Review of certain activities of the Government of the Virgin Islands of the United States, fiscal year 1962, B-114808, Jan. 9, 1964.	We commented on the inadequate action taken by the insular government to recover cash losses reported by the Government Comptroller at the St. Thomas office of the government-operated Virgin Islands lottery. We also commented on the need for improvements in administration of revenue laws and the numerous problems resulting from the installation of a centralized accounting system.	Do.

[1] Exclusive of international operations listed separately.

INTERNATIONAL OPERATIONS

DEPARTMENT OF AGRICULTURE		
Inadequate controls for determining compliance by foreign governments with restrictions placed on the disposition of agricultural commodities made available under title I, Agricultural Trade Development and Assistance Act of 1954 (commonly known as Public Law 480), June 1963, B-146820, Oct. 7, 1963.	Information on arrival and disposition of commodities in foreign countries was not always received by the Department from agricultural attachés or American Embassies who were required or had been requested to submit this information. Follow-up action to obtain reports was not sufficiently aggressive. Also, information was not readily available as to reports required and received, and there were no formal control records indicating the quantities of commodities shipped to each foreign country and the quantities reported as having arrived so as to enable prompt detection and investigation of any differences.	Not determined.
Understatement of claims against the United Arab Republic and the Federal People's Republic of Yugoslavia for recovery of excessive ocean transportation costs financed by the Commodity Credit Corporation under title I, Agricultural Trade Development and Assistance Act of 1954 (commonly known as Public Law 480), B-146820, Mar. 13, 1964.	In determining the amounts to be claimed, Department personnel did not give proper consideration to all available information involving the type of improper payments to be included in the claims against these countries, but relied instead on erroneous and unverified information.	$278,000.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
DEPARTMENT OF COMMERCE		
Unnecessary costs resulting from inadequacies in the administration of right-of-way activities of the inter-American highway program in the Republic of Costa Rica, Bureau of Public Roads, B-118653, May 27, 1964.	Inadequacies in Bureau administration of right-of-way activities related to (1) the award of three construction contracts before obtaining satisfactory assurance that the necessary rights-of-way were or would be available, thereby resulting in increased engineering and inspection costs of about $755,000 of which the United States share was about $504,000, (2) the relocation of a 13-mile section of the highway without adequate supporting cost comparisons, thereby increasing the estimated construction costs by about $491,000 of which the United States share was about $327,000, (3) the questionable United States contribution of about $260,000 to finance the cost of fencing the rights-of-way, and (4) the unsuccessful efforts of the Bureau to have Costa Rica maintain the rights-of-way free of encroachments, such as houses and commercial establishments.	$1,091,000.
Illegal contract payment provisions and other deficient contracting practices employed by the U.S. Travel Service (USTS), B-151399, Apr. 16, 1964.	Nine contracts totaling about $3,500,000, which were entered into by USTS for the procurement of sales promotion, advertising, and public relations services, contained provisions for compensating the contracting firms on a cost-plus-a-percentage-of-cost (CPPC) basis. Such payment provisions were in conflict with statutory and regulatory prohibitions against CPPC contracts which are directed to precluding any temptation or possibility that a contractor may increase his profit by carelessly or deliberately increasing his cost at the expense of the Government under a reimbursable contract. Other deficiencies involved: inadequate solicitation of proposals from qualified firms as a basis for negotiation and award of contracts; inadequacies in reviews of cost proposals; and lack of documentation in support of contract negotiations.	Not determined.
DEPARTMENT OF STATE		
Review of construction of Embassy office building and Ambassador's residence, Rabat, Morocco, B-146798, July 17, 1963.	When construction of a U.S. Embassy office building and an adjacent ambassadorial residence at Rabat, Morocco, had been in progress for about 1 year and was estimated to be 41 percent completed, construction was halted in order that certain corrections could be made in the architectural design of the buildings. The changes subsequently made cost about $90,000. The ambassadorial residence, completed about July 1961 has been used mostly for such things as meetings, temporary office space, and staff housing. The Government's investment in the residence is about $453,200, including about $35,000 for initial furnishings.	Do.
Review of funding practices in the acquisition and management of real and related personal property overseas by the Department of State, B-146782, Sept. 30, 1963.	Unsound practices in the funding of acquisition and management costs of real and related personal property owned or leased by the Department stem primarily from the distinction made between the costs associated with owned and long-term-leased property and the costs associated with short-term-leased property. Costs associated with the former class of properties are funded for the most part from the Department's Foreign Service Building Fund, while costs associated with short-term-leased properties are financed jointly from departmental salaries and expenses appropriations and from the appropriations of other occupant agencies. The collective effect of the practices noted has rendered the financial management of overseas property unduly cumbersome, complex, and costly and the exercise of control by the Congress more difficult than is justified.	Do.
Examination of certain economic development projects for assistance to Cental Treaty Organization, B-146819, Mar. 5, 1964.	Because the availability of local resources was not adequately explored, grant and loan funds aggregating more than $8,000,000 were used for purposes other than those for which they were initially obligated and for financing imports which were not needed or could be produced in the recipient country. Furthermore, the economic feasibility of the 3 projects for which the funds were obligated was dubious, and, as conditions existed at the time of our review, there was no assurance that 2 of the 3 projects involved would ever be completed. Financing was subsequently made available by AID to complete one of these projects.	Do.

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INTERNATIONAL OPERATIONS—Continued

Title	Waste and mismanagement	Estimated unnecessary costs and losses
DEPARTMENT OF STATE—con.		
Review of construction of consulate general office building and official residence, Tangier, Morocco, B-146798, May 7, 1964.	The need for this project involving a total investment of $975,000 was questionable and several fundamental deficiencies were found in the solicitation of bids and in the award and administration of the construction contract, including (1) the premature solicitation of bids; (2) substantial concessions made to low bidder; (3) award to unqualified contractor and resulting difficulties; and (4) delay in completion of the project.	Not determined.
Deficiencies in administration of the earthquake reconstruction and rehabilitation program for Chile, B-146754, June 29, 1964.	No meaningful review was made by AID of the Government of Chile's plans, specifications, and cost estimates for the projects undertaken. The Agency did not adjust the size and make-up of its Mission staff to meet the tremendous expansion of assistance to Chile under the earthquake program. Also, appropriate consideration was not given to the abilities of the various agencies of the Government of Chile to carry out their part of the program. As a result, serious cost overruns and delays occurred in many projects and a number of projects had not been completed or in some cases had not been started, some 3 years after the earthquakes and substantially after their estimated completion dates.	Do.
Examination of economic and technical assistance program for Turkey, fiscal years 1958-1962, B-133026, June 30, 1964.	The United States continued to provide substantial amounts of aid to some enterprises owned by the Turkish Government despite the fact that the enterprises consistently suffered from significant management deficiencies. The aid contributed little toward improving the operations of the enterprises, relieving their drain on the Turkish economy, and thereby reducing the need for outside aid.	Do.
DEPARTMENT OF DEFENSE		
Excessive charges for leased telephone services incurred by U.S. forces in Japan, B-133201, Feb. 14, 1964.	U.S. forces in Japan paid and are currently paying excessive amounts for the use of private long-line telephone service in Japan. Although equitable rates for telephone services have not been determined, payments for such services over the 10-year period ended on June 30, 1962, were about $50,000,000 higher than would have been paid under the more favorable rates charged certain Japanese Government agencies for the same service.	Do.
Unnecessary or premature procurement of Sidewinder missile training systems and their delivery to foreign countries under the military assistance program, B-146762, Mar. 12, 1964.	Tow target systems costing in excess of $1,000,000, designed for training pilots in the use of Sidewinder missiles, were unnecessarily or prematurely delivered to 11 foreign countries because responsible Department of Defense agencies had not given consideration to the countries' inability or unwillingness to use the systems.	Do.
Follow-up review of Department of Defense action to obtain reimbursement from foreign countries for administrative expenses under the military assistance program, B-146749, Mar. 18, 1964.	Officials of the Department of Defense informed us in January 1964 that, as a result of our recommendations and their reviews, $870,000 has been recovered from the Federal Republic of Germany and that action was being taken to recover substantial amounts from nine other countries.	$870,000.
Inefficient utilization of personnel to administer the military assistance program in advanced western European countries, B-133280, Apr. 2, 1964.	The Department of Defense has not made a determined effort to phase down the staffs of the Military Assistance Advisory Groups in Western European countries to the extent warranted by the reduction in the scope of the grant aid programs in these countries. This has resulted in the unnecessary expenditure of millions of dollars overseas; the ineffective utilization of highly skilled, highly trained personnel; and the continued but unnecessary support overseas of the dependents of many Military Assistance Advisory Group personnel.	Not determined.

GOVERNMENT-WIDE ASPECTS OF AUTOMATIC DATA PROCESSING

Problems relating to management and administration of electronic data processing systems in the Federal Government, B-115369, Apr. 30, 1964.	Decisions to lease equipment are usually made from the standpoint of use by an individual Government installation rather than from the standpoint of usefulness of the equipment to other parts of the agency as well as to other Government agencies and contractors. Significant costs are being unnecessarily incurred by the Government and will continue unless the perspective of Government-wide needs is effectively brought to bear on decisions as to how needed equipment is to be acquired.	Indeterminable.

Title	Waste and mismanagement	Estimated unnecessary costs and losses
	Much installed data processing equipment in the Federal Government is not being fully utilized. This condition is a result of a system under which each agency is allowed to acquire its own equipment on the basis of its determination of its needs and desires without ascertaining whether its needs can be satisfied by use of equipment already installed elsewhere. The dollar value of computer time paid for but unused amounts to many millions of dollars. The possible savings from making fuller use of leased equipment at lower extra-shift rates would be very significant on an annual basis. The use of computer facilities of other agencies is not mandatory, and it is doubtful that voluntary sharing will result in the maximum use of acquired computer capacity. Centralized direction and management are needed to achieve this objective. Current procedures do not provide for obtaining a running inventory of EDP equipment installed in either Federal agencies or Government contractor facilities. Nor are data on agency requirements for such equipment accumulated currently and systematically at a central point. Thus, there is no effective way to screen new demands and requirements against available capacity already on hand. The predominant practice of contractors is to lease computer equipment. If by leasing instead of purchasing unnecessary costs are being incurred under Government contracts to the same degree as was illustrated in our March 1963 report for Government-operated equipment, the potential savings under contractor operations could run into many millions of dollars a year if conscientious attention is given to obtaining needed data processing services in the most economical manner. Substantial unnecessary costs relating to computer use are being regularly incurred under Government contracts and will continue as long as there is no provision in the Government's management system for better coordination of computer equipment procurement and utilization of Government agencies and contractors. The complexity of this problem is such that it cannot be solved without centralized management direction with clearly assigned responsibility and commensurate authority. Machine use time information based on automatic time meters on EDP components is more accurate than that based on the most efficient manually kept records. The manual recording and compilation of rented equipment use time for hours used in excess of the base shift may result in significant amounts of unnecessary overtime rental payments. The Federal Government is a large and growing user of computer equipment, and it seems likely that, overall, the Government has probably borne the cost of substantial amounts of overpayments based on inaccurate machine use time records. Computer technology has developed rapidly in recent years and is still developing, and the full impact on Federal Government operations cannot be accurately predicted. While important strides forward have been made in utilizing these machines, they are costly and the methods of management of these facilities have not kept pace with the expansion in their use. As a result, excessive costs are being incurred and unnecessary expenditures of public funds are being made. The traditional pattern of decentralized management responsibility cannot give the Government the degree of efficient and economical management of this costly equipment that will capture the savings that are available and eliminate waste, overprocurement, and unnecessary expenditures. Although some improvements in procurements and utilization practices can be expected to occur under the existing management system, they will never produce the economies that are possible through a more effective centralized form of management control.	

EXCESSIVE PRICES AND OTHER EXCESSIVE COSTS INCURRED BY THE GOVERNMENT UNDER CONTRACTS

SUMMARY OF CASES REPORTED TO THE CONGRESS BY THE GENERAL ACCOUNTING OFFICE DURING THE FISCAL YEARS 1957–64

During the fiscal years 1957 through 1964 the General Accounting Office submitted audit reports to the Congress disclosing numerous instances of excessive prices and other excessive costs incurred by the Government under contracts. The major portion of these excessive costs relate to excessive prices negotiated by the Government agencies, primarily as a result of contractors' failure to submit or the agencies' failure to obtain accurate, current, or complete cost data upon which to establish prices. Of the $111 million in total excessive costs, about $61 million had been recovered by the Government by the end of the fiscal year 1964 through refunds, price reductions, or other adjustments.

Contractor	Report		Procuring agency	Amount of excess [1]	Recoveries to June 30, 1964	Remainder	Remarks
	Reference	Date					
DEPARTMENT OF DEFENSE CONTRACTORS							
Aeroflex Corporation, Aeroflex Laboratories Division, Long Island City, N.Y.	B-146758	Dec. 1962	Navy	$41,000		$41,000	Case under consideration by Department of Justice.
Aircraft Radio Corporation, Boonton, N.J.	B-133174	July 1959	do	75,000	$38,000	37,000	Final negotiation by Department of the Navy resulted in recovery of $38,000.
Air Products, Incorporated, Allentown, Pa.	B-133393	Feb. 1962	Air Force	105,000	105,000		
American Bosch Arma Corporation, Arma Division, Garden City, N.Y.	B-118993	June 1964	do	53,000		53,000	Case under consideration by Department of the Air Force.
American Bosch Arma Corporation, Arma Division, Garden City, N.Y., prime contractor; General Electric Company, Electronics Division, Utica, N.Y., subcontractor.	B-118993	Nov. 1959	do	1,719,000	1,719,000		
American Tent Company, Canton, Miss.	B-146783	May 1963	Army	61,000		61,000	Department of the Army's request for voluntary refund did not result in recovery.
Avco Corporation, Lycoming Division, Stratford, Conn.	B-133329	Sept. 1960	Air Force	217,000	217,000		
Avco Manufacturing Corporation, Crosley Division, Cincinnati, Ohio.	B-133143	Mar. 1959	do	1,134,000	1,134,000		
Avondale Marine Ways, Inc., Avondale, La.	B-133342	June 1961	Navy	73,000	73,000		
Bell Helicopter Corporation, Fort Worth, Tex.	B-118726	July 1959	do	240,000	240,000		
Bethlehem Steel Company, Shipbuilding Division, Quincy, Mass.	B-146718	Feb. 1962	do	139,000	139,000		
Do	B-146718	Sept. 1962	do	1,030,000		1,030,000	Case under consideration by Department of the Navy.
Do	B-146718	Mar. 1964	do	5,000,000		5,000,000	Measures for collection are under consideration by the General Accounting Office.
Bethlehem Steel Company, Shipbuilding Division, San Francisco, Calif.	B-133342	July 1961	do	950,000		950,000	Department of the Navy's request for voluntary refund did not result in recovery.

Bethlehem Steel Company, Quincy Yard, Quincy, Mass.	B-146718	Nov. 1962	do	1,370,000		1,370,000	Case under consideration by Department of the Navy.
Boeing Airplane Company, Wichita Division, Wichita, Kans.	B-133122	May 1959	Air Force	68,000	68,000		
Boeing Airplane Company, Seattle Division, Seattle, Wash.	B-118715	do	do	1,156,000	1,156,000		
Boeing Airplane Company, Wichita Division, Wichita, Kans., prime contractor; Ford Motor Company, Ford Division, Kansas City, Mo., subcontractor.	B-118715	Nov. 1956	do	5,000,000	5,000,000		
Boeing Airplane Company, Seattle Division, Seattle, Wash., prime contractor; American Bosch Arma Corporation, Arma Division, Garden City, N.Y., 1st-tier subcontractor; General Electric Company, Electronics Division, Utica, N.Y., 2d-tier subcontractor.	B-118663	Nov. 1959	do	1,690,000	1,690,000		
Boeing Airplane Company, Seattle Division, Seattle, Wash., prime contractor; Fairchild Engine and Airplane Corporation, Fairchild Aircraft Division, Hagerstown, Md., subcontractor.	B-133164	Feb. 1960	do	1,350,000		1,350,000	Case under consideration by Department of Justice.
Boeing Company, Seattle, Wash.	B-146717	Sept. 1962	do	101,000		101,000	Case under consideration by Department of the Air Force.
Do.	B-146717	Oct. 1962	do	215,000	108,000	107,000	Do.
Do.	B-146717	Mar. 1963	do	405,000		405,000	Do.
Do.	B-146717	May 1964	do	1,582,000	285,000	1,297,000	Do.
Boeing Company, Wichita Division, Wichita, Kans.	B-146705	Dec. 1961	do	482,000	482,000		
Brown-Raymond-Walsh (a joint venture), New York, N.Y.	B-118763	Dec. 1960	Navy	6,700,000	2,974,000	3,726,000	Case under consideration by the Renegotiation Board.
Burroughs Corporation, Detroit, Mich.	B-133158	Jan. 1961	Air Force	285,000	285,000		
Do.	B-146747	Mar. 1963	Army	556,000		556,000	Case under consideration by Department of the Army.
Do.	B-146747	April 1964	do	208,000		208,000	Case under consideration by Department of Justice.
Canvas Specialty Manufacturing Company, Los Angeles, Calif.	B-146783	May 1963	do	163,000	10,000	153,000	Settlement with the Department of the Army resulted in recovery of $10,000.
Chance Vought Aircraft, Incorporated, Dallas, Tex.	B-118778	July 1959	Navy	726,000	252,000	474,000	Final negotiation by Department of the Navy resulted in recovery of $252,000.
Chrysler Corporation, Detroit, Mich.	B-133295	Jan. 1961	Army	315,000		315,000	Case under consideration by Department of the Army.
Chrysler Corporation, Newark, Del.	B-146873	June 1964	do	4,500,000	4,500,000		
Clevite Corporation, Brush Electronics Company Division, Cleveland, Ohio.	B-132922	July 1958	Navy	4,419,000	2,809,000	1,619,000	Settlement of $2,800,000 made with Department of Justice.
Collins Radio Company, Cedar Rapids, Iowa	B-125016	Sept. 1958	do	178,000	138,000	40,000	Final negotiation by Department of the Navy resulted in recovery of $138,000.
Do.	B-133296	Apr. 1960	Army	685,000	685,000		
Do.	B-125016	June 1964	do	464,000		464,000	Case under consideration by Department of the Army.
Combustion Engineering, Inc., New York, N.Y.	B-146846	Feb. 1964	Navy	200,000	200,000		
Continental Aviation and Engineering Corporation, Toledo, Ohio.	B-132915	Jan. 1960	Air Force	236,000	236,000		
Do.	B-132915	Feb. 1961	do	884,000	884,000		

See footnote at end of table.

SUMMARY OF CASES REPORTED TO THE CONGRESS BY THE GENERAL ACCOUNTING OFFICE DURING THE FISCAL YEARS 1957-64—Continued

Contractor	Report		Procuring agency	Amount of excess [1]	Recoveries to June 30, 1964	Remainder	Remarks
	Reference	Date					
DEPARTMENT OF DEFENSE CONTRACTORS—continued							
Continental Motors Corporation, Muskegon, Mich.	B-146737	July 1962	Air Force	$110,000	$110,000		
Curtiss-Wright Corporation, Wright Aeronautical Division, Wood-Ridge, N.J.	B-125096 B-125096	Nov. 1957 Apr. 1963	do	4,697,000	1,765,000	$2,932,000	Settlement made on basis of Armed Forces Board of Contract Appeals ruling. Release agreement entered into by Department of the Air Force precludes the Government from further legal remedy.
Defoe Shipbuilding Company, Bay City, Mich.	B-133342	June 1961	Navy	20,000	20,000		
Douglas Aircraft Company, Inc., El Segundo, Calif.	B-132998	July 1962	do	44,000	44,000		
Douglas Aircraft Company, Inc., Long Beach, Calif., prime contractor; Lambert Engineering Company, St. Louis, Mo., subcontractor.	B-132942	June 1958	Air Force	45,000	45,000		
FMC Corporation, San Jose, Calif.	B-146802	June 1963	Army	83,000	83,000		
Foster Wheeler Corporation, New York, N.Y.	B-146733	Jan. 1961	Navy	132,000		132,000	Case under consideration by Department of Justice.
Friden, Incorporated, San Leandro, Calif.	B-133145	Mar. 1959	Air Force	620,000	620,000		
General Dynamics Corporation, Convair Division, Fort Worth, Tex.	B-118695	Jan. 1962	do	382,000		382,000	Department of Air Force's request for voluntary refund did not result in recovery.
General Dynamics Corporation, Convair Division, San Diego, Calif.	B-118695	Aug. 1959	do	3,900,000	3,900,000		
General Dynamics Corporation, Convair Division, San Diego, Calif., prime contractor; Goodyear Aircraft Corporation, Arizona Division, Litchfield Park, Ariz., subcontractor.	B-118787	Aug. 1958	do	209,000	165,000	44,000	Final negotiation by Department of the Air Force resulted in recovery of $165,000.
General Dynamics Corporation, Convair Division, San Diego, Calif., prime contractor; Thiokol Chemical Corporation, Reaction Motors Division, Denville, N.J., subcontractor.	B-133042	Oct. 1960	do	225,000	225,000		
General Dynamics Corporation, Convair Division, San Diego, Calif., prime contractor; Lear Incorporated, Grand Rapids, Mich., subcontractor.	B-118695	Sept. 1962	do	619,000		619,000	Case under consideration by Department of the Air Force.
General Dynamics Corporation, Fort Worth Division, Fort Worth, Tex., prime contractor; Westinghouse Electric Corporation, Lima, Ohio, subcontractor.	B-118695	Mar. 1964	do	81,000	24,000	57,000	Do.

General Dynamics Corporation, Convair Division, Fort Worth, Tex., prime contractor; Sperry Rand Corporation, Sperry Gyroscope Company Division, Great Neck, N.Y., subcontractor.	B-118695	Apr. 1964	do	1,084,000		1,084,000	Case under consideration by Department of Justice.
General Dynamics Corporation, General Dynamics/Pomona Division, Pomona, Calif.	B-146764	Mar. 1963	Navy	85,000		85,000	Case under consideration by Department of the Navy.
General Electric Company, Burlington, Vt.	B-146883	June 1964	Army	75,000		75,000	Case under consideration by Department of the Army.
General Electric Company, Defense Electronics Division, Syracuse, N.Y.	B-133251	Dec. 1959	Air Force	320,000	320,000		
General Electric Company, Aircraft Gas Turbine Division, Cincinnati, Ohio, prime contractor; Bendix Aviation Corporation, South Bend, Ind., subcontractor.	B-132905	Jan. 1961	do	616,000	616,000		
General Instrument Corporation, Newark, N.J.	B-146736	Dec. 1963	Army	143,000		143,000	Case under consideration by Department of Justice.
General Motors Corporation, AC Spark Plug Division, Milwaukee, Wis.	B-133021	Oct. 1959	Air Force	106,000	106,000		
Do	B-133021	Dec. 1958	do	750,000	750,000		
General Motors Corporation, Allison Division, Indianapolis, Ind.	B-133341	Jan. 1961	do	1,480,000		1,480,000	Department of the Air Force's request for voluntary refund did not result in recovery.
General Motors Corporation, Buick-Oldsmobile-Pontiac Assembly Division, Kansas City, Kans.	B-125051	July 1957	do	9,908,000	9,908,000		
General Motors Corporation, Cleveland Diesel Engine Division, Cleveland, Ohio.	B-133007	May 1958	Navy	1,208,000	1,208,000		
General Precision Laboratory Inc., Pleasantville, N.Y.	B-133146	May 1959	Air Force	151,000	151,000		
Gilfillan Bros. Inc., Los Angeles, Calif., prime contractor; Motorola Inc., Western Military Electronics Center, Phoenix, Ariz., subcontractor.	B-125027	June 1961	Army	150,000	150,000		
Grumman Aircraft Engineering Corporation, Bethpage, Long Island, N.Y.	B-146723	Mar. 1962	Navy	111,000	111,000		
Do	B-146780	Apr. 1963	do	413,000	413,000		
Do	B-146877	Apr. 1964	Navy, Air Force, and National Aeronautics and Space Administration.	188,000	188,000		
Grumman Aircraft Engineering Corporation, Bethpage, Long Island, N.Y., prime contractor; Hazeltine Corporation, Hazeltine Electronics Division, Little Neck, Long Island, N.Y., subcontractor.	B-132974	Mar. 1963	Navy	429,000		429,000	Case under consideration by Department of the Navy.
Hazeltine Corporation, Hazeltine Electronics Division, Little Neck, N.Y.	B-132974	June 1962	Army, Navy and Air Force.	183,000	183,000		
Hazeltine Corporation, Hazeltine Electronics Division, Little Neck, N.Y.	B-132974	Nov. 1962	Navy	242,000		242,000	Department of the Navy's request for voluntary refund did not result in recovery.
Hawk Tool and Engineering Company, Clarkston, Mich.	B-146803	Sept. 1963	Army	156,000		156,000	Case under consideration by the Department of Justice.

See footnote at end of table.

SUMMARY OF CASES REPORTED TO THE CONGRESS BY THE GENERAL ACCOUNTING OFFICE DURING THE FISCAL YEARS 1957-64—Continued

Contractor	Report		Procuring agency	Amount of excess [1]	Recoveries to June 30, 1964	Remainder	Remarks
	Reference	Date					
DEPARTMENT OF DEFENSE CONTRACTORS-continued							
Hughes Aircraft Company, Culver City, Calif.	B-125071	Apr. 1961	Air Force	$636,000	$636,000		
Do.	B-125071	Dec. 1963	do.	201,000	201,000		
Hughes Aircraft Company, Culver City, Calif., prime contractor; Avco Corporation, Crosley Division, Cincinnati, Ohio, subcontractor.	B-125071	Oct. 1963	do.	158,000	158,000		
Ingalls Shipbuilding Corporation, Pascagoula, Miss.	B-146751	Sept. 1962	Navy	509,000	509,000		
Kearfott Company, Inc., Little Falls, N.J.	B-133303	June 1960	Air Force	499,000	350,000	$149,000	Settlement of $350,000 made with the Department of Justice.
Lear, Incorporated, Learcal Division, Santa Monica, Calif.	B-133022	Dec. 1958	Army	89,000	33,000	56,000	Settlement of $33,000 made with Department of Justice.
Librascope, Incorporated, Glendale, Calif.	B-133131	Mar. 1959	Navy	10,000	10,000		
Litton Industries, Inc., Ingalls Shipbuilding Corporation Division, Pascagoula, Miss.	B-146751	June 1961	do.	176,000		176,000	Case under consideration by the Department of the Navy.
Lockheed Aircraft Corporation, Georgia Division, Marietta, Ga.	B-118693	May 1959	Air Force	1,372,000	1,372,000		
Lockheed Aircraft Corporation, Missile and Space Division, Sunnyvale, Calif.	B-146788	July 1963	Air Force and Navy.	289,000		289,000	Case under consideration by Department of the Air Force.
Lockheed Aircraft Corporation, Lockheed Missiles and Space Company Division, Sunnyvale, Calif.	B-146886	May 1961	Department of Defense and National Aeronautics and Space Administration.	101,000		101,000	Case under consideration by the Department of the Air Force and National Aeronautics and Space Administration.
Lockheed Aircraft Corporation, Sunnyvale, Calif., prime contractor; Systron-Donner Corporation, Concord, Calif., subcontractor.	B-146756	Nov. 1962	Navy	303,000		303,000	Case under consideration by Department of Justice.
Lockheed Aircraft Corporation, Missiles and Space Company Division, Sunnyvale, Calif., prime contractor; Brush Beryllium Company, Cleveland, Ohio, subcontractor.	B-146756	May 1963	do.	114,000	114,000		
Magnavox Company, Fort Wayne, Ind.	B-133369	Jan. 1962	Air Force	1,485,000	1,150,000	335,000	Settlement of $1,150,000 made with Department of Justice.
McDonnell Aircraft Corporation, St. Louis, Mo.	B-132936	Mar. 1958	do.	1,982,000	1,982,000		
Do.	B-132936	Jan. 1959	Navy	2,906,000	2,906,000		
Do.	B-132936	May 1959	Air Force	1,505,000	1,505,000		

McDonnell Aircraft Corporation, St. Louis, Mo., prime contractor; Martin Company, Baltimore, Md., subcontractor.	B-132936	Nov. 1960	do	252,000	252,000		
Do	B-132936	Oct. 1961	do	92,000	92,000		
McDonnell Aircraft Corporation, St. Louis, Mo., prime contractor; Temco Aircraft Corporation, Dallas, Tex., subcontractor.	B-132936	Oct. 1962	do	1,762,000	191,000	1,571,000	Case under consideration by Department of the Air Force.
New England Tank Industries of New Hampshire, Inc., Cambridge, Mass.	B-146813	Feb. 1964	Defense	253,000		253,000	Case under consideration by Department of Justice.
New York Shipbuilding Corporation, Camden, N.J.	B-133342	July 1961	Navy	450,000		450,000	Department of the Navy's request for voluntary refund did not result in recovery.
Do	B-133399	Sept. 1961	do	417,000		417,000	Department of Justice closed case without recovery.
North American Aviation, Inc., Rocketdyne Division, Canoga Park, Calif.	B-133352	Feb. 1961	Air Force	103,000	103,000		
North American Aviation, Inc., Los Angeles, Calif., prime contractor; Maurer, J. A., Inc., Long Island City, N.Y., subcontractor.	B-133321	June 1960	do	188,000		188,000	Court action instituted by prime contractor against subcontractor resulted in an out-of-court settlement for $35,000 payable over an eighteen-month period. Government to receive like amount from prime contractor when collected.
North American Aviation, Inc., Los Angeles, Calif., prime contractor; Rheem Manufacturing Company, Downey, Calif., 1st-tier subcontractor; Reinhold Engineering and Plastics Company, Norwalk, Calif., 2d-tier subcontractor.	B-118729	May 1959	do	178,000		178,000	Partially offset through lower prices on follow-on procurement, according to the 2d-tier subcontractor.
Northern Radio Company, Incorporated, New York, N.Y.	B-133133	July 1959	Navy	43,000		43,000	Case under consideration by Department of Justice.
Do	B-133133	Nov. 1959	Air Force	543,000		543,000	No recovery by Department of the Air Force—Renegotiation Board action is reported to have recovered the major portion of the amount involved.
Northwestern Aeronautical Company, St. Paul, Minn.	B-133217	Feb. 1960	Army	125,000		125,000	Case under consideration by Department of Justice.
Northwestern Oil and Terminal Company, Grand Rapids, Mich.	B-133149	June 1964	Defense	290,000		290,000	Case under consideration by Department of Defense.
Philco Corporation, Philadelphia, Pa.	B-132995	Oct. 1959	Navy	327,000	327,000		
Philco Corporation, Philadelphia, Pa., prime contractor; Librascope, Incorporated, Glendale, Calif., subcontractor.	B-132995	Apr. 1959	do	29,000	7,000	22,000	Final negotiation by Department of the Navy resulted in recovery of $7,000.
Radio Corporation of America, Defense Electronic Products, Camden, N.J.	B-133374	June 1961	Air Force	258,000	258,000		
Raytheon Company, Waltham, Mass.	B-146706	Dec. 1961	Navy	145,000	145,000		
Republic Aviation Corporation, Farmingdale, Long Island, N.Y., prime contractor; Lambert Engineering Company, St. Louis, Mo., subcontractor.	B-132942	June 1958	Air Force	69,000	69,000		

See footnote at end of table.

EXCESSIVE PRICES AND OTHER EXCESSIVE COSTS INCURRED BY THE GOVERNMENT UNDER CONTRACTS—Con.

SUMMARY OF CASES REPORTED TO THE CONGRESS BY THE GENERAL ACCOUNTING OFFICE DURING THE FISCAL YEARS 1957–64—Continued

Contractor	Report		Procuring agency	Amount of excess [1]	Recoveries to June 30, 1964	Remainder	Remarks
	Reference	Date					
DEPARTMENT OF DEFENSE CONTRACTORS—continued							
Servomechanisms, Inc., El Segundo, Calif.	B-146801	July 1963	Air Force	$84,000		$84,000	Request by the Department of the Air Force for voluntary refund did not result in recovery.
Smith, A. O., Corporation, Milwaukee, Wis.	B-132945	Dec. 1958	Army	127,000	$127,000		
Smith-Corona Marchant, Inc., Kleinschmidt Division, Deerfield, Ill.	B-146795	June 1963	do	194,000		194,000	Case under consideration by Department of the Army.
Sonotone Corporation, Elmsford, N.Y.	B-146805	Aug. 1963	Air Force	315,000	78,000	237,000	Final negotiation by the Air Force resulted in a recovery of $78,000.
Space Corporation, Dallas, Tex.	B-114808	Dec. 1963	do	213,000		213,000	Case under consideration by Department of the Air Force.
Summers Gyroscope Company, Santa Monica, Calif.	B-146746	Aug 1962	Navy and Air Force.	2,373,000	50,000	2,323,000	Settlement with the Department of the Navy and the Air Force resulted in recovery of $50,000.
Sunstrand Machine Tool Company, Aviation Division, Rockford, Ill., prime contractor; Avtron Manufacturing, Inc., Cleveland, Ohio, subcontractor.	B-133103	Dec. 1958	Air Force	52,000	52,000		
Thompson Ramo Wooldridge Inc., Cleveland, Ohio.	B-133307	May 1960	do	742,000	559,000	183,000	Department of Justice closed case without further recovery.
Do.	B-133307	July 1960	do	56,000	56,000		
United Aircraft Corporation, Hamilton Standard Division, Windsor Locks, Conn.	B-146882	May 1964	do	144,000	144,000		
United Aircraft Corporation, Pratt & Whitney Aircraft Division, East Hartford, Conn.	B-146900	June 1964	Navy	2,200,000		2,200,000	Case under consideration by Department of the Navy.
Western Electric Company, Incorporated, New York, N.Y., prime contractor; Morrison-Knudsen Company, Inc., Boise, Idaho, subcontractor.	B-133325	Apr. 1963	Air Force	2,600,000		2,600,000	Case under consideration by Department of Justice.
Westinghouse Electric Corporation, Lima, Ohio.	B-146845	Mar. 1964	do	190,000		190,000	Do.
Westinghouse Electric Corporation, Pittsburgh, Pa.	B-146733	Feb. 1964	Navy	705,000		705,000	Do.
Westinghouse Electric Corporation, Sunnyvale, Calif.	B-146833	Dec. 1963	do	65,000		65,000	Case under consideration by Department of the Navy.
Westinghouse Electric Corporation, Air Arm Division, Baltimore, Md.	B-132963	Apr. 1959	do	933,000		933,000	No evidence of recovery action taken by the Navy.

Westinghouse Electric Corporation, Aviation Gas Turbine Division, Kansas City, Mo.	B-146035	Dec. 1963	Navy	1,010,000	1,010,000		Department of the Navy's collection by offset being appealed by the contractor.
Westinghouse Electric Corporation, Steam Division, Lester, Pa.	B-146733	Sept. 1963	do	1,353,000		1,353,000	Case under consideration by Department of Justice.
Westinghouse Electric Corporation, Plant Apparatus Department, Pittsburgh, Pa., prime contractor; Westinghouse Electric Corporation, Atomic Equipment Department, Cheswick, Pa., subcontractor.	B-146733	July 1962	do	1,066,000		1,066,000	Do.
Do	B-146760	Dec. 1962	do	2,241,000		2,241,000	Do.
Westinghouse Electric Corporation, Plant Apparatus Division, Pittsburgh, Pa., prime contractor; Foster Wheeler Corporation, Livingston, N.J., subcontractor.	B-146733	Mar. 1964	do	490,000		490,000	Measures for collection are under consideration by the General Accounting Office.
Westinghouse Electric Corporation, Plant Apparatus Division, Pittsburgh, Pa., prime contractor; Edwin L. Weigand Company, Pittsburgh, Pa. subcontractor.	B-146760	Feb. 1964	do	280,000		280,000	Case under consideration by Department of Justice.
Total, Department of Defense contractors				109,032,000	60,969,000	48,063,000	
CIVIL AGENCY CONTRACTORS							
Climax Molybdenum Company, New York, N.Y	B-133252	July 1960	General Services Administration.	1,270,000		1,270,000	No recovery action taken.
Bendix Corporation, Kansas City, Mo., prime contractor; Wyman-Gordon Company, Worchester, Mass., subcontractor.	B-114878	Apr. 1964	Atomic Energy Commission.	49,000		49,000	Do.
Sandia Corporation, Albuquerque, N. Mex., and the Bendix Corporation, Kansas City, Mo., prime contractor; Raytheon Company, Newton, Mass., subcontractor.	B-114878	Mar. 1962	do	347,000	347,000		
Sandia Corporation, Albuquerque, N. Mex., prime contractor, subcontractor:							
Bomac Laboratories, Inc., Beverly, Mass	B-114878	Mar. 1963	do	102,000		102,000	Voluntary refund not requested.
Catalyst Research Corporation, Baltimore, Md	B-114878	Mar. 1963	do	40,000		40,000	Request for voluntary refund did not result in recovery.
Curtiss-Wright Corporation, Wood-Ridge, N.J	B-114878	Mar. 1963	do	189,000		189,000	Do.
Telex, Incorporated, St. Paul, Minn	B-114878	Mar. 1963	do	154,000		154,000	Do.
Waste King Corporation, Los Angeles, Calif	B-114878	Mar. 1963	do	132,000		132,000	Do.
Union Carbide Nuclear Company, Oakridge, Tenn., prime contractor; Fairbanks, Morse and Company, Yonkers, N.Y., subcontractor.	B-114878	Apr. 1964	do	464,000		464,000	No agency action indicated to date.
Total, civil agency contractors				2,747,000	347,000	2,400,000	
Total				111,779,000	61,316,000	50,463,000	

[1] Amounts do not agree in every case with findings shown in GAO reports due to adjustments made to reflect the result of the agencies' actions on such reports, such as (1) expansion of recommended action to other contracts, (2) adjustments found necessary when negotiations were reopened, and (3) recoveries made by the agencies in situations where the original negotiation files lacked sufficient data to make possible the inclusion of a measure of the extent of overpricing of contracts in the audit report.

U.S. GENERAL ACCOUNTING OFFICE, NUMBER OF EMPLOYEES, JUNE 30, 1953, THROUGH JUNE 30, 1964

	June 30, 1953	June 30, 1954	June 30, 1955	June 30, 1956	June 30, 1957	June 30, 1958	June 30, 1959	June 30, 1960	June 30, 1961	June 30, 1962	June 30, 1963	June 30, 1964
Office of the Comptroller General	83	[1] 31	36	[2] 32	27	28	[3] 7	9	9	9	9	11
Office of the General Counsel	168	153	162	165	155	150	[3] 179	179	183	182	181	180
Claims Division	775	640	624	633	569	525	491	444	316	305	258	226
Office of Administrative Services	[4] 100	[5] 193	175	[2] 168	[6] 212	[7] 221	220	210	209	212	218	182
Indian Tribal Branch	78	74	71	70	86	87	82	79	69	64	57	[14]
Cameron, Va., Records Center	----	[5] 112	119	116	114	116	108	100	97	80	65	39
Division of Personnel	78	[5] 48	49	49	49	45	41	41	39	39	36	33
Health Unit	7	6	6	5	----	----	----	----	----	----	----	----
Subtotal	1,289	1,257	1,242	1,238	1,212	1,172	1,131	1,062	952	891	824	680
Accounting, Auditing and Investigative Activities:												
Transportation Division	1,520	1,451	1,360	1,317	1,304	1,250	1,190	1,198	1,127	1,011	977	882
Civil Accounting and Auditing Division	----	----	----	1,013	[6] 916	[7] 818	787	730	736	690	717	657
Defense Accounting and Auditing Division	----	----	----	[2] 154	[8] 222	263	286	286	310	293	300	303
Marine Corps Site Audit—Washington, D.C.	----	----	----	----	35	35	36	36	35	32	[10] 22	[14]
Field Operations Division	----	----	----	851	1,102	1,141	1,121	1,149	1,241	1,260	[12] 1,416	1,394
Army Site Audit—Indianapolis	279	246	258	250	235	229	216	195	182	161	[10] [11] 108	72
Air Force Site Audit—Denver	151	155	170	168	158	155	145	138	139	127	[10] [11] 93	65
Navy Site Audit—Cleveland	157	144	142	134	125	123	119	113	108	109	[10] [11] 63	51
Air Force Audit Office—Dayton	----	----	----	51	67	46	46	47	49	[12] 46	----	----
International Operations Division	----	----	----	----	----	----	----	----	----	----	----	[13] 88
European Branch	31	41	50	51	57	54	49	49	41	48	61	53
Far East Branch	----	----	----	----	13	21	21	24	27	30	35	26
Accounting and Auditing Policy Staff	----	----	----	40	[6] 29	35	34	30	26	26	25	21
Office of Staff Management	----	----	----	6	[6] 18	17	16	17	17	15	18	15
Report Department	----	----	----	----	----	----	----	----	----	----	----	[15] 43
Office of Investigations	243	251	247	[9] 246	----	----	----	----	----	----	----	----
Accounting Systems Division	98	94	[5] 91	----	----	----	----	----	----	----	----	----
Division of Audits	2,445	[3] 2,274	[2] 2,224	----	----	----	----	----	----	----	----	----
Total Accounting, Auditing and Investigative Activities	4,917	4,656	4,531	4,314	4,311	4,217	4,072	4,012	4,038	3,872	3,835	3,670
Total	6,206	5,913	5,776	5,552	5,523	5,389	5,203	5,074	4,990	4,763	4,659	4,350

[1] Reduction reflects reorganization in October 1953 which transferred the Office of the Executive Officer and the Administrative Finance Section to the Office of Administrative Services and abolished the Office of Administrative Planning.

[2] Planning Staff transferred in January 1956—5 employees to Defense Accounting and Auditing Division and 2 to Office of Administrative Services.

[3] Legislative Digest Unit and Office of Legislative Liaison transferred from Office of the Comptroller General to Office of the General Counsel November 1958 and January 1959, respectively.

[4] Office of Chief Clerk transferred to Office of Administrative Services, established Nov. 20, 1953.

[5] Payroll, leave, and retirement activities of the Division of Personnel, Records Service Branch of Division of Audits, and functions of Executive Officer were transferred to Office of Administrative Services, established Nov. 20, 1953.

[6] Administrative Staff, Field Operations Division, transferred to Office of Administrative Services and to various other Accounting, Auditing and Investigative Activities in May 1957.

[7] Machine Service Unit, Civil Accounting and Auditing Division (12 employees), transferred to Office of Administrative Services in November 1957.

[8] Staff realined as of Mar. 22, 1956, into Civil Accounting and Auditing Division, Defense Accounting and Auditing Division, Field Operations Division, Accounting and Auditing Policy Staff, and Office of Staff Management.

[9] Staff transferred as of July 19, 1956, to Civil Accounting and Auditing Division, Defense Accounting and Auditing Division, and Field Operations Division.

[10] Personnel engaged in servicing military records (49 clerical employees) transferred from the Military Audit Branches of Defense Accounting and Auditing Division to the respective Military Services on July 1, 1962.

[11] Military Audit Branches of Defense Accounting and Auditing Division located in Indianapolis, Cleveland, and Denver, placed under the jurisdiction of the Cincinnati, Detroit, and Denver Regional Offices, respectively, and designated as audit sites of Field Operations Division on Oct. 1, 1962.

[12] Air Force Audit Office of Defense Accounting and Auditing Division located in Dayton, Ohio, placed under the jurisdiction of the Cincinnati Regional Office of Field Operations Division on Apr. 1, 1963.

[13] International Operations Division established on Aug. 19, 1963. Placed under the jurisdiction of this division were the European and Far East Branches and the functions of the Civil and Defense Accounting and Auditing Divisions relating to U.S. Government programs and activities conducted in foreign countries.

[14] Marine Corps Resident Audit Staff discontinued on May 9, 1964.

[15] Report Department established May 27, 1964. Employees engaged in report preparation functions reassigned from Office of Administrative Services, Accounting and Auditing Policy Staff, and Civil Accounting and Auditing Division.

[16] Indian Tribal Branch (41 employees) transferred to Civil Accounting and Auditing Division effective close of business June 30, 1964.

NUMBER OF EMPLOYEES BY DIVISION AND OFFICE, JUNE 30, 1964

Office of the Comptroller General	7
Office of the Assistant Comptroller General	4
Office of the General Counsel	189
Office of Administrative Services	221
Claims Division	226
Division of Personnel	33
Transportation Division	882
Office of Staff Management	15
Accounting and Auditing Policy Staff	21
Civil Accounting and Auditing Division	657
Defense Accounting and Auditing Division	303
Field Operations Division	1,582
Report Department	43
International Operations Division	88
European Branch	53
Far East Branch	26
Total	4,350

LOCATION OF EMPLOYEES BY DUTY STATION, JUNE 30, 1964

Atlanta, Ga	98	Los Angeles, Calif	81
Cape Kennedy, Fla	2	Phoenix, Ariz	2
Huntsville, Ala	2	San Diego, Calif	4
Jacksonville, Fla	3	New Orleans, La	56
Warner Robbins, Ga	3	Mobile, Ala	4
Boston, Mass	74	New York, N.Y	100
Hartford, Conn	5	Syracuse, N.Y	6
Chicago, Ill	81	Norfolk, Va	45
St. Paul, Minn	22	Philadelphia, Pa	124
Cincinnati, Ohio	50	Harrisburg, Pa	8
Dayton, Ohio	9	Pittsburgh, Pa	9
Indianapolis, Ind	117	San Francisco, Calif	97
Oak Ridge, Tenn	3	Honolulu, Hawaii	8
Dallas, Texas	84	Sacramento, Calif	10
Albuquerque, N. Mex	9	Seattle, Wash	59
Houston, Texas	4	Portland, Oregon	30
San Antonio, Texas	10	Richland, Wash	3
Denver, Colorado	130	Frankfurt, Germany	53
Ogden, Utah	6	Tokyo, Japan	26
Detroit, Mich	57		
Cleveland, Ohio	79	Total Field Staff	1,695
Kansas City, Mo	76	Washington, D.C	2,655
Oklahoma City, Okla	11		
St. Louis, Mo	35	Grand Total	4,350

EMPLOYEES ON ROLL, JUNE 30, 1964—BY TYPE OF WORK

Accountants, auditors, and investigators:		
Certified public accountants	393	
Noncertified accountants	1,701	
Fiscal auditors	311	
Transportation auditors	439	
Investigators	50	
		2,894
Attorneys and employees engaged in legal and quasi-legal work:		
In legal work requiring bar membership	103	
In legal work not requiring bar membership	117	
In quasi-legal work not requiring bar membership	74	
		294
Other employees		1,162
All personnel		4,350

NUMBER OF EMPLOYEES BY GRADE

	June 30, 1959	June 30, 1960	June 30, 1961	June 30, 1962	June 30, 1963	June 30, 1964
Statutory	2	2	2	3	3	3
General schedule:						
18	4	5	5	4	4	4
17	3	5	5	5	5	6
16	11	12	14	16	23	22
15	54	56	59	63	60	70
14	155	177	184	206	227	233
13	256	287	294	297	286	315
12	412	475	446	449	499	523
11	501	616	670	692	671	604
10	256	66	61	54	55	43
9	480	731	664	647	655	594
8	593	316	306	290	267	207
7	622	588	656	563	592	534
6	88	82	70	68	83	87
5	278	275	265	255	243	201
4	451	427	408	382	352	332
3	697	642	596	531	452	380
2	247	226	196	161	105	72
1	39	39	36	33	30	22
All other	54	47	43	44	47	38
Total	5,203	5,074	4,990	4,763	4,659	4,350

OTHER PERSONNEL STATISTICS

	Fiscal year		
	1962	1963	1964
We had enrolled on June 30:			
Men	3,250	3,253	3,098
Women	1,513	1,406	1,252
Total	4,763	4,659	4,350
Entitled to military preference on June 30:			
Men	2,011	1,859	1,720
Women	107	88	73
Total	2,118	1,947	1,793
We processed personnel actions as follows:			
Appointments:			
Men	321	418	339
Women	167	177	126
Total	[1] 488	[2] 595	[3] 465
Separations:			
Men	436	415	494
Women	279	284	280
Total	[4] 715	[5] 699	[6] 774
Retirements:			
Age	18	25	15
Optional	92	83	122
Disability	40	37	43
Total	150	145	180
Promotions:			
Grade changes	849	877	871
Within-grade salary advancements	2,130	2,548	2,015
Total	[7] 2,979	[8] 3,425	2,886
Miscellaneous actions without salary changes	1,578	1,456	2,008
Demotions: Administrative action	10	3	53

[1] Includes 18 restored to duty after military service.
[2] Includes 57 restored to duty after military service.
[3] Includes 48 restored to duty after military service.
[4] Includes 83 entered military service.
[5] Includes 49 entered military service.
[6] Includes 118 entered military service.
[7] Includes 308 longevity step-increases.
[8] Includes 97 longevity step-increases processed prior to effective date of the Federal Salary Reform Act of 1962.

ACCOUNTING, AUDITING, AND INVESTIGATIVE STAFF AS OF JUNE 30

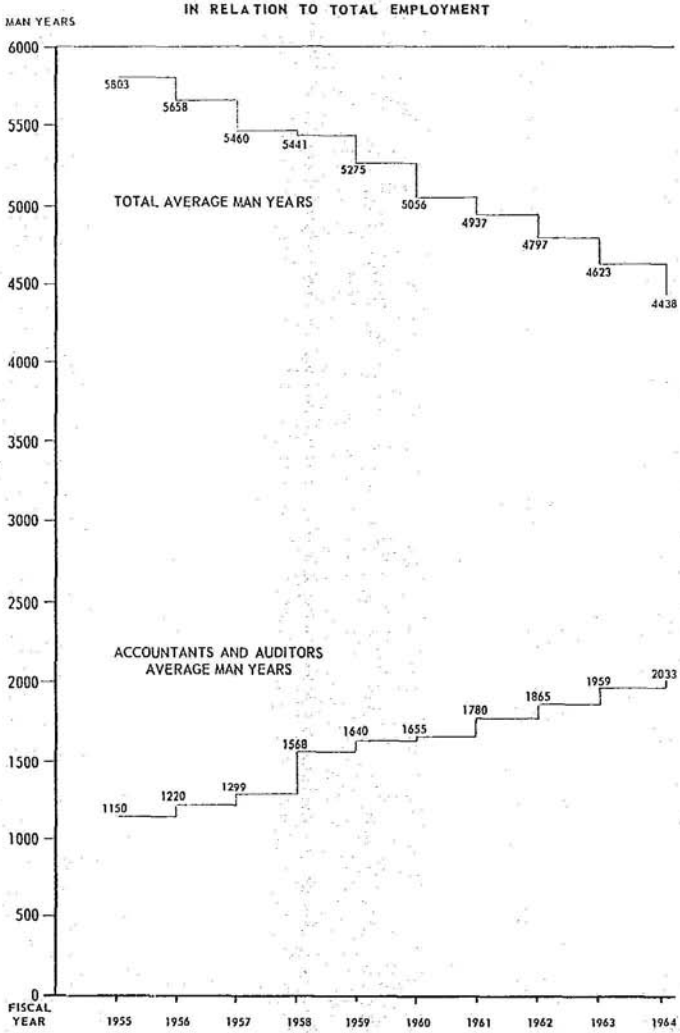
Grade	1959	1960	1961	1962	1963	1964
ACCOUNTANTS AND AUDITORS						
GS-18	3	3	3	3	3	3
GS-17	2	4	4	4	4	5
GS-16	7	8	10	12	18	18
GS-15	40	41	42	47	44	52
GS-14	109	130	139	156	179	182
GS-13	192	212	222	228	225	250
GS-12	285	301	301	318	377	426
GS-11	318	324	402	451	450	462
GS-9	364	388	359	357	391	346
GS-7	332	322	431	317	391	334
Total	1,652	1,733	1,913	1,923	2,082	2,078
INVESTIGATORS						
GS-14	5	3	2	2	2	2
GS-13	17	16	13	11	10	9
GS-12	46	39	34	30	30	23
GS-11	41	31	22	17	14	13
GS-9	9	9	7	6	5	4
Total	118	98	78	66	61	51
SYSTEMS ACCOUNTANTS						
GS-15	1	1	1	1		
GS-14	4	4	1	1	1	
GS-13	6	6	5	5	5	6
GS-12	9	7	5	5	6	3
GS-11	1					
GS-9	1	1	1	1	1	1
Total	22	19	13	13	13	10

ANALYSIS OF SEPARATIONS OF PROFESSIONAL ACCOUNTANTS AND AUDITORS FOR MILITARY SERVICE AND REAPPOINTMENTS, BY FISCAL YEAR

Separations		Reappointments							In service June 30, 1964	Permanent separations
Fiscal year	Total	1964	1963	1962	1961	1960	1959	Total		
1964	108	23						23	85	
1963	48	9	10					19	26	3
1962	82	15	37	7				59	15	8
1961	31		8	10	10			28		3
1960	11		1		4	3		8		3
1959	15				3	2	7	12		3
1954-58	86				2	18	37	57		29
Total	381	47	56	17	19	23	44	206	126	49

U. S. GENERAL ACCOUNTING OFFICE

PROFESSIONAL ACCOUNTING AND AUDITING STAFF
IN RELATION TO TOTAL EMPLOYMENT



U. S. GENERAL ACCOUNTING OFFICE

LENGTH OF SERVICE - GAO PERSONNEL

AS OF JUNE 30, 1964

EMPLOYEES SUBJECT TO THE CLASSIFICATION ACT OF 1949, BY GRADE AND ORGANIZATION

	General schedule grade																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	Total
As of June 30, 1964																			
Office of the Comptroller General	...	1	...	...	...	...	2	1	...	...	1	...	...	...	...	...	...	1	6
Office of the Assistant Comptroller General	1	...	...	...	...	...	1	...	1	...	...	...	...	...	...	...	...	...	3
Office of the General Counsel	3	4	8	17	25	15	10	2	9	...	8	7	28	38	12	2	1	...	188
Office of Administrative Services	15	2	42	54	32	5	8	2	9	2	5	2	2	2	1	...	...	...	183
Claims Division	1	6	40	24	24	8	12	5	13	4	49	32	4	2	1	1	...	...	226
Division of Personnel	...	1	4	3	4	4	4	...	3	...	1	4	2	2	1	...	...	...	33
Transportation Division	2	55	192	114	44	18	50	46	100	18	110	23	12	4	3	1	...	...	882
Office of Staff Management	...	1	3	...	4	...	2	...	...	...	...	...	1	1	2	...	1	...	15
Accounting and Auditing Policy Staff	...	...	1	4	...	3	1	1	...	...	...	1	3	3	...	2	1	1	21
Civil Accounting and Auditing Division	...	...	14	27	14	16	147	12	66	6	95	109	84	42	20	4	...	1	657
Defense Accounting and Auditing Division	...	1	15	18	10	11	37	1	24	...	48	41	33	43	13	6	1	1	303
Field Operations Division	...	...	33	60	32	2	241	126	275	12	319	265	121	77	13	4	1	...	1,582
Report Department	...	1	22	8	2	1	9	...	...	...	...	...	...	...	...	...	...	...	43
International Operations	...	...	6	3	4	3	8	11	4	1	9	14	10	10	3	1	1	...	88
European Branch	...	...	...	...	4	1	1	...	...	...	13	16	11	6	...	1	...	...	53
Far East Branch	...	...	...	...	2	1	1	...	...	...	6	8	4	3	1	...	...	...	26
Total	22	72	380	332	201	87	534	207	594	43	664	523	315	233	70	22	6	4	4,309
Total as of June 30, 1963	30	105	452	352	243	83	592	267	655	55	671	499	286	227	60	23	5	4	4,609
Total as of June 30, 1962	33	161	531	382	255	68	563	290	647	54	692	449	297	206	63	16	5	4	4,716

EMPLOYEES PAID ON PREVAILING RATE BASIS, BY GRADE AND ORGANIZATION

	General wage schedule grade									Reproduction plant wage schedule grade						
	2	3	4	5	6	8	9	10	Total	6	7	9	10	12	15	Total
As of June 30, 1964																
Office of Administrative Services	3	4	6	1	1	...	3	1	19	2	7	4	1	4	1	19
Total as of June 30, 1963	7	6	7	1	1	...	3	2	27	3	7	5	4	1	...	20
Total as of June 30, 1962	7	6	7	1	1	1	2	2	27	1	8	5	2	1	...	17

THE INCENTIVE AWARDS PROGRAM OF THE GENERAL ACCOUNTING OFFICE FOR THE FISCAL YEAR 1964

	Employee suggestions from within GAO	Employee suggestions from other agencies	Awards for superior performance	Awards for special acts or services	Total
Pending at start of fiscal year 1964	27	10	...	...	37
Received during fiscal year 1964	33	44	55	1	133
Total workload during fiscal year 1964	60	54	55	1	170
Disposed of during fiscal year 1964	[1] 39	44	[2] 55	1	139
Balance carried to fiscal year 1965	21	10	...	...	31
Amount of awards, fiscal year 1964	$520	...	$2,975	$1,000	$4,495
Amount of tangible annual savings	2,041	...	...	...	2,041

[1] Adopted 7, not adopted 28, withdrawn 4.
[2] Includes 1 group award; a total of 77 employees received awards.

SUMMARY OF ASSIGNMENTS OF PERSONNEL TO CONGRESSIONAL COMMITTEES DURING THE FISCAL YEAR 1964

Committee	Staff assigned				Salaries	Travel expenses	Total cost	Reimbursed by committee	Net expenditures by GAO
	Accountants	Investigators	Other	Total					
U.S. SENATE									
Committee on Appropriations	2	0	2	4	$13,030.16	0	$13,030.16	$13,030.16	0
Committee on Armed Services:									
Preparedness Investigating Subcommittee	2	0	0	2	566.08	$362.39	5,928.47	5,566.08	$362.39
Committee on Commerce	0	0	1	1	149.50	0	149.50	0	149.50
Committee on Government Operations:									
Permanent Subcommittee on Investigation	24	7	6	37	100,434.81	8,010.93	108,445.74	963.60	107,482.14
Committee on the Judiciary	1	0	0	1	324.00	0	324.00	0	324.00
Committee on Rules and Administration	3	0	0	3	18,422.08	0	18,422.08	18,422.08	0
Select Committee on Small Business	1	0	0	1	15,528.08	0	15,528.08	2,301.44	13,226.64
HOUSE OF REPRESENTATIVES									
Committee on Appropriations	12	1	2	15	95,656.85	13,991.39	109,648.24	13,991.39	95,656.85
Committee on Banking and Currency	2	0	0	2	31,289.84	0	31,289.84	0	31,289.84
Committee on the District of Columbia	2	0	0	2	2,716.16	0	2,716.16	0	2,716.16
Committee on Government Operations	3	1	0	4	14,069.56	1,922.83	15,992.39	0	15,992.39
Subcommittee on Foreign Operations and Government Information	2	0	0	2	6,238.88	0	6,238.88	0	6,238.88
Subcommittee on Intergovernmental Relations	4	0	0	4	13,678.46	189.16	13,867.62	0	13,867.62
Subcommittee on Military Operations	2	0	0	2	7,161.60	328.20	7,489.80	0	7,489.80
Committee on House Administration	0	0	1	1	1,718.80	0	1,718.80	0	1,718.80
Committee on the Judiciary:									
Special Subcommittee on State Taxation of Interstate Commerce	0	0	1	1	848.35	0	848.35	0	848.35
Committee on Post Office and Civil Service	0	3	1	4	40,224.41	0	40,224.41	0	40,224.41
Committee on Public Works:									
Special Subcommittee on the Federal-Aid Highway Program	2	0	0	2	15,368.48	4,030.99	19,399.47	4,030.99	15,368.48
Select Committee on Government Research	3	0	0	3	2,132.40	0	2,132.40	0	2,132.40
Select Committee on Small Business	6	0	0	6	11,394.70	11.15	11,405.85	0	11,405.85
JOINT									
Joint Committee on Atomic Energy	1	0	0	1	10,691.69	0	10,691.69	0	10,691.69
Totals	72	12	14	98	406,644.89	28,847.04	435,491.93	58,305.74	377,186.19

DEGREES CONFERRED BY COLLEGES AND UNIVERSITIES ON MEMBERS OF THE ACCOUNTING, AUDITING, AND INVESTIGATIVE STAFF AS OF JUNE 30, 1964

School	Number of degrees conferred		
	Bachelor	Higher	Total
Alabama:			
Auburn University	8		8
Florence State College	7		7
Jacksonville State College	1		1
Spring Hill College	1		1
University of Alabama	11	1	12
Arizona:			
Arizona State College	1		1
Arizona State University	8		8
University of Arizona	11	1	12
Arkansas:			
Arkansas Agriculture and Mechanical College	2		2
Arkansas Polytechnic College	2		2
Arkansas State College	3		3
Harding College	1		1
Ouachita Baptist College	1		1
Southern State College	1		1
University of Arkansas	6	2	8
California:			
Armstrong College	5	1	6
California State College at Hayward	1		1
California State College at Los Angeles	6		6
California Western University	1		1
Chico State College	5		5
Fresno State College	12		12
Golden Gate College	8		8
Humphreys College	1		1
Loyola University of Los Angeles	1		1
Pacific Union College	3		3
Sacramento State College	3		3
San Diego State College	2		2
San Fernando Valley State College	1		1
San Francisco State College	7		7
San Jose State College	16		16
St. Mary's College of California	1		1
St. Patrick's Seminary	1		1
University of California	4		4
Los Angeles Campus	4		4
University of Pacific	3		3
University of San Francisco	2		2
University of Santa Clara	8		8
University of Southern California	7		7
Colorado:			
Colorado State University	1		1
Regis College	2		2
University of Colorado	6	1	7
University of Denver	11	5	16
Connecticut:			
Fairfield University	3		3
Quinnipiac College	7		7
Trinity College	1		1
University of Bridgeport	1		1
University of Connecticut	8		8
District of Columbia:			
American University	15	3	18
Benjamin Franklin University	38	5	43
Catholic University of America	14	4	18
George Washington University	26	3	29
Georgetown University	8		8
Southeastern University	22	1	24
Strayer College	17	5	22
Florida:			
Florida Southern College	5		5
Florida State University	3		3
Rollins College	1		1
University of Florida	6		6
University of Miami	4		4
University of Tampa	1		1
Georgia:			
Emory University	3		3
Georgia State College	3		3
University of Georgia	13	2	15
Idaho:			
Idaho College	1		1
University of Idaho	3		3
Illinois:			
Bradley University	1		1
Carthage College	2		2

DEGREES CONFERRED BY COLLEGES AND UNIVERSITIES ON MEMBERS OF THE ACCOUNTING, AUDITING, AND INVESTIGATIVE STAFF AS OF JUNE 30, 1964—Continued

School	Number of degrees conferred		
	Bachelor	Higher	Total
Illinois—Continued			
DePaul University	7		7
Eastern Illinois University	1		1
John Marshall Law School	1		1
Lewis College	1		1
Loyola University	2		2
Millikin University	1		1
Northwestern University	4		4
Quincy College	1		1
Roosevelt University	7	1	8
Southern Illinois University	5		5
University of Chicago	1		1
University of Illinois	20	3	23
Walton School of Commerce	1		1
Indiana:			
Evansville College	1		1
Indiana State College	2		2
Indiana University	6		6
St. Joseph's College	2		2
Tri-State College	2		2
University of Notre Dame	3		3
Valparaiso University	1		1
Iowa:			
Drake University	4		4
Grinnell College	1		1
Morningside College	4		4
Parsons College	1		1
St. Ambrose College	4		4
University of Iowa	3		3
Kansas:			
Baker University	1		1
Fort Hays Kansas State College	5		5
Kansas State College of Pittsburg	6		6
Kansas State Teachers College, Emporia	7		7
Kansas State University	6	1	7
St. Benedict's College	1		1
University of Kansas	4		4
University of Wichita	3		3
Washburn University of Topeka	6		6
Kentucky:			
Eastern Kentucky State College	10		10
Morehead State College	1		1
Murray State College	2		2
University of Kentucky	6		6
University of Louisville	3		3
Villa Madonna College	3		3
Western Kentucky State College	5		5
Louisiana:			
Louisiana Polytechnic Institute	6		6
Louisiana State College	4		4
Louisiana State University	5	2	7
Loyola University	2		2
Northwestern State College	12		12
Southeastern Louisiana College	3		3
Tulane University of Louisiana	3		3
University of Southwestern Louisiana	8		8
Maine:			
Husson College	18		18
University of Maine	1		1
Maryland:			
Baltimore College of Commerce	4		4
Columbia Union College	2		2
Johns Hopkins University	5		5
Mount St. Mary's College	8		8
University of Baltimore	3		3
University of Maryland	29	2	31
Massachusetts:			
Babson Institute of Business Administration	4	1	5
Bently College of Accounting and Finance	1		1
Boston College	21		21
Boston University	14	1	15
Bradford Durfee College of Technology	1		1
Clark University	1		1
Harvard University	3	2	5
Merrimack College	2		2
Northeastern University	12	1	13
Stonehill College	1		1
Suffolk University	10	1	11
University of Massachusetts	5	1	6

DEGREES CONFERRED BY COLLEGES AND UNIVERSITIES ON MEMBERS OF THE ACCOUNTING, AUDITING, AND INVESTIGATIVE STAFF AS OF JUNE 30, 1964—Continued

School	Number of degrees conferred		
	Bachelor	Higher	Total
Michigan:			
Aquinas College	3		3
Central Michigan University	4		4
Cleary College	1		1
Eastern Michigan University	2		2
Ferris State College	10		10
Michigan State University of Agriculture and Applied Science	5	1	6
Olivet College	1		1
University of Detroit	7		7
University of Michigan, The	5	9	14
Flint College	1		1
Wayne State College	2		2
Western Michigan University	5	1	6
Minnesota:			
Bemidji State College	1		1
Mankato State College	10		10
Moorhead State College	3		3
St. John's University	2		2
St. Thomas College	3		3
University of Minnesota	9		9
Mississippi:			
Delta State College	4		4
Mississippi College	4		4
Mississippi Southern College	8		8
Mississippi State University	8		8
University of Mississippi	5		5
University of Southern Mississippi	1		1
Missouri:			
Central Missouri State College	5		5
Missouri Valley College	1		1
Northwest Missouri State College	7		7
Rockhurst College	4		4
Southeast Missouri State College	2		2
Southwest Missouri State College	4		4
St. Louis University	16		16
University of Missouri	10		10
Washington University	4		4
Montana:			
Montana State College	1		1
Montana State University	7		7
Nebraska:			
Creighton University	11		11
University of Nebraska	6		6
University of Omaha	3		3
Nevada:			
University of Nevada	4		4
New Hampshire:			
St. Anselm's College	1		1
University of New Hampshire	1		1
New Jersey:			
Fairleigh Dickinson University	2		2
Rider College	10		10
Rutgers, The State University	5		5
Seton Hall University	2		2
New Mexico:			
Eastern New Mexico University	3		3
New Mexico Highlands University	1		1
New Mexico State University	2		2
New Mexico Western University	1		1
University of New Mexico	2		2
Western New Mexico University	1		1
New York:			
Brooklyn Law School	2		2
Canisius College	1		1
Colgate University		1	1
City University of New York, The:			
Brooklyn College	4	1	5
City College	27	3	30
Hunter College	1		1
Queens College	2		2
Columbia University	2	3	5
Cornell University	3	1	4
Fordham University	18		18
Hofstra College	4		4
Iona College	2		2
Lemoyne College	2		2
Long Island University	3	1	4
Manhattan College	6		6
New York Law School	1		1

DEGREES CONFERRED BY COLLEGES AND UNIVERSITIES ON MEMBERS OF THE ACCOUNTING, AUDITING, AND INVESTIGATIVE STAFF AS OF JUNE 30, 1964—Continued

School	Number of degrees conferred		
	Bachelor	Higher	Total
New York—Continued			
New York University	27	7	34
Niagara University	1		1
Pace College	5		5
St. Bernardine of Siena College	1		1
St. Francis College	3		3
St. John Fisher College, Inc	1		1
St. John's University	19		19
State University of New York, The:			
Albany	1		1
Buffalo	5		5
Syracuse University	13		13
North Carolina:			
Appalachian State Teachers College	1		1
Atlantic Christian College	4		4
Campbell College	1		1
Catawba College	3		3
Duke University	3		3
East Carolina College	20	1	21
Elon College	2		2
High Point College	1		1
Lenoir-Rhyne College	4		4
North Carolina State College of Agriculture and Engineering	1		1
University of North Carolina	8		8
Wake Forest College	3		3
Western Carolina College	2		2
North Dakota:			
Jamestown College	1		1
State Teachers College—Minot	1		1
University of North Dakota	9		9
Ohio:			
Antioch College	1		1
Ashland College	3		3
Bliss College	1		1
Bowling Green State University	5		5
Cleveland-Marshall Law School	2		2
College of Steubenville	1		1
Fenn College	2		2
John Carroll University	3		3
Kent State University	2	1	3
Miami University	3	1	4
Oberlin College	1		1
Ohio State University, The	11		11
Ohio University	2		2
University of Akron	1		1
University of Cincinnati	4	3	7
University of Dayton	4		4
University of Toledo	1		1
Western Reserve University	2		2
Xavier University	7	1	8
Youngstown University	2		2
Oklahoma:			
Central State College	5		5
Northeastern State College	2		2
Oklahoma Christian College	1		1
Oklahoma City University	1		1
Oklahoma State University of Agriculture and Applied Science	2		2
Southwestern State College	2		2
University of Oklahoma	11		11
University of Tulsa	3		3
Oregon:			
Linfield College	4		4
Oregon State College	7		7
Portland State College	3		3
Reed College	1		1
University of Oregon	4		4
University of Portland	5		5
Pennsylvania:			
Albright College	2		2
Bloomsburg State College	4		4
Bucknell University	3	1	4
Dickinson College	1		1
Drexel Institute of Technology	15		15
Duquesne University	12		12
Franklin and Marshall College	11		11
Gannon College	6		6
Geneva College	7		7
Grove City College	2		2
Haverford College	1		1

DEGREES CONFERRED BY COLLEGES AND UNIVERSITIES ON MEMBERS OF THE ACCOUNTING, AUDITING, AND INVESTIGATIVE STAFF AS OF JUNE 30, 1964—Continued

School	Number of degrees conferred		
	Bachelor	Higher	Total
Pennsylvania—Continued			
Jefferson Law School	2		2
King's College	30		30
LaSalle College	36		36
Lehigh University	1		1
Lycoming College	2		2
Moravian College	3		3
Muhlenberg College	3		3
Pennsylvania Military College	8		8
Pennsylvania State University	51		51
Shippensburg State College	1		1
St. Francis College	4		4
St. Joseph's College	5		5
St. Vincent College	13		13
Susquehanna University	11		11
Temple University	19	2	21
Thiel College	2		2
University of Pennsylvania	10	3	13
University of Scranton	49		49
Ursinus College	1		1
Villanova University	16		16
Waynesburg College	4		4
Wilkes College	7		7
Rhode Island:			
Bryant College	6		6
Providence College	8		8
University of Rhode Island	6	2	8
South Carolina:			
Bob Jones University	6		6
Furman University	2		2
University of South Carolina	19		19
South Dakota:			
State University of South Dakota	9		9
Tennessee:			
Austin Peay State College	4		4
Cumberland University	1		1
East Tennessee State College	7		7
Memphis State University	6		6
Southwestern at Memphis	1		1
Tennessee Polytechnic Institute	7		7
Tennessee Wesleyan College	1		1
University of Chattanooga	2		2
University of Tennessee	4		4
Texas:			
Arlington State College	2		2
Baylor University	2		2
East Texas State College	6		6
Lamar State College of Technology	4		4
Midwestern University	3		3
North Texas State College	3		3
Sam Houston State Teachers College	1		1
Southern Methodist University	6		6
St. Edward's University	2		2
St. Mary's University of San Antonio	3		3
Stephen F. Austin State College	1		1
Sul Ross State College	1		1
Texas Agricultural and Mechanical College System	3		3
Texas Christian University	3		3
Texas College of Arts and Industries	7		7
Texas Technological College	6		6
Texas Western College	2		2
Trinity University	1		1
University of Houston	2		2
University of Texas	10	1	11
West Texas State University	2		2
Utah:			
Brigham Young University	8		8
University of Utah	5		5
Utah State University of Agriculture and Applied Science	2		2
Vermont:			
University of Vermont	1		1
Virginia:			
College of William and Mary	6		6
Old Dominion College	1		1
Richmond Professional Institute	3		3
University of Richmond	3	1	4
University of Virginia	2		2
Virginia Polytechnic Institute	2		2
Virginia Southern College	1		1

AUDIT REPORTS ISSUED DURING THE FISCAL YEAR 1964

	Total	Congress [2]	Committees or Members of Congress [3]	Agency Officials [4]
Civil departments and agencies: [1]				
Civil departments	288	52	54	182
Independent agencies	213	56	34	123
Legislative branch	16	1	14	1
Various departments and agencies	8	1	7	----------
Other organizations	11	4	6	1
	536	114	115	307
Military departments: [1]				
Department of Defense	49	28	11	10
Department of the Army	139	46	19	74
Department of the Navy	109	37	19	53
Department of the Air Force	134	42	23	69
	431	153	72	206
International activities	41	24	10	7
Governmentwide	2	2	----------	----------
Total	1,010	293	197	520

NOTES:

[1] Exclusive of international and Governmentwide activities which are listed separately.

[2] Reports submitted to the Congress are addressed to the President of the Senate and the Speaker of the House of Representatives. Copies are sent to the President of the United States; the Secretary of the Treasury; the Director, Bureau of the Budget; the Senate and House Committees on Appropriations; the Senate and the House Committees on Government Operations; the appropriate legislative committees in the Senate and the House; Members of the Congress from the districts in which the activities reported are located; others in the Congress as requested; the agencies reported on; and others directly affected.

[3] Includes reports addressed to officers of the Congress.

[4] Comprises reports addressed to heads of departments or agencies, to other officials at department or agency headquarters, to department or agency officials at regional or other local offices, or to commanding officers at military installations.

	Reference	Addressee and date issued		
		Congress	Committees or Members of Congress	Agency officials
CIVIL DEPARTMENTS				
Department of Agriculture:				
Office of the Secretary and Office of Information:				
Settlement of accounts of accountable officers				1-22-64
Agricultural Marketing Service:				
Settlement of accounts of accountable officers, Western Area Administrative Division, Berkeley, Calif.				6-10-64
Agriculture Research Service:				
Unnecessary expenditures of Government funds and violations of law relating to facilities leased to provide electric power for the Agricultural Research Center, Beltsville, Md.	152142	6-24-64		
Weaknesses in animal disease control activities involving primarily eradication of brucellosis in cattle	133192	5-22-64		
Examination into alleged overpayments for services rendered on meat inspections for the Department of the Army (request of Congressman John Kyl)	151498		9-30-63	
Settlement of accounts of accountable officers, Northern Administrative Division, Minneapolis, Minn.				5-6-64
Agricultural Stabilization and Conservation Service:				
Inadequacies in planning and operation of electronic data processing systems at the Kansas City and Evanston commodity offices	133306	10-11-63		
Unnecessary costs incurred through leasing rather than purchasing electronic data processing equipment at the Evanston commodity office	133306	5-7-64		
Alleged irregularities in administration of soil bank program activities in New Mexico (request of Senator John J. Williams)	140149		8-21-63	
Deficiency in accounting for administrative property, Kansas City Management Field Office				2-24-64
Commodity Credit Corporation:				
Audit (1962)	114824	1-31-64		
Audit (1963)	114824	6-30-64		
Certain aspects of exports of bulk rice from the Port of Sacramento (request of Congressman John L. McFall)	153695		4-30-64	
Information on certain aspects of cotton storage operations of a warehouse in Texas (request of chairman, Intergovernmental Relations Subcommittee, House Committee on Government Operations)	148765		10-21-63	
Internal audit work relating to certain grain exchange transactions (request of chairman, Intergovernmental Relations Subcommittee, House Committee on Government Operations)	148765		12-31-63	
Source of anonymous advertisement relating to the referendum under the 1964 wheat program (request of Congressman August E. Johansen)	150781		7-18-63	
Accounts and financial statements, commodity offices (1963):				
Kansas City, Mo.				2-24-64
Minneapolis, Minn.				5-12-64
Weaknesses in controls over participation in agricultural programs by lessees of Government-owned farmland				4-24-64
Farmers Home Administration:				
Settlement of accounts of accountable officers, National Finance Office, St. Louis, Mo.				3-9-64
Federal Crop Insurance Corporation:				
Audit (1963)	114824	4-27-64		
Accounts and financial statements, Kansas City Branch office (1963)				3-9-64
Federal Extension Service:				
Settlement of accounts of accountable officers				11-29-63
Forest Service:				
Unauthorized use of Federal funds advanced to the organizing committee, VIII Olympic Winter Games, Squaw Valley, Calif., U.S.A., 1960, Inc., for construction of a sports arena	135332	10-23-63		
Overpayments of wages made to fire fighters by the Forest Service	140871	3-6-64		
Adjustments in summer-home-site permit fees in the Mineral and Mill Creek areas of the Lassen National Forest in California (request of Congressman Harold T. Johnson)	152490		11-29-63	
Adjustments in summer-home-site permit fees in the Inyo National Forest in California (request of Congressman Harold T. Johnson)	152490		3-20-64	

	Reference	Addressee and date issued		
		Congress	Committees or Members of Congress	Agency officials
CIVIL DEPARTMENTS—continued				
Department of Agriculture—Continued				
Forest Service—Continued				
Analysis of policy and procedures regarding quarterly adjustments of timber sale contract rates (request of Congressman Compton I. White, Jr.)	152122		10-3-63	
Examination into alleged undersealing of national forest timber in the Pacific Northwest Region (request of Senator Wayne Morse)	142229		6-22-64	
Release of a timber purchaser from a contract requirement without consideration to the Government	153157			5-15-64
Settlement of accounts of accountable officers:				
Region 4, Ogden, Utah				8-12-63
Region 9, Milwaukee, Wis				5-15-64
Rural Electrification Administration:				
Possibilities for reducing Federal expenditures under the electric loan program and other matters pertaining to REA	114838	11-22-63		
Electric rates charged to small commercial customers served by the Florida Keys Electric Cooperative Association, Inc. (request of Senator Harry F. Byrd)	114838		1-28-64	
Examination into a complaint concerning Desert Electric Cooperative, Inc., Twentynine Palms, Calif., and REA (request of Congressman Glenard P. Lipscomb)	151031		9-11-63	
Examination into certain aspects of a loan to the Upshur Rural Electric Cooperative Corporation, Gilmer, Tex., by REA (request of chairman, Subcommittee on Department of Agriculture and Related Agencies, Senate Committee on Appropriations)	152146		9-20-63	
Loan to an electric cooperative in the State of Maryland and other matters (request of Congressman Charles McC. Mathias, Jr.)	152191		10-15-63	
Loans to three electric cooperatives in the State of Missouri (request of Senator Jack R. Miller)	151773		7-17-63	
Discrepancies in the use and application of REA loan funds by borrower under the telephone loan program				3-24-64
Soil Conservation Service:				
Examination into certain allegations concerning contracting for soil maps (request of chairman, Senate Committee on Government Operations)	114833		6-30-64	
Use of private engineering services in connection with agency program activities (request of Senator Maurine B. Neuberger)	153634		4-24-64	
Settlement of accounts of accountable officers, State offices:				
Arizona				11-7-63
Connecticut				6-5-64
Iowa				3-6-64
Louisiana				1-2-64
Mississippi				9-6-63
Missouri				3-31-64
North Carolina				12-31-63
South Dakota				7-26-63
Wyoming				12-16-63
Department of the Army, Corps of Engineers (Civil Functions):				
Cost allocation resulting in increased Federal contributions to the State of California for flood control, Oroville Project, Feather River, Calif. (March 1962)	146863	4-29-64		
U.S. Study Commission (8-28-58 to 12-23-63)	133163	6-10-64		
Settlement of accounts of accountable officers:				
District offices:				
Albuquerque, N. Mex., Fort Worth and Galveston, Tex				2-11-64
Chicago, Ill				4-7-64
Detroit, Mich				3-5-64
Louisville, Ky				6-1-64
Los Angeles, Calif				3-9-64
Nashville, Tenn				5-11-64
Omaha, Neb				8-14-63
Rock Island, Ill				1-17-64
San Francisco, Calif				5-14-64
St. Paul, Minn				1-17-64
Waterways Experiment Station, Vicksburg, Miss				7-5-63
Utilization of manpower and related controls at the U.S. Army Engineer District, Los Angeles, Calif. (August 1963)				2-21-64

	Reference	Addressee and date issued		
		Congress	Committees or Members of Congress	Agency officials
CIVIL DEPARTMENTS—continued				
Department of Commerce:				
Office of the Secretary:				
Civilian pay, Washington Office (1-8-61 to 3-16-63)				9-30-63
Usage of leased lines provided by the Federal Telecommunications System				12-16-63
Area Redevelopment Administration:				
Assistance under the Public Works Acceleration Act to areas no longer burdened by substantial unemployment	153149	6-25-64		
Overstatement of the number of jobs created under the accelerated public works program	146910	6- 3-64		
Incorrect computation of grant fund entitlement for city of Batesville, Ark., water facilities project				2-20-64
Bureau of the Census:				
Civilian pay, regional office, Los Angeles, Calif. (7-24-60 to 7-13-63)				8-22-63
Settlement of accounts of accountable officers:				
Atlanta, Ga				2-24-64
Cincinnati, Ohio				6-19-64
Charlotte, N.C				2-24-64
Chicago, Ill				2- 4-64
Dallas, Tex				2-10-64
Denver, Colo				2-27-64
New York, N.Y				6- 8-64
St. Paul, Minn				2- 7-64
Seattle, Wash				4-10-64
Bureau of Public Roads:				
Deficiencies and problem areas relating to design and construction activities of the Federal-aid highway program in the State of Nebraska	118653	10-17-63		
Deficiencies and problem areas relating to the administration of the Federal-aid highway program in the State of New York	118653	3-23-64		
Deficiencies in the administration of construction contracts and right-of-way activities of the Federal-aid highway program in the State of Oklahoma	118653	6-22-64		
Improper waiver of policy requirements applicable to the Federal-aid highway program	118653	2-11-64		
Interagency problem areas and deficiencies concerning the direct Federal highway construction programs in the eastern United States	118653	9-26-63		
Legislative and policy requirements governing Federal participation in acquisition of rights-of-way and other activities of the Federal-aid highway program in the State of California	118653	2-10-64		
Difficulties experienced by amateur oarsmen in transporting racing shells on the Interstate Highway System to rowing competitions (request of Senator Thomas J. McIntyre)	153674		5-19-64	
Duplication in road construction activities between the Bureau of Public Roads and the National Park Service (request of chairman, Government Activities Subcommittee, House Committee on Government Operations)	118653		10-22-63	
Settlement of accounts of accountable officers, Chicago, Ill				4-27-64
Inland Waterways Corporation (1963)	114848	2-10-64		
Maritime Administration:				
Settlement of accounts of accountable officers:				
Atlantic Coast district office				3-18-64
Gulf Coast district office				10-24-63
Pacific Coast district office				9- 5-63
U.S. Merchant Marine Academy				11- 8-63
Weather Bureau:				
Settlement of accounts of accountable officers at regional administrative offices:				
New York, N.Y				12-12-63
Seattle, Wash				10-17-63
Saint Lawrence Seaway Development Corporation:				
Audit for calendar year 1962	125007	2- 7-64		
Selected records, reports, and activities				10-21-63
Department of Health, Education, and Welfare:				
Office of the Secretary:				
Civilian pay at regional office, Kansas City, Mo. (10-28-62 to 8-17-63)				10-30-63

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Boston, Mass.				10-22-63
Chicago, Ill.				2-27-64
Dallas, Tex.				9-16-63
New York, N.Y.				10- 8-63
San Francisco, Calif.				3-18-64
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Settlement of accounts of accountable officers at district offices:				
Boston, Mass.				10-22-63
Chicago, Ill.				3-16-64
Cincinnati, Ohio				4- 3-64
Dallas, Tex.				9-19-63
Denver, Colo.				9-12-63
Detroit, Mich.				10-11-63
Los Angeles, Calif.				12-17-63
Minneapolis, Minn.				10-21-63
New Orleans, La.				8-21-63
New York, N.Y.				2-13-64
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Information on certain matters relating to the management of Federal funds authorized under Public Laws 874 and 815 (request of Congresswoman Edith Green)	152100		9-30-63	
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Chicago, Ill.				2- 5-64
Forth Worth, Tex.				8-29-63
Galveston, Tex.				9-16-63
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Memphis, Tenn.				12- 6-63
New Orleans, La.				12- 5-63
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Civilian pay, payment centers:				
Birmingham, Ala. (5-23-58 to 5-23-63)				11- 7-63
Chicago, Ill. (8-5-62 to 6-22-63)				8-20-63
Kansas City, Mo. (12-24-61 to 7-6-63)				10-30-63
New York, N.Y. (12-10-61 to 5-11-63)				10-31-63
Philadelphia, Pa. (5-18-62 to 4-27-63)				8-27-63
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Welfare Administration:				
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Review of administrative expenses for public assistance programs, Region 1, Boston, Mass				9-30-63
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Phoenix area office, Phoenix, Ariz., and Uintah and Ouray Agency, Fort Duchesne, Utah				9- 3-63
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Minnesota Agency, Bemidji, Minn				4-27-64
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Missouri-Oahe Projects Office, Huron, S. Dak				12- 4-63
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North Platte River Projects Office, McCook, Nebr				7-26-63
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Request of Senator Harry F. Byrd	108889		5-19-64	
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Fort Benning, Ga				11-21-63
Fort Carson, Colo				7-26-63
Fort Devens, Mass				2- 5-64
Fort Gordon, Ga				12-18-63
Fort Holabird, Baltimore, Md				5-20-64
Fort Hood, Tex				11- 8-63
Fort Leavenworth, Kans				7- 9-63
Fort Leonard Wood, Mo				8-16-63
Fort Leonard Wood, Mo				1-29-64
Fort MacArthur, San Pedro, Calif				1-29-64
Fort McClellan, Ala				3-20-64
Fort Monroe, Va				4- 3-64
Fort Ord, Calif				1-21-64
Fort Riley, Kans				9- 5-63
Fort Sam Houston, San Antonio, Tex				8-22-63
Fort Sheridan, Ill				7- 1-63
Fort Stewart, Ga				5-25-64
Fort Wadsworth, Staten Island, N.Y				7- 6-64
Fort Wingate Army Depot, Gallup, N. Mex				11-19-63
Fort Worth Army Depot, Fort Worth, Tex				9-20-63
Frankford Arsenal, Philadelphia, Pa				4-10-64
Granite City Army Depot, Granite City, Ill				5- 1-64
Laboratories, Natick, Mass				1-15-64
Letterkenny Army Depot, Chambersburg, Pa				1- 9-64
Letterman General Hospital, San Francisco, Calif				6-19-64
Lordstown Military Reservation, Warren, Ohio				7-24-63
Los Angeles Procurement District, Pasadena, Calif				6- 1-64
Madigan General Hospital, Tacoma, Wash				6-19-64
Military Academy, West Point, N.Y				4-20-64
Philadelphia Procurement District, Philadelphia, Pa				5-20-64
Pictorial Center, Long Island City, N.Y				11- 8-63
Presidio of San Francisco, Calif				5-15-64
Primary Helicopter Training School, Mineral Wells, Tex				5-11-64
Quartermaster Center and Fort Lee, Fort Lee, Va				9-12-63
Red River Army Depot, Texarkana, Tex				9-16-63
Rock Island Arsenal, Rock Island, Ill				7-24-63
Sacramento Army Depot, Sacramento, Calif				9-18-63
Sandia Base, Albuquerque, N. Mex				5-11-64
Schenectady Army Depot, Schenectady, N.Y				5-27-64
Seneca Army Depot, Romulus, N.Y				7- 2-63
Sharpe Army Depot, Lathrop, Calif				6-22-64
Terminal Command, Gulf, New Orleans, La				2- 7-64
Tooele Army Depot, Tooele, Utah				8-14-63
Tooele Army Depot, Tooele, Utah				9-27-63
Watertown Arsenal, Watertown, Mass				5- 1-64
Watervliet Arsenal, Watervliet, N.Y				12-24-63
Weapons Command, Rock Island, Ill				12- 6-63
Yuma Proving Ground, Yuma, Ariz				5-15-64

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Unnecessary annual expenditures for leasing commercial facilities to store petroleum products in the San Francisco, Calif., area instead of using excess Government-owned petroleum facilities at the Navy Fuel Department, Point Molate, Richmond, Calif.	133149	7-31-63		
Overprocurement of spare guidance components for the shipboard repair of improved Tarter missiles	146725	7-31-63		
Unnecessary costs incurred in the procurement of radar altimeter	146774	8-26-63		
Increased costs resulting from failure to procure ships spare parts competitively or directly from the manufacturer	133058	9-11-63		
Unnecessary costs resulting from the noncompetitive procurement of aeronautical replacement spare parts	133396	9-17-63		
Payments to Naval Reserve officers on annual active duty training for unnecessary days of travel and for days in which no training or travel is performed	146551	9-30-63		
Unnecessary procurement of helicopter components	146791	9-30-63		
Illegal per diem payments to military personnel of the Navy and Marine Corps serving as military inspection representatives in Tokyo and Osaka, Japan	146822	10-31-63		
Unsatisfactory condition of combat vehicles and equipment in the 3d Marine Division (Reinforced), Okinawa	146832	10-31-63		
Unnecessary costs being incurred as result of refusal to accept standardized officers' dress shoes	133177	12-19-63		
Improper disposition of refunds of group insurance premiums by Grumman Aircraft Engineering Corp., Bethpage, N.Y.	146780	1-13-64		
Unnecessary costs incurred in the enlistment and discharge of unqualified applicants for regular and reserve forces	146852	2-11-64		
Overprocurement of spare fuze component used for repair of improved Tarter and honing Terrier missiles	146725	2-18-64		
Follow-up review of the failure to use excess spare parts and assemblies in aircraft production	146727	3-20-64		
Unnecessary per diem payments for military personnel reporting early for temporary duty assignments	146551	3-23-64		
Unnecessary per diem payments to military personnel during construction of nuclear-powered submarines	146740	3-30-64		
Uneconomical practices in the management of mobilization reserve stocks of construction equipment and commercial type vehicles	146765	4-9-64		
Unnecessary costs incurred for the Naval Radio Research Station project at Sugar Grove, W. Va.	149779	4-9-64		
Unnecessary retention of spare parts at western Pacific supply depots	133058	5-12-64		
Improper or unnecessary payments of pay, travel, and other allowances to crew members of the U.S.S. *Kitty Hawk*	146889	5-19-64		
Procurement of militarily designed transmitter when commercially designed equivalent was available at less cost	146881	5-21-64		
Unnecessary costs incurred in the procurement of aircraft engine ring and vane assemblies	133341	6-29-64		
Overstatement of requirements for aircraft electronic systems resulted in improper procurement actions	146914	7-6-64		
Contract audits:				
Bethlehem Steel Co., Quincy, Mass.	146718	3-8-64		
Brown-Raymond-Walsh (a joint venture) Madrid, Spain	118763	10-21-63		
Combustion Engineering, Inc., New York, N.Y.	146846	2-19-64		
Foster Wheeler Corp., Livingston, N.J., subcontract issued by Westinghouse Electric Corp., Plant Apparatus Division, Pittsburgh, Pa.	146733	3-5-64		
Foster Wheeler Corp., New York, N.Y.	146733	1-31-64		
Grumman Aircraft Engineering Corp., Bethpage, N.Y.	146877	4-8-64		
Litton Industries, Inc., Ingalls Shipbuilding Corp. Division, Pascagoula, Miss.	146751	6-30-64		
Martin, Glenn L., Co., Baltimore, Md.	146885	3-23-64		
United Aircraft Corp., Pratt and Whitney Aircraft Division, East Hartford, Conn.	146900	6-30-64		
Westinghouse Electric Corp., Kansas City, Mo.	146035	12-31-63		
Westinghouse Electric Corp., Pittsburgh, Pa.	146733	2-6-64		
Westinghouse Electric Corp., Sunnyvale, Calif.	146833	12-19-63		
Westinghouse Electric Corp., Steam Division, Lester, Pa.	146733	9-20-63		
Wiegand, Edwin L., Co., Pittsburgh, Pa., subcontracts issued by Westinghouse Electric Corp., Plant Apparatus Division, Pittsburgh, Pa.	146760	2-12-64		

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MILITARY DEPARTMENTS—continued				
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Overprocurement of accessories for jet aircraft engines (request of chairman, House Committee on Appropriations)	152600		12-31-63	
Procurement of radar antennas (request of chairman, Subcommittee on Defense Appropriations, House Committee on Appropriations)	151026		7-16-63	
Procurement of radar antennas (request of chairman, Subcommittee on Defense Appropriations, House Committee on Appropriations)	151026		10-3-63	
Procurement of selected subsystems and accessories for F-4 and other types of aircraft (request of chairman, House Committee on Appropriations)	152600		2-19-64	
Circumstances surrounding award or proposed award of certain contracts (request of Congressman Earl Wilson) (9 reports)	Various		Various	
Procurement of Tacan test sets (request of Congressman Donald Rumsfeld)	149258		9-13-63	
Salary overpayment to civilian employee (request of Congressman L. Mendel Rivers)	152477		10-30-63	
Salary overpayment to civilian employee (request of Congressman Thor C. Tollefson)	148577		7-16-63	
Specifications for an enlisted men's swimming pool at the Naval Air Station, Sanford, Fla. (request of Congressman Paul G. Rogers)	152485		11-12-63	
Waste because of nonfunctional buttonholes in double-breasted coats (request of Congressman Thomas H. Downing)	133177		6-22-61	
Government quarters and messing facilities, Pensacola Air Station, Pensacola, Fla.				7-29-63
Transactions that resulted in excess expenditures or costs for shipments of household goods and quarters allowances	149777			2-28-64
Civilian pay audits:				
Air Facility, Phoenix, Ariz.				7-26-63
Air Station, Brooklyn, N.Y.				3-16-64
Air Station, Cecil Field, Fla.				4-30-64
Air Station, Corpus Christi, Tex.				7-25-63
Air Station, El Toro, Calif.				6-15-64
Air Station, Jacksonville, Fla.				3-30-64
Air Station, Lakehurst, N.J.				12-3-63
Air Station, Minneapolis, Minn.				6-10-64
Air Station, Miramar, Calif.				3-19-64
Air Station, Moffett Field, Calif.				8-20-63
Air Station, Norfolk, Va.				7-2-63
Air Station, Pensacola, Fla.				8-23-63
Air Station, Whidbey Island, Wash.				4-22-64
Ammunition Depot, Colts Neck, N.J.				6-26-64
Ammunition Depot, Crane, Ind.				6-10-64
Ammunition Depot, Hastings, Nebr.				5-1-64
Ammunition Depot, McAlester, Okla.				11-[illegible]-63
Ammunition Depot, Portsmouth, Va.				3-24-64
Avionics Facility, Indianapolis, Ind.				8-8-63
Camp Pendleton, Calif.				3-20-64
Finance Center, Cleveland, Ohio				5-7-64
Hospital, Charleston, S.C.				9-11-63
Hospital, Chelsea, Mass.				1-27-64
Hospital, Great Lakes, Ill.				4-14-64
Hospital, Memphis, Tenn.				2-12-64
Hospital, Oakland, Calif.				10-31-63
Hospital, Portsmouth, N.H.				2-4-64
Hospital, Portsmouth, Va.				7-30-63
Hospital, St. Albans, N.Y.				5-15-64
Hospital, San Diego, Calif.				6-9-64
Marine Corps Recruit Depot, San Diego, Calif.				2-25-64
Marine Corps Supply Center, Albany, Ga.				5-8-64
Military Sea Transportation Service, Fort Mason, Calif.				11-20-63
Mine Defense Laboratory, Panama City, Fla.				9-20-63
National Naval Medical Center, Bethesda, Md.				3-20-64
Ordnance Plant, Forest Park, Ill.				3-11-64
Ordnance Plant, Louisville, Ky.				5-8-64
Repair Facility, San Diego, Calif.				3-12-64
Shipyard, Brooklyn, N.Y.				10-30-63
Shipyard, Charleston, S.C.				10-4-63

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Shipyard, Long Beach, Calif.				6- 2-64
Shipyard, Portsmouth, N.H.				5- 1-64
Shipyard, San Francisco, Calif.				9-16-63
Shipyard, Vallejo, Calif.				11- 4-63
Supply Center, Bayonne, N.J.				9-25-63
Supply Center, Norfolk, Va.				4-29-64
Supply Center, San Diego, Calif.				7-25-63
Supply Depot, Great Lakes, Ill.				6-10-64
Training Device Center, Port Washington, N.Y.				11- 1-63
Turbine Test Station, Trenton, N.J.				4- 9-64
Weapons Laboratory, Dahlgren, Va.				11-13-63
Department of the Air Force:				
Uneconomical use of parts kits to support depot overhaul activities	133303	7-12-63		
Additional costs resulting from procurement of test equipment as special tooling under cost-plus-a-fixed-fee contracts	146788	7-31-63		
Noncompetitive procurement of military aircraft forgings at prices substantially higher than current and expected costs of production	146781	7-31-63		
Overstatement of needs and illegal use of commercial-type vehicles by the Kanto Base Command, Japan	146816	9-30-63		
Unnecessary costs incurred because of administrative negligence and poor design in the construction of 2 Capehart housing projects	133102	10-30-63		
Unnecessary procurement of office furniture for use in the Pentagon	146835	11-29-63		
Erroneous reporting of taxable income and taxes withheld from pay of military personnel	125036	12-20-63		
Excessive cost of leasing compared with buying electronic data processing equipment at Kirtland Air Force Base, N. Mex.	146732	12-24-63		
Increased costs resulting from the procurement of spare parts under contracts for related aeronautical equipment	133296	1-10-64		
Overbuying and unnecessary overhaul costs resulting from failure to follow the Navy's practice of separating accessories from spare reciprocating aircraft engines	132989	1-14-64		
Unnecessary cost incurred in the procurement of Tacan radio components through failure to accept option offer	146836	1-24-64		
Increased costs incurred for ammonium perchlorate purchased during 1961 for solid-propellant missile motors	146843	1-31-64		
Excessive stocks at selected bases of U.S. 5th Air Force in Japan and Korea	146844	1-31-64		
Ineffective program planning and uneconomical utilization of personnel assigned to the Air Force Reserve recovery program (secret)	146831	1-31-64		
Unclassified summary of secret report on ineffective program planning and uneconomical utilization of personnel assigned to the Air Force reserve recovery program	146831	2-17-64		
Deficiencies in administration of Government quarters, messing facilities, and military leave at Dow Air Force Base, Maine	125037	2-17-64		
Uneconomical replacement of vehicles by U.S. Air Force, Fuchu Air Station, Japan	146844	2-17-64		
Wasteful practices in the management of age controlled aeronautical spare parts	146865	3-10-64		
Shortages of war readiness material within the U.S. Pacific Air Force (secret)	146858	3-12-64		
Excessive costs incurred as a result of multiple management of supplies at the Atlantic Missile Range	146866	3-17-64		
Excessive costs incurred in using contractor-furnished personnel instead of Government personnel by the Pacific Region of the Ground Electronics Engineering Installation Agency	146824	3-19-64		
Unnecessary procurement resulting from failure to review requirements for nonrecoverable spare parts	146874	4-13-64		
Unnecessary cost incurred by the Government by not using surplus stockpiled materials to satisfy Defense contract needs	125071	4-13-64		
Available Government quarters and messes not used by military personnel attending classes at contractors' facilities	146895	6- 5-64		
Erroneous payments made for military pay, leave, and travel at Biggs Air Force Base, Tex.	118768	6-11-64		
Unnecessary procurement of photographic supplies for the Atlantic Missile Range	146711	6-19-64		
Uneconomical contracting for service-station-type vehicle maintenance at Olmsted Air Force Base, Pa.	146891	6-22-64		

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MILITARY DEPARTMENTS—continued				
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American Bosch Arma Corp., Arma Division, Garden City, N.Y.	118963	6- 9-64		
Boeing Company, Seattle, Wash.	146717	5-25-64		
Fairchild Camera and Instrument Corp., Syosset, N.Y.	146854	2-28-64		
Grumman Aircraft Engineering Corp., Bethpage, N.Y.	146823	11-29-63		
Hughes Aircraft Co., Culver City, Calif.	125071	10-24-63		
Hughes Aircraft Co., Culver City, Calif.	125071	12-16-63		
Magnavox Company, Fort Wayne, Ind.	133369	1-11-64		
Melpar Inc., Falls Church, Va., purchase order issued by General Dynamics Corp., Fort Worth, Tex.	118695	2- 7-64		
Servomechanisms, Inc., El Segundo, Calif.	146401	7-31-63		
Sonotone Corp., Elmsford, N.Y.	146405	8-30-63		
Space Corporation, Dallas, Tex.	114808	12-30-63		
Sperry Gyroscope Co., a division of Sperry Rand Corp., Great Neck, N.Y., purchase orders issued by General Dynamics Corp., Fort Worth, Tex.	118695	4-27-64		
United Aircraft Corp., Hamilton Standard Division, Windsor Locks, Conn.	146882	5-15-64		
Westinghouse Electric Corp., Lima, Ohio	146815	3- 6-64		
Westinghouse Electric Corp., Lima, Ohio, purchase order issued by General Dynamics Corp., Fort Worth, Tex.	118695	3-30-64		
Alleged excessive losses or theft of fuel (request of chairman, House Committee on Government Operations)	153358		6-18-64	
Bids for maintenance and production of domestic flight information publications (request of chairman, Government Activities Subcommittee, House Committee on Government Operations)	153524		5-12-64	
Procurement of air traffic control centrals (request of chairman, Subcommittee on Defense, House Committee on Appropriations)	149861		12-31-63	
Procurement of computer systems (request of chairman, Subcommittee on Government Activities, House Committee on Government Operations)	151201		11- 5-63	
Use of unsuitable materials to construct airfield pavements at Selfridge Air Force Base (request of chairman, Subcommittee for Special Investigations, House Committee on Armed Services)	153721		3-24-64	
Views on divergent opinions on pricing of ballistic computers (request of chairman, House Committee on Government Operations)	146801		11-19-63	
Allegations concerning quality of certain aircraft parts (request of Congressman James T. Broyhill)	151858		9-18-63	
Allegations concerning quality of certain aircraft parts (request of Congressman James T. Broyhill)	151858		3-12-64	
Alleged misuse of Government funds (request of Senator Philip A. Hart)	153400		3- 9-64	
Assignment of public quarters to civilian employees (request of Congressman John E. Moss)	153366		6-16-64	
Award of contract for research (request of Congressman William H. Bates)	152148		9-26-63	
Award of contracts for the TFX and the Atlas-Centaur launch vehicle development program (request of Senator Hubert H. Humphrey)	151271		11-29-63	
Cost of construction of Air Force Academy Chapel (request of Senator A. Willis Robertson)	133148		11- 8-63	
Disposal of construction equipment (request of Senator Paul H. Douglas)	151660		9- 9-63	
Leakage problem at Air Force Academy Chapel (request of Senator Herman E. Talmadge)	133148		11- 8-63	
Ledger accounts pertaining to real property (request of Senator John J. Williams)	89291		12-17-63	
Planned transfer of functions from Rome Air Materiel Area (request of Senators Kenneth B. Keating and Jacob K. Javits and Congressman Alexander Pirnie)	153174		6-25-64	
Procurement of certain aircraft systems (request of Congressman Roman C. Pucinski)	152605		1-30-64	
Procurement of electronic countermeasures equipment (request of Congressman Earl Wilson)	153873		6-11-64	
Procurement of transistorized riometers (request of Senator Gordon Allott)	152343		4-28-64	

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Standards of inspection for metal fasteners (request of Senator Kenneth B. Keating)	151315		12-19-63	
Utilization of commercial design vehicles, Ramstein Air Base, Germany				10-7-63
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Shipments of household goods, U.S. Air Force, Europe				12-13-63
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Living quarters allowance payments to civilian employees, U.S. Air Force, Europe				6-25-64
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Aeronautical Chart and Information Center, St. Louis, Mo				8-5-63
Air Force Academy, Colo				7-26-63
Air Force Logistic Command, Wright-Patterson Air Force Base, Ohio				9-3-63
Alaska Air Command, Elmendorf Air Force Base, Alaska				12-4-63
Bakalar Air Force Base, Columbus, Ind				3-2-64
Barksdale Air Force Base, La				10-31-63
Biggs Air Force Base, El Paso, Tex				9-26-63
Blytheville Air Force Base, Ark				10-4-63
Brook Air Force Base, Tex				9-4-63
Bunker Hill Air Force Base, Peru, Ind				6-22-64
Cannon Air Force Base, Clovis, N. Mex				12-9-63
Carswell Air Force Base, Fort Worth, Tex				10-8-63
Chanute Air Force Base, Ill				10-30-63
Charleston Air Force Base, S.C				10-22-63
Clinton County Air Force Base, Wilmington, Ohio				10-3-63
Clinton-Sherman Air Force Base, Clinton, Okla				11-8-63
Columbus Air Force Base, Miss				11-15-63
Craig Air Force Base, Ala				1-17-64
Dyess Air Force Base, Abilene, Tex				6-18-64
Ellington Air Force Base, Houston, Tex				10-3-63
Fairchild Air Force Base, Wash				11-8-63
Fighter Group, Duluth International Airport, Duluth, Minn				6-1-64
Fighter Group, Portland International Airport, Portland, Oreg				10-21-63
Fighter Group, Spokane International Airport, Spokane, Wash				10-10-63
General Billy Mitchel Field, Milwaukee, Wis				4-22-64
Goodfellow Air Force Base, San Angelo, Tex				8-27-63
Grenier Field, Manchester, N.H				2-4-64
Hancock Field, Syracuse, N.Y				5-25-64
James Connally Air Force Base, Waco, Tex				6-18-64
Keesler Air Force Base, Miss				6-26-64
Kingsley Field, Klamath Falls, Oreg				5-20-64
Kirtland Air Force Base, Albuquerque, N. Mex				5-20-64
K. I. Sawyer Air Force Base, Mich				9-12-63
Lackland Air Force Base, Tex				3-12-64
Laredo Air Force Base, Tex				4-10-64
Laughlin Air Force Base, Tex				4-21-64
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Lincoln Air Force Base, Nebr				7-26-63
Luke Air Force Base, Glendale, Ariz				10-31-63
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Maxwell Air Force Base, Ala				3-5-64
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Mountain Home Air Force Base, Idaho				8-1-63
Nellis Air Force Base, Nev				2-25-64
Paine Field, Everett, Wash				1-21-64
Perrin Air Force Base, Sherman, Tex				12-3-63
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Rome Air Material Area, Griffiss Air Force Base, N.Y				2-14-64
Sacramento Air Material Area, McClellan Air Force Base, Calif				12-6-63
San Antonio Air Material Area, Kelly Air Force Base, Tex				3-30-64
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Seymour-Johnson Air Force Base, Goldsboro, N.C				8- 7-63
Space Systems Division, Air Force Systems Command, Los Angeles, Calif				5- 1-64
Stewart Air Force Base, Newburgh, N.Y				4-15-64
Travis Air Force Base, Calif				11- 6-63
Troop Carrier Group, Minneapolis-St. Paul International Airport, Minneapolis, Minn				8-15-63
Truax Field, Madison, Wis				4-16-64
Turner Air Force Base, Albany, Ga				5- 4-64
Tyndall Air Force Base, Fla				9-13-63
Vandenberg Air Force Base, Calif				7-10-63
Webb Air Force Base, Big Spring, Tex				9-26-63
Whiteman Air Force Base, Nob Noster, Mo				11- 4-63
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INTERNATIONAL ACTIVITIES				
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Commodity Credit Corporation:				
Inadequate controls for determining compliance by foreign governments on the disposition of agricultural commodities	146820	10- 7-63		
Understatement of claims for recovery of excessive ocean transportation costs by foreign governments	146820	3-13-64		
Department of Commerce:				
Bureau of Public Roads:				
Inadequacies in the administration of right-of-way activities, Inter-American Highway program, Costa Rica	118653	5-27-64		
U.S. Travel Service:				
Deficient contracting policies	151399	4-16-64		
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Ineffective maintenance and utilization of equipment furnished to Iran under the military assistance program (secret)	133134	7-16-63		
Inadequate administration of military budget support funds provided to Iran (secret)	133134	7-30-63		
Ineffective programing delivery, and utilization of aircraft and related equipment furnished to the Portuguese Air Force (secret)	146785	9-17-63		
Inadequate administration of military budget support funds provided to Pakistan (secret)	146815	9-25-63		
Unnecessary or premature procurement of Sidewinder missile training systems and their delivery to foreign countries	146762	3-12-64		
Department of Defense action to obtain reimbursement from foreign countries for administrative expenses under the military assistance program	146749	3-18-64		
Inefficient utilization of personnel to administer the military assistance program in advanced Western European countries	133280	4- 2-64		
Furnishing of military assistance to Ethiopia in excess of the country's ability to effectively utilize the equipment (secret)	146887	5- 6-64		
Military assistance program for Indonesia (secret)	146839	5- 6-64		
Access to economic and military foreign aid records of foreign countries (request of Congressman Edna F. Kelly)	152079		8- 8-63	
Radar predictors furnished to the United Kingdom under the military assistance program were declared surplus and sold to a British firm (request of Senator Leverett Saltonstall)	159093		3- 9-64	
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Programing and utilization of selected types of aircraft furnished to Spain	125086			4-29-64
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Examination of financial statements (1963)	114823			9-11-63

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Agency for International Development:				
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Certain economic development projects for assistance to Central Treaty Organization	146849	3- 5-64		
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Deficiencies in administration of the earthquake reconstruction and rehabilitation program for Chile	146754	6-29-64		
Economic and technical assistance program for Turkey (1955-1962)	133026	6-30-64		
Alleged wasteful expenditure of public funds (request of Senator A. Willis Robertson)	151856		8-14-63	
Status of foreign loans (request of Congressman Charles E. Bennett)	152218		8-19-63	
Contracts let by Research Evaluation and Planning Staff (request of chairman, Foreign Operations and Monetary Affairs Subcommittee (succeeded by the Foreign Operations and Government Information Subcommittee) of the House Committee on Government Operations)	150012		8-30-63	
Foreign aid to universities of Western Europe for science research (confidential) (request of Senator A. Willis Robertson, Chairman, Committee on Banking and Currency)	152076		9- 3-63	
Funds available for obligations, July 1963 and December 1963 (request of Congressman H. R. Gross)	153362		1-30-64	
Cost differences between nuclear power plants at Tarapur, India, and Oyster Creek, N.J. (request of chairman, Joint Committee on Atomic Energy)	153500		4-30-64	
Reimbursable commodities financed by AID recipient countries (request by Congressman Vernon W. Thomson)	154344		6- 5-64	
Use of 1st-class air travel and foreign air carriers	146731			7-12-63
Administration of holdings of Philippine pesos				7-24-63
Need for improved utilization of Federal Telecommunications System				12-16-63
Failure to initiate recoupment actions for funds obtained through fraud and possible misrepresentation				6-26-64
Other activities:				
Construction of Embassy office building and adjacent Ambassadorial residence, Rabat, Morocco	146798	7-17-63		
Funding practices in the acquisition and management of related personal property overseas	146782	9-30-63		
Construction of consulate general office building and adjacent official residence, Tangier, Morocco	146793	5- 7-64		
Operations of the Dispatch Agency (request of Congressman Steven B. Derounian)	153222		3- 5-64	
Treasury Department:				
Semiannual consolidated report of balances of foreign currencies acquired without payment of dollars as of June 30, 1962	146749	9-27-63		
GOVERNMENT-WIDE REPORTS				
Compilation of General Accounting Office findings and recommendations for improving Government operations, fiscal year 1963	138162	3- 3-64		
Review of problems relating to management and administration of electronic data processing systems in the Federal Government	115369	4-30-64		

PRIME CONTRACTORS AND SUBCONTRACTORS OF THE CIVIL DEPARTMENTS AND AGENCIES AT WHICH CONTRACT AUDIT WORK WAS PERFORMED DURING THE FISCAL YEAR 1964

Examination is made of selected financial aspects of the contracts.

Reports are not issued on each audit.

Department of Agriculture

Potomac Electric Power Co., Washington, D.C.

Department of the Army, Corps of Engineers (Civil Functions)

Central of Georgia Railway, Washington, D.C.
Central of Georgia Railway, Savannah, Ga.

Department of Commerce

Francisco de P. Gutierrez, San Jose, Costa Rica
R. A. Heintz Construction Co., Portland, Oreg.
Roustabout Co., Frackville, Pa.

Department of Health, Education, and Welfare

American Institute for Research (subcontractor), Washington, D.C.
Catholic Relief Services—National Catholic Welfare Conference, New York, N.Y.
Church World Service, New York, N.Y.
Geodyne Corp., Waltham, Mass.
International Rescue Committee, Inc., New York, N.Y.
United Hebrew Immigrant Aid Society, Inc., New York, N.Y.

Department of the Interior

Rainier National Park Co., Tacoma, Wash.

Post Office Department

Greater Eastern Holding Co., Inc., Baltimore, Md.
International Envelope Corp., New York, N.Y.

Department of the Treasury

Carbone Corp., Boonton, N.J.

Atomic Energy Commission

ACF Industries, Inc., Albuquerque, N. Mex.
Aerojet-General Corp., Azusa, Calif.
Aerojet-General Nucleonics, subsidiary of Aerojet-General Corp., Idaho Falls, Idaho
Allis-Chalmers Manufacturing Co., West Allis, Wis.
Aluminum Co. of America, Pittsburgh, Pa.
Applied Physics Corp. (subcontractor), Monrovia, Calif.
Argonne National Laboratory, Idaho Falls, Idaho
Babcock & Wilcox Co., Barberton, Ohio
Babcock & Wilcox Co. (subcontractor), Barberton, Ohio
Bendix Corp., Kansas City Division, Kansas City, Mo.
Bomac Laboratories, Inc., Beverly, Mass.
Brush Beryllium Co., Cleveland, Ohio
Burns & Roe Inc., Richland, Wash.
Combustion Engineering, Inc., Windsor, Conn.
du Pont, E. I., de Nemours & Co., Inc., Aiken, S.C.
Fairchild Camera & Instrument Corp. (subcontractor), Joplin, Mo.
General Dynamics Corp., General Atomic Division, San Diego, Calif.
General Electric Co., Knolls Atomic Power Laboratory, Schenectady, N.Y.
General Electric Co., Richland, Wash.
Globe Industries, Dayton, Ohio
Goodyear Atomic Corp., Portsmouth, Ohio
Henry J. Kaiser Co., Richland, Wash.
Los Alamos Science Laboratories, Los Alamos, N. Mex.
Metals & Controls, Inc., Attleboro, Mass.
North American Aviation, Inc., Atomics International Division, Canoga Park, Calif.
Oregon Metallurgical Corp., Albany, Oreg.
Phillips Petroleum Co., Idaho Falls, Idaho

Atomic Energy Commission—Continued

Reynolds Electrical & Engineering Co., Inc., Las Vegas, Nev.
Sandia Corp., Albuquerque, N. Mex.
Sparton Corp., Sparton Electronics Division (subcontractor), Jackson, Mich.
Stanford University, Palo Alto, Calif.
Union Carbide Nuclear Co., Oak Ridge, Tenn.
Union Carbide Nuclear Co., Paducah, Ky.
United Nuclear Corp., New Haven, Conn.
University of California, Berkeley, Calif.
University of California, Livermore, Calif.
University of California, Los Alamos, N. Mex.
University of Chicago, Argonne, Ill.
University of Chicago, Idaho Falls, Idaho
University of Illinois, Urbana, Ill.
University of Wisconsin, Madison, Wis.
Varian Associates, Bomac Division (subcontractor), Beverly, Mass.
Vitro Corp. of America, New York, N.Y.
Wah Chang Corp., Albany, Oreg.
Wah Chang Corp. (subcontractor), Albany, Oreg.
Westinghouse Electric Corp., Astronuclear Laboratory (subcontractor), Large, Pa.
Westinghouse Electric Corp., Atomic Fuel Division, Cheswick, Pa.
Westinghouse Electric Corp., Bettis Atomic Power Laboratory, Pittsburgh, Pa.
Westinghouse Electric Corp., Idaho Falls, Idaho
The Zia Company, Los Alamos, N. Mex.

Federal Aviation Agency

Collins Radio Company, Richardson, Tex.
Sperry Rand Corporation, Univac Division, St. Paul, Minn.
Raytheon Company, Lexington, Mass.

National Aeronautics and Space Administration

Aero Geo Astro Corp., Alexandria, Va.
Aerojet-General Corp., Azusa, Calif.
Arde Engineering Co., Huntsville, Ala.
Avco Corp., Avco Electronics Division (subcontractor), Cincinnati, Ohio
Avionics Research Corp. (subcontractor), Hempstead, Long Island, N.Y.
Bechtel Aviation Service, Crystal River, Fla.
Bellcomm, Inc., Washington, D.C.
Boeing Co., The, Seattle, Wash.
Brown Engineering Co., Inc., Huntsville, Ala.
Chrysler Corp., Huntsville, Ala.
Comprehensive Designers, Inc. (subcontractor), Philadelphia, Pa.
Computer Applications, Inc., New York, N.Y.
Computer Laboratories, Inc., Houston, Tex.
Consultants & Designers, Inc. (subcontractor), New York, N.Y.
Dalmo Victor Co., Division of Textron, Inc. (subcontractor), Belmont, Calif.
Douglas Aircraft Co., Inc., Santa Monica, Calif.
General Electric Co., Valley Forge, Pa.
General Mills, Inc. (subcontractor), Minneapolis, Minn.
Geophysics Corp. of America, Boston, Mass.
Grumman Aircraft Engineering Corp., Bethpage, N.Y.
Hayes International Corp., Birmingham, Ala.
Hughes Aircraft Co. (subcontractor), Culver City, Calif.
Kirk Engineering Co. (subcontractor), Los Angeles, Calif.
Ling-Temco-Vought, Inc., Dallas, Tex.
Ling-Temco-Vought, Inc., Arlington, Tex.
Ling-Temco-Vought, Inc., Grand Prairie, Tex.
Ling-Temco-Vought, Inc., Greenville, Tex.
Lockheed Aircraft Corp., Burbank, Calif.
Mason-Rust, Lexington, Ky.
Frank Mayer Engineering Co. (subcontractor) Los Angeles, Calif.

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UNITED STATES
GENERAL ACCOUNTING OFFICE

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National Aeronautics and Space Administration—Continued

McDonnell Aircraft Corp., St. Louis, Mo.
North American Aviation, Inc., Rocketdyne Division, Conoga Park, Calif.
North American Aviation, Inc., Space and Information Systems Division, Downey, Calif.
Radiation, Inc. (subcontractor), Milbourne, Fla.
Radio Corp. of America, Astro-Electronics Division (subcontractor), Princeton, N.J.
Reynolds Electrical & Engineering Co. Inc., Huntsville, Ala.
Rocket City Air Activities, Huntsville, Ala.
Ryan Aeronautical Co. (subcontractor), San Diego, Calif.
J. T. Schlumber Construction Co., Inc., Huntsville, Ala.
Southern Associated Engineers, Inc., Huntsville, Ala.
Tec-Productions, Inc., Huntsville, Ala.
Telemetrics, Inc. (subcontractor), Gardena, Calif.
Textron Electronics, Inc., Spectrolab and Heliotek Division (subcontractor), North Hollywood and Sylmar, Calif.
Thiokol Chemical Corp., Elkton Division (subcontractor), Elkton, Md.
Thiokol Chemical Corp., Reaction Motors Division (subcontractor), Denville, N.J.
Watland, Inc., Huntsville, Ala.
Westinghouse Electric Corp., Air Arm Division (subcontractor), Baltimore, Md.
H. L. Yoh Co., Inc. (subcontractor), Philadelphia, Pa.

Panama Canal Company

Mitsubishi Shoji Kaisha, Ltd., Tokyo, Japan
Toyo Denki Seizo KK (subcontractor), Tokyo, Japan

Department of State (USIA)

United Artists Corp., New York, N.Y.

PRIME CONTRACTORS AND SUBCONTRACTORS OF THE MILITARY DEPARTMENTS AT WHICH CONTRACT AUDIT WORK WAS PERFORMED DURING THE FISCAL YEAR 1964

Examination is made of selected financial aspects of the contracts.

Reports are not issued on each audit.

Accurate Die Casting Co. (subcontractor), Cleveland, Ohio
Admiral Corp., Chicago, Ill.
Aerojet-General Corp., Nimbus, Calif.
Aerospace Corp., El Segundo, Calif.
Aerospace Research, Inc., Boston, Mass.
Aircraft Radio, Inc., Boonton, N.J.
Air Products, Inc., Allentown, Pa.
Altamil Corp. (subcontractor), Tullahoma, Tenn.
American Air Filter, Inc., St. Louis, Mo.
American Bosch Arma Corp., Arma Division, Garden City, N.Y.
American Telephone & Telegraph Co., New York, N.Y.
Amitek, Inc., U.S. Gauge Corp. Division, Sellersville, Pa.
Ampex Corp., Redwood City, Calif.
Amron Corp., Waukesha, Wis.
Aqua-Chem, Inc., Waukesha, Wis.
Arc, Inc., Tullahoma, Tenn.
Atwood Vacuum Machine Co., Rockford, Ill.
Automation Industries, Inc., El Segunda, Calif.
Avco Corp., Cincinnati, Ohio
Avco Corp., Lycoming Division, Stratford, Conn.
Avondale Shipyards, Inc., New Orleans, La.
Babcock & Wilcox Co., New York, N.Y.
Babcock & Wilcox Co. (subcontractor), Barberton, Ohio
Bath Iron Works, Bath, Maine
Battelle Memorial Institute, Columbus, Ohio
Beech Aircraft Co. (subcontractor), Wichita, Kans.
Bell Aerospace Corp., Bell Aerosystems Co. Division, Wheatfield, N.Y.
Bell Helicopter Co., Hurst, Tex.
Bendix Corp., The, Bendix Research Laboratories Division, Southfield, Mich.
Bendix Corp., The, Bendix Systems Division, Ann Arbor, Mich.
Berkshire Transformer Co., Kent, Conn.
Big State Industries, Mineral Wells, Tex.
Boeing Co., The, Aerospace Division, Seattle, Wash.
Boeing Co., The, Airplane Division, Renton, Wash.
Boeing Co., The, Vertol Division, Morton, Pa.
Boeing Co., The, Wichita, Kans.
Budd Co., Inc., The, Electronics Division, Long Island City, N.Y.
Burroughs Corp., Detroit Manufacturing and Engineering Division, Detroit, Mich.
Burroughs Corp., Detroit, Mich.
Burroughs Corp., Instrument Division, Paoli, Pa.
Burroughs Corp., Military Electronic Computer Division, Detroit, Mich.
California Car Rentals, Inc. (subcontractor), Los Angeles, Calif.
Canton Drop Forging & Manufacturing Co. (subcontractor), Canton, Ohio
Central Aviation & Marine Corp. (subcontractor), Lake Ronkonkoma, N.Y.
Cessna Aircraft Co., Wichita, Kans.
Chance Vought Corp., Dallas, Tex.
Chance Vought Corp., Grand Prairie, Tex.
Chrysler Corp., Airtemp Division, Dayton, Ohio
Chrysler Corp., Defense Operations Division, Defense Engineering Plant, Center Line, Mich.
Chrysler Corp., Detroit Tank Plant, Warren, Mich.
Chrysler Corp., Missile Division, Sterling Township, Mich.
Collins Radio Co., Cedar Rapids, Iowa
Collins Radio Co., Richardson, Tex.
Cumbustion Engineering Corp. (subcontractor), Chattanooga, Tenn.
Continental Aviation & Engineering Corp., Detroit, Mich.
Continental Electronics Manufacturing Co. (subcontractor), Dallas, Tex.
Continental Motors Corp., Muskegon, Mich.
Control Data Corp., Minneapolis, Minn.
Craig Systems, Lawrence, Mass.
Crane Co., Chapman Valve Division, Indian Orchard, Mass.
Cutler-Hammer, Inc., Airborne Instruments Laboratory Division (subcontractor), Deer Park, N.Y.
Curtiss-Wright Corp., Curtiss Division (subcontractor), Caldwell, N.J.
Curtiss-Wright Corp., Wright Aeronautical Division (subcontractor), Wood-Ridge, N.J.
Day & Zimmerman, Inc., Texarkana, Tex.
Device Development Corp., Waltham, Mass.
Douglas Aircraft Co., Tulsa, Okla.
Dynalectron Corp., Aerospace Division, Fort Worth, Tex.
Dynalectron Corp., Aerospace Operations Division, Lake Charles, La.

PRIME CONTRACTORS AND SUBCONTRACTORS OF THE MILITARY DEPARTMENTS AT WHICH CONTRACT AUDIT WORK WAS PERFORMED DURING THE FISCAL YEAR 1964—Continued

Eagle-Picher Co., Joplin, Mo.
Eastman Kodak Co., Apparatus and Optical Division, Rochester, N.Y.
Eastman Kodak Co., Kodak Park Works, Rochester, N.Y.
Eitel-McCullough, Inc., San Carlos, Calif.
Electric Machinery Manufacturing Co. (subcontractor), Minneapolis, Minn.
Electronic Communication, Inc., St. Petersburg, Fla.
Elgin National Watch Co., Communications Division, Elgin, Ill.
Fairbanks, Morse & Co., Beloit, Wis.
Fairchild Stratos Corp., Hagerstown, Md.
Firestone Tire & Rubber Co., The, Akron, Ohio
FMC Corp., San Jose, Calif.
Food Machinery & Chemical Corp., South Charleston, W. Va.
Ford Motor Co., Dearborn, Mich.
Ford Motor Co., Philco Corp. Division, Philadelphia, Pa.
Foster Wheeler Corp., Livingston, N.J.
Garrett Corp., Air Research Manufacturing Co. Division, Los Angeles, Calif.
Garrett, G. K., Inc., Philadelphia, Pa.
General Dynamics Corp., Electric Boat Division, Groton, Conn.
General Dynamics Corp., Fort Worth Division, Fort Worth, Tex.
General Dynamics Corp., Pomona Division, Daingerfield, Tex.
General Dynamics Corp., Pomona Division, Pomona, Calif.
General Electric Co., Aircraft Instrument Department, West Lynn, Mass.
General Electric Co., Capacitor Department, Hudson Falls, N.Y.
General Electric Co., Corporate Accounting Headquarters, Schenectady, N.Y.
General Electric Co., Erie, Pa.
General Electric Co., Evendale, Ohio
General Electric Co., Heavy Military Electronics Department, Syracuse, N.Y.
General Electric Co., Knolls Atomic Power Laboratory, Niskayuna, N.Y.
General Electric Co., Large Generator and Motor Department, Schenectady, N.Y.
General Electric Co., Light Military Electronics Department, Utica, N.Y.
General Electric Co., Machinery Apparatus Operation, Schenectady, N.Y.
General Electric Co., Medium Steam Turbine, Generator and Gear Department, West Lynn, Mass.
General Electric Co., Missile and Armament Department, Burlington, Vt.
General Electric Co., Ordnance Department, Pittsfield, Mass.
General Electric Co., Power Tube Department, Schenectady, N.Y.
General Electric Co., Radio Guidance Operation, Syracuse, N.Y.
General Electric Co., Small Turbine, Generator and Gear Department, Fitchburg, Mass.
General Electric Co., Small Aircraft Engine Department, West Lynn, Mass.
General Motors Corp., AC Spark Plug Division Oak Creek, Wis.
General Motors Corp., Allison Division, Indianapolis, Ind.
General Motors Corp., Cadillac Motor Car Division, Cleveland Tank Plant, Cleveland, Ohio
General Motors Corp., Delco-Remy Division, Anderson, Ind.
General Time Corp., Westclox Division, Peru, Ill.
General Tire & Rubber Co., Akron, Ohio
Goodrich, B. F., Co., The, Akron, Ohio
Goodyear Aerospace Corp. (subcontractor), Akron, Ohio
Goodyear Tire & Rubber Co., Akron, Ohio
Gould-National Batteries, Inc., Easthampton, Mass.
Grumman Aircraft Engineering Corp., Bethpage, N.Y.
Hallicrafters Co., The, Chicago, Ill.
Hayes International Corp., Birmingham, Ala.
Hercules Powder Co., Magna, Utah
Hercules Powder Co., Salt Lake City, Utah
Hercules Powder Co. Wilmington, Del.
Highway Products, Inc., Kent, Ohio
Hiller Aircraft Co., Palo Alto, Calif.
Hollingsworth, J. R., Co., Inc., Phoenixville, Pa.
Honeywell Inc., Aeronautical Division, Minneapolis, Minn.
Honeywell Inc., Littleton, Colo.
Honeywell Inc., Ordnance Division, Hopkins, Minn.
Honeywell Regulator Co., Florida Aero Division, St. Petersburg, Fla.
Hough, Frank G., Co., Libertyville, Ill.
Hughes Aircraft Co., Culver City, Calif.
Hydraulic Research & Manufacturing Co., Burbank, Calif.
International Business Machines Corp., New York, N.Y.
International Business Machines Corp., Owego, N.Y.
International Business Machines Corp. (subcontractor), Kingston, N.Y.
International Harvester Co., Chicago, Ill.
ITT Federal Laboratories Division, Fort Wayne, Ind.
Jeppesen & Co., Denver, Colo.
Jered Industries, Inc. (subcontractor), Birmingham, Mich.
Kaunar Manufacturing Co., Kingston, Pa.
Kidde, Walter & Co., Inc. (subcontractor), Pelleville, N.J.
Kollman Instrument Corp. (subcontractor), Elmhurst, N.Y.
Kollmorgen Corp., Northampton, Mass.
Ladish Co., Cudahy, Wis.
Lane Construction Corp., Meriden, Conn.
Lear Siegler, Inc., Instrument Division, Grand Rapids, Mich.
Lenkurt Electric Co. (subcontractor), San Carlos, Calif.
Ling-Temco-Vought, Inc., Arlington, Tex.
Ling-Temco-Vought, Inc., Dallas, Tex.
Ling-Temco-Vought, Inc., Garland, Tex.
Ling-Temco-Vought, Inc., Grand Prairie, Tex.
Ling-Temco-Vought, Inc., Greenville, Tex.
Liquidometer Corp. (subcontractor), Long Island City, N.Y.
Litton Industries, Ingalls Shipbuilding Corp. Division, Pascagoula, Miss.
Litton Industries, San Carlos, Calif.
Litton Systems, Inc., Adler/Westrix Communications Division, New Rochelle, N.Y.
Litton Systems, Inc., Woodland Hills, Calif.
Lockheed Aircraft Corp., Marietta, Ga.
Lockheed Aircraft Service Co., Honolulu, Hawaii
Lockheed Aircraft Service Co., Jamaica, N.Y.
Lockheed Electronics Co., Metuchen, N.J.
Lockheed Electronics Co. (subcontractor), Plainfield, N.J.
Lockheed Missile & Space Co., Sunnyvale, Calif.
Lukens Steel Co., Coatesville, Pa.
Lundy Electronics & Systems, Inc., Glen Head, N.Y.
Magnavox Co., The, Fort Wayne, Ind.
Marquardt Corp., The, Van Nuys, Calif.
Martin-Marietta Corp., Aerospace Division, Orlando, Fla.
Martin-Marietta Corp., Baltimore, Md.
Martin-Marietta Corp., Waterton, Colo.
Massachusetts Institute of Technology, Lincoln Laboratory, Lexington, Mass.
McDonnell Aircraft Corp., St. Louis, Mo.
Melpar, Inc. (subcontractor), Falls Church, Va.
Microwave Associates, Inc., Burlington, Mass.
Midwestern Instruments, Inc. (subcontractor), Tulsa, Okla.
Milgo Electronics Corp., Miami, Fla.
Mitre Corp., Bedford, Mass.
Model Engineering & Manufacturing Co., Inc., Courter Products Division, Boyne City, Mich.
National Lock Co., Hardware Division (subcontractor), Rockford, Ill.
Newport News Shipbuilding & Dry Dock Co., Newport News, Va.

PRIME CONTRACTORS AND SUBCONTRACTORS OF THE MILITARY DEPARTMENTS AT WHICH CONTRACT AUDIT WORK WAS PERFORMED DURING THE FISCAL YEAR 1964—Continued

Newton-Newhaven Co., West Haven, Conn.
New York Shipbuilding Corp., Camden, N.J.
North American Aviation, Inc., Autonetics Division, Anaheim, Calif.
North American Aviation, Inc., Rocketdyne Division, McGregor, Tex.
North American Aviation, Inc., Rocketdyne Division, Canoga Park, Calif.
North American Aviation, Inc., Space and Information Systems Division, Downey, Calif.
Northrop Corp., Nortronics Division, Norwood, Mass.
Olin-Mathieson Chemical Corp., E. Alton, Ill.
Olin-Mathieson Chemical Corp., Jeffersonville, Ind.
Olin-Mathieson Chemical Corp., New Haven Conn.
Olin-Mathieson Chemical Corp., New York, N.Y.
Packaging Services, Inc. (subcontractor), Racine, Wis.
Page Communications Engineers, Inc., Washington, D.C.
Pan American World Airways, Inc., Cocoa Beach, Fla.
Philco Corporation, Philadelphia, Pa.
Philharmonic Radio & Television Corp., New York, N.Y.
Pioneer Electronic Supply Co., Cleveland, Ohio
Polarad Electronics Corp., Long Island City, N.Y.
Portland Copper & Tank Works, South Portland, Maine
Puget Sound Bridge & Dry Dock Co., Seattle, Wash.
Radio Corp. of America, Aerospace Systems Division, Bedford, Mass.
Radio Corp. of America, Cambridge, Ohio
Radio Corp. of America, Camden, N.J.
Radio Corp. of America, Defense Electronics Products Division (subcontractor), Camden, N.J.
Radio Corp. of America, Electron Tube Division (subcontractor), Harrison, N.J.
Radio Corp. of America (subcontractor), Cocoa Beach, Fla.
Radio Distributing Co., Cleveland, Ohio
Radio Engineering Laboratories, Inc., Long Island City, N.Y.
Rauland-Borg Corp. (subcontractor), Chicago, Ill.
Raychem Corp. (subcontractor), Redwood City, Calif.
Raytheon Co., Airborne Operations, Waltham, Mass.
Raytheon Co., Machlett Laboratories, Inc., Springfield, Mass.
Raytheon Co., Missile and Space Division, Andover, Mass.
Raytheon Co., Missile and Space Division, Bedford, Mass.
Republic Aviation Corp., Farmingdale, N.Y.
Reynolds Metals Co. (subcontractor), Richmond, Va.
Rohr Aircraft Corp., Chula Vista, Calif.
Ronson Hydraulic Units Corp., Pasadena, Calif.
Sanders Associates, Nashua, N.H.
Sangamo Electric Corp., Springfield, Ill.
Scanner Corp. of America (subcontractor), Livonia, Mich.
Scott Aviation Corp. (subcontractor), Lancaster, N.Y.
Singer, H.R.B., Inc., State College, Pa.
Southern Pacific Pipe Lines, Inc., San Francisco, Calif.
Space Corp., Garland, Tex.
Sparton Corp., Jackson, Mich.
Sperry Piedmont Co., Charlottesville, Va.
Sperry Rand Corp., Remington Rand Univac Division, St. Paul, Minn.
Sperry Rand Corp., Remington Rand Division, Shreveport, La.
Sperry Rand Corp., Salt Lake City, Utah
Sperry Rand Corp., Sperry Tube Division, Gainesville, Ala.
Sperry Rand Corp., Univac Division, New York, N.Y.
Sperry Rand Corp., Vickers, Inc. Division, Jackson, Miss.
Sperry Rand Corp., Vickers Aerospace Division, Detroit, Mich.
Sprague Electric Co., North Adams, Mass.
Stainless Steel Products, Inc., Burbank, Calif.
Standard Manufacturing Co. (subcontractor), Dallas, Tex.
Standard-Thomson Corp., Waltham, Mass.
Stanford Research Institute, Palo Alto, Calif.
Stelma, Inc. (subcontractor), Stamford, Conn.
Stenographic Machines, Inc., Skokie, Ill.
Sundstrand Corp., Sundstrand Aviation Division, Rockford, Ill.
Supreme Products Corp., Chicago, Ill.
Sylvania Electric Products, Inc., Mountain View, Calif.
Sylvania Electric Products, Inc., Santa Cruz, Calif.
Technical Material Corp., Mamaroneck, N.Y.
Tele-Signal Corp., Hicksville, N.Y.
Teletype Corp., Skokie, Ill.
Texas Instruments, Inc. (subcontractor), Richardson, Tex.
Thiokol Chemical Corp., Brigham City, Utah.
Thiokol Chemical Corp., Bristol, Pa.
Thiokol Chemical Corp., Longhorn Division, Marshall, Tex.
Thiokol Chemical Corp., Redstone Division, Huntsville, Ala.
Thomas Ramo Wooldridge, Inc., Cleveland, Ohio
Transport Co. of Texas, Oakland, Calif.
Tung-Sol Electric, Inc., Chatham Electronics Division, Livingston, N.J.
United Aircraft Corp., Hamilton Standard Division, Windsor Locks, Conn.
United Aircraft Corp., Pratt and Whitney Division, East Hartford, Conn.
United Control Corp. (subcontractor), Seattle, Wash.
United States Steel Corp., Pittsburgh, Pa.
Utility Tool & Body Co., Inc. (subcontractor), Clintonville, Wis.
Varo, Inc., Garland, Tex.
Verona Terminal Storage, Inc., Plattsburgh, N.Y.
Victory Electric Works (subcontractor), New Orleans, La.
Visioneering Co., The (subcontractor), Cleveland, Ohio
Waukesha Motor Co. (subcontractor), Waukesha, Wis.
Weatherhead Co., The, Cleveland, Ohio
Wentworth Institute, Boston, Mass.
Western Terminal Co., Spokane, Wash.
Westinghouse Electric Corp., Baltimore, Md.
Westinghouse Electric Corp., Lima, Ohio
Weston Hydraulics, Ltd., Van Nuys, Calif.
Williamson Development Co., Inc., West Concord, Mass.

NATURE OF AUDIT WORK PERFORMED IN THE DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT

The Civil Accounting and Auditing Division has primary responsibility for the audit of the civil departments and agencies and the Defense Accounting and Auditing Division has primary responsibility for the audit of the military departments except that as of August 19, 1963, the International Operations Division was given primary responsibility for the audit of agencies or programs relating to international activities.

CIVIL DEPARTMENTS AND AGENCIES

LEGEND

A—Work performed primarily at site of activities; comprehensive in nature, but selective as to areas reviewed.
B—Financial transactions audited at site of activities.
C—Financial transactions audited centrally in GAO.
D—Payrolls audited at site; other transactions audited centrally in GAO.
(All categories exclude transportation expenditures which are audited centrally by the Transportation Division, GAO.)

Executive Office of the President

The President's Office: Compensation of the President (note 1)	C
The White House Office	C
Executive Mansion and Grounds (note 2)	B
Funds Appropriated to the President (note 3)	
President's Advisory Committee on Labor-Management Policy (note 4)	B
Bureau of the Budget	A
Council of Economic Advisers (note 5)	B
Office of Emergency Planning	A
National Aeronautics and Space Council (note 6)	B
National Security Council including Central Intelligence Agency	B
Office of Science and Technology	B
Office of the Special Representative for Trade Negotiations	B

Department of Agriculture

Office of the Secretary	A
Departmental Administration (Management Appraisal and Systems Development, Budget and Finance, Management Services, Hearing Examiners, Information, Personnel, Plant and Operations)	A
Office of the General Counsel	A
Office of the Inspector General	A
Commodity Credit Corporation (note 7)	A
Agricultural Stabilization and Conservation Service	A
Agricultural Stabilization and Conservation Committees (County and State)	A
Federal Crop Insurance Corporation (note 7)	A
Rural Development and Conservation:	
Office of Rural Areas Development	A
Farmer Cooperative Service	A
Farmers Home Administration	A
Forest Service	A
Rural Electrification Administration	A
Soil Conservation Service	A
Agricultural Economics:	
Economic Research Service	A
Statistical Reporting Service	A
International Affairs:	
Foreign Agricultural Service	A
International Agricultural Development Service	A
Marketing and Consumer Services:	
Agricultural Marketing Service	A
Commodity Exchange Authority	A
Science and Education:	
Agricultural Research Service	A
Cooperative State Research Service	A
Federal Extension Service	A
National Agricultural Library	A

Department of Commerce

Office of the Secretary (Office of Technical Services, Office of Administration (Domestic and International Business), Office of Publications and Information (Domestic and International Business), Office of Emergency Transportation, Office of the Commissioner, U.S. Commission—New York World's Fair, Great Lakes Pilotage Administration)	A
Area Redevelopment Administration	A
Office of Business Economics	A
Bureau of the Census	A
Coast and Geodetic Survey	A
Office of Trade Adjustment	A
Business and Defense Services Administration	A
Office of Field Services	A
Office of Foreign Commercial Services	A
Bureau of International Commerce	A
United States Travel Service	A
Patent Office	A
Bureau of Public Roads	A
National Bureau of Standards	A
Weather Bureau	A
Maritime Administration	A
St. Lawrence Seaway Development Corporation (note 7)	A

Department of Defense

Corps of Engineers (Civil Functions)	A

Department of Health, Education, and Welfare

Office of the Secretary (Office of the Under Secretary and the Assistant Secretaries, Office of the General Counsel, and Office of Administration)	A
Food and Drug Administration	A
Office of Education	A
Public Health Service	A
St. Elizabeths Hospital	A
Social Security Administration	A
Vocational Rehabilitation Administration	A
Welfare Administration	A

Related Organizations

Federally aided corporations:	
American Printing House for the Blind	A
Gallaudet College (note 8)	A
Howard University	A

Department of the Interior

Office of the Secretary (Office of the Solicitor, Office of Coal Research, Office of Geography, Office of Minerals Exploration, Office of Minerals and Solid Fuels, Office of Oil and Gas, Office of Saline Water, Oil Import Administration, and Departmental Administration)	A
Alaska Railroad	A
Bureau of Indian Affairs	A
Bureau of Land Management	A
Bureau of Mines	A
Bureau of Outdoor Recreation	A
Bureau of Reclamation	A
Geological Survey	A
National Park Service	A
U.S. Fish and Wildlife Service	A
Bureau of Commercial Fisheries	A
Bureau of Sport Fisheries and Wildlife	A
Bonneville Power Administration	A
Southeastern Power Administration	A
Southwestern Power Administration	A
Territorial Activities:	
Office of Territories	A
Governor of Guam	A

Notes are shown on pp. 432, 433

NATURE OF AUDIT WORK PERFORMED IN THE DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT—Continued

CIVIL DEPARTMENTS AND AGENCIES

Department of the Interior—Continued

Territorial Activities—Continued	
Government of American Samoa	A
Government of the Virgin Islands	A
Government of the Trust Territory of the Pacific Islands	A
Virgin Islands Corporation (note 7)	A

Department of Justice

Office of the Attorney General (Departmental Administration, Legal and Other Offices and Divisions, U.S. Attorneys, and U.S. Marshals)	A
Bureau of Prisons	A
Federal Prison Industries, Inc. (note 7)	A
Federal Bureau of Investigation	A
Immigration and Naturalization Service	A
Office of Alien Property (note 9).	

Department of Labor

Office of the Secretary (Departmental Administration, Employees' Compensation Appeals Board, Office of Information, and Office of the Solicitor)	A
Bureau of Apprenticeship and Training	A
Bureau of Employees' Compensation	A
Bureau of Employment Security	A
Bureau of International Labor Affairs	A
Office of Labor-Management and Welfare-Pension Reports	A
Bureau of Labor Standards	A
Bureau of Labor Statistics	A
Bureau of Veterans' Reemployment Rights	A
Office of Manpower, Automation, and Training	A
Wage and Hour and Public Contracts Divisions	A
Women's Bureau	A

Post Office Department

Office of the Postmaster General	A
Office of the General Counsel	A
Bureau of the Chief Postal Inspector	A
Bureau of Facilities	A
Bureau of Finance and Administration	A
Bureau of Operations	A
Bureau of Personnel	A
Office of Research and Engineering	A
Bureau of Transportation and International Services	A

Department of State

Agency for International Development	A
Peace Corps	A
U.S. Arms Control and Disarmament Agency	B
Other Activities	A

Related Organization

International Boundary and Water Commission	A

Department of the Treasury

Office of the Secretary (Departmental Administration, Analysis Staffs, International Finance (note 10), and Legal Division)	A
Bureau of Accounts	A
Bureau of Customs	A
Bureau of Engraving and Printing (note 11)	A
Bureau of the Mint	A
Bureau of Narcotics	A
Bureau of the Public Debt	A
Internal Revenue Service	A
Office of the Comptroller of the Currency (note 12)	
Office of the Treasurer of the United States	A
U.S. Coast Guard	A
U.S. Savings Bonds Division	A
U.S. Secret Service	A

Notes are shown on pp. 432, 433.

Independent Agencies

Advisory Commission on Intergovernmental Relations (note 6)	B
Allowances and Office Facilities for Former Presidents (note 6)	B
American Battle Monuments Commission	B
Atomic Energy Commission	A
Battle of Lake Erie, Sesquicentennial Celebration Commission (note 2)	B
Battle of New Orleans, Sesquicentennial Celebration Commission (note 2)	B
Civil Aeronautics Board	A
Civil Service Commission	A
Civil War Centennial Commission (note 2)	B
Commission on Civil Rights (note 6)	B
Commission of Fine Arts (note 13)	B
Corregidor-Bataan Memorial Commission (note 14)	B
Delaware River Basin Commission	A
Export-Import Bank of Washington (note 7)	A
Federal Aviation Agency	A
Federal Coal Mine Safety Board of Review (note 15)	D
Federal Communications Commission	A
Federal Deposit Insurance Corporation (note 17)	A
Federal Farm Credit System:	
Farm Credit Administration	A
Corporations Supervised:	
Intermediate Credit Banks (12) (note 7)	A
Central Bank for Cooperatives (note 7)	A
District Banks for Cooperatives (12) (note 7)	A
Other (note 18)	
Federal Home Loan Bank Board including Federal Home Loan Banks (11) (note 7) and Federal Savings and Loan Insurance Corporation (note 7)	A
Federal Maritime Commission	A
Federal Mediation and Conciliation Service	D
Federal Power Commission	A
Federal Radiation Council (note 6)	B
Federal Reserve System (note 19)	
Federal Trade Commission	A
Foreign Claims Settlement Commission of the United States	B
Franklin Delano Roosevelt Memorial Commission (note 2)	B
General Services Administration:	
Office of the Administrator (Office of Assistant Administrator for Finance and Administration, Office of General Counsel, and Board of Contracts Appeals)	A
Defense Materials Service	A
Federal Supply Service (note 20)	A
National Archives and Records Service	A
Public Buildings Service	A
Transportation and Telecommunications Service	A
Utilization and Disposal Service	A
Housing and Home Finance Agency:	
Office of the Administrator	A
Community Facilities Administration	A
Urban Renewal Administration	A
Federal Housing Administration (note 7)	A
Federal National Mortgage Association (note 7)	A
Public Housing Administration (note 7)	A
Indian Claims Commission	D
International Organizations Employees Loyalty Board (note 21)	B
Interstate Commerce Commission	A
James Madison Memorial Commission (note 2)	B
National Aeronautics and Space Administration	A
National Capital Housing Authority (note 22)	A
National Capital Planning Commission	A
National Capital Transportation Agency (note 6)	B
National Gallery of Art	D

NATURE OF AUDIT WORK PERFORMED IN THE DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT—Continued

CIVIL DEPARTMENTS AND AGENCIES—Continued

Independent Agencies—Continued

National Labor Relations Board	D
National Mediation Board	D
National Science Foundation	A
National Selective Service Appeal Board (note 23)	D
Panama Canal Company (note 7) and Canal Zone Government	A
Railroad Retirement Board	A
Renegotiation Board	D
Saint Augustine Quadricentennial Commission (note 2)	B
Securities and Exchange Commission	D
Selective Service System	D
Small Business Administration	A
Smithsonian Institution (note 24)	D
Subversive Activities Control Board	D
Tax Court of the United States	A
Tennessee Valley Authority (notes 7 and 25)	A
U.S. Information Agency	B
U.S. Tariff Commission	D
U.S. Territorial Expansion Commission (note 2)	B
U.S. Study Commission—Southeast River Basins	B
Veterans Administration:	
Office of the Administrator of Veterans Affairs	A
Department of Data Management	A
Department of Medicine and Surgery	A
Department of Veterans Benefits	A
Woodrow Wilson Memorial Commission (note 2)	B

Legislative Branch

The Senate:	
Semiannual Accounts Submitted by the Secretary of the Senate for Salaries, Mileage, and Expense Allowances of Senators	C
Quarterly Accounts Submitted by the Secretary of the Senate for All Other Expenditures	C
Other Activities (note 26)	A
The House of Representatives:	
Sergeant at Arms:	
Salaries, Mileage, and Expense Allowances of Members, Including Operations of "House Bank" (note 27)	B

Legislative Branch—Continued

The House of Representatives:—Continued	
Clerk of the House:	
Quarterly Accounts Submitted by the Clerk of the House for All Other Expenditures of the House	C
Other Activities (note 26)	A
Architect of the Capitol:	
House of Representatives Restaurant (note 28)	A
Senate Restaurant (note 29)	A
Other Activities	C
U.S. Botanic Garden (note 30)	D
General Accounting Office	D
Government Printing Office (note 31)	A
Library of Congress	D
Permanent Committee for the Oliver Wendell Holmes Devise (note 30)	D

Judicial Branch

The Supreme Court of the United States (note 32)	C
Administrative Office of the U.S. Courts	B
U.S. Courts of Appeals (note 33)	B
District Courts of the United States (note 33)	B
U.S. Court of Claims (note 33)	B
U.S. Court of Customs and Patent Appeals (note 33)	B
Territorial Courts (note 33)	B
U.S. Customs Court (note 33)	B

Other Audit Assignments

District of Columbia Government	A
District of Columbia Redevelopment Land Agency	A
Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated (note 34)	A
Government Services, Incorporated (Including Employee Retirement and Benefit Trust Fund) (note 35)	A

MILITARY DEPARTMENTS

LEGEND

DA—Work performed primarily at site of activities; comprehensive in nature, but selective as to areas reviewed.

DB—Domestic civilian pay audited at the site; overseas civilian pay, military pay and allowances, and other disbursements and receipts audited offsite at central locations. All audit work performed on a selective basis.

(All categories exclude transportation expenditures which are audited centrally by the Transportation Division, GAO.)

Department of Defense

Defense Supply Agency	DA
Defense Communications Agency	DA
Military Assistance Program	DA
Civil Defense Program	DA
Defense Atomic Support Agency	DA
Defense Intelligence Agency	DA
Policies and Administrative Controls Related to the Activities Under GAO Audit in the Military Departments	DA

Department of the Army

Major Weapon Systems	DA
Requirements Determinations	
Development and Procurement	
Maintenance, Repair and Overhaul	

Notes are shown on pp. 432, 433.

Department of the Army—Continued

Supply Support	DA
Requirements Determinations	
Procurement	
Receipt, Storage and Issue	
Maintenance of Stock in Serviceable Condition	
Disposal of Surplus Stock	
Contracts, Award and Administration	DA
Solicitation of Competitive Bids or Price Proposals	
Negotiation of Prices	
Contractors' Operations and Compliance with Contract Terms	
Military Construction Programs, Including Family Housing	DA
Military Assistance Program	DA

NATURE OF AUDIT WORK PERFORMED IN THE DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT—Continued

MILITARY DEPARTMENTS—Continued

Department of the Army—Continued

Disbursing Officers' Accounts	DB
Civilian Pay	
Military Pay and Allowances	
Other Disbursements and Receipts	
Manpower Utilization	DA
Acquisition and Utilization of Automatic Data Processing Equipment	DA
Maintenance, Utilization and Retention of Real Property	DA
Communication Systems	DA
Dependents' Medical Care Program	DA
Appropriation Accounting and Reporting	DA

Department of the Navy

Major Weapon Systems	DA
Requirements Determinations	
Development and Procurement	
Maintenance, Repair and Overhaul	
Supply Support	DA
Requirements Determinations	
Procurement	
Receipt, Storage and Issue	
Maintenance of Stock in Serviceable Condition	
Disposal of Surplus Stock	
Contracts, Award and Administration	DA
Solicitation of Competitive Bids or Price Proposals	
Negotiation of Prices	
Contractors' Operations and Compliance With Contract Terms	
Military Construction Programs, Including Family Housing	DA
Military Assistance Program	DA
Disbursing Officers' Accounts	DB
Civilian Pay	
Military Pay and Allowances	
Other Disbursements and Receipts	
Manpower Utilization	DA
Acquisition and Utilization of Automatic Data Processing Equipment	DA

Department of the Navy—Continued

Maintenance, Utilization and Retention of Real Property	DA
Communication Systems	DA
Military Sea Transportation	DA
Appropriation Accounting and Reporting	DA

Department of the Air Force

Major Weapon Systems	DA
Requirements Determinations	
Development and Procurement	
Maintenance, Repair and Overhaul	
Supply Support	DA
Requirements Determinations	
Procurement	
Receipt, Storage and Issue	
Maintenance of Stock in Serviceable Condition	
Disposal of Surplus Stock	
Contracts, Award and Administration	DA
Solicitation of Competitive Bids or Price Proposals	
Negotiation of Prices	
Contractors' Operations and Compliance With Contract Terms	
Military Construction Programs, Including Family Housing	DA
Military Assistance Program	DA
Disbursing Officers' Accounts	DB
Civilian Pay	
Military Pay and Allowances	
Other Disbursements and Receipts	
Manpower Utilization	DA
Acquisition and Utilization of Automatic Data Processing Equipment	DA
Maintenance, Utilization and Retention of Real Property	DA
Communication Systems	DA
Military Air Transportation	DA
Appropriation Accounting and Reporting	DA

INTERNATIONAL OPERATIONS

The International Operations Division is primarily responsible for auditing the following agencies and programs relating to international activities:

Department of Agriculture:
- Foreign Agricultural Service
- Foreign Research and Technical Programs Division, Agricultural Research Service

Department of Commerce:
- Bureau of International Commerce
- Office of Foreign Commercial Services
- United States Travel Service
- Inter-American Highway and Ram Road, Bureau of Public Roads

Department of State, exclusive of International Boundary and Water Commission, U.S. Section

Department of the Treasury: Programs and activities conducted under Section 613 of the Foreign Assistance Act of 1961

Department of Defense: Military Assistance Program.

Independent Agencies:
- Export-Import Bank of Washington
- Foreign Claims Settlement Commission of the United States
- U.S. Information Agency

Government-wide activities carried on under Public Law 480, 83d Congress

NOTES:

1. Compensation paid on basis of certificate of settlement prepared by Claims Division, General Accounting Office. Disbursing officer's statement of accountability subsequently is submitted to Civil Accounting and Auditing Division for audit and settlement.
2. Administrative accounts are maintained by the National Park Service, Department of the Interior.
3. Funds are audited centrally in the General Accounting Office or at the site, depending upon the type of audit applied to the agencies to which funds are advanced for expenditure.
4. Administrative accounts are maintained by the White House Office.
5. Administrative accounts are maintained in alternate years by the Departments of Labor and Commerce.
6. Administrative accounts are maintained by the Office of the Comptroller, General Services Administration.
7. Audited under the Government Corporation Control Act (31 U.S.C. 841).
8. Audited pursuant to law (68 Stat. 265; D.C. Code 1951, 31-1031).
9. The activities of the Office of Alien Property are not financed with appropriated funds and no audit of such activities is made by the General Accounting Office.
10. Exclusive of transactions in the U.S. Exchange Stabilization Fund established by the Gold Reserve Act of 1934 (48 Stat. 337, 311, as amended). The General Accounting Office is neither authorized nor required under existing legislation to make an audit of this fund.

11. The Bureau of Engraving and Printing Fund is audited under the act of August 4, 1950 (31 U.S.C. 181d).
12. The activities of the Office of the Comptroller of the Currency are financed by assessments on national banks and member banks of the Federal Reserve System. The law (12 U.S.C. 481) provides that such funds shall not be construed to be Government funds or appropriated moneys. No audit is made by the General Accounting Office.
13. Administrative accounts are maintained by the Office of the Secretary, Department of the Interior.
14. Administrative accounts are maintained by the Veterans Administration.
15. Administrative accounts are maintained by the Subversive Activities Control Board.
16. International telecommunications settlement transactions audited at the site.
17. Audited under the Federal Deposit Insurance Act (12 U.S.C. 1827).
18. Consists of approximately 745 Federal land bank associations, 481 production credit associations (481 privately owned and 3 partially capitalized by U.S. Government), and 12 Federal land banks (privately owned), none of which is audited by the General Accounting Office.
19. Not audited by the General Accounting Office in view of (1) the broad authority conferred upon the Board of Governors to determine and prescribe the manner of incurring obligations and to pay its expenses, (2) the fact that funds used to defray the expenses of the Board are not Government funds or appropriated moneys, and (3) the rule, as set out in 12 U.S.C. 484.
20. The General Supply Fund is audited under the Federal Property and Administrative Services Act of 1949 (5 U.S.C. 630g(e)).
21. Administrative accounts are maintained by the U.S. Civil Service Commission.
22. Annual audit made pursuant to law (69 Stat. 801; D.C. Code, 1951, 5-716).
23. Administrative accounts are maintained by the Selective Service System.
24. Applies only to the administrative expenses of the Institution which are paid from appropriated funds.
25. The retirement system of Tennessee Valley Authority is audited by independent public accountants under contract with the General Accounting Office.
26. Audits made on request.
27. Semi-annual audit made pursuant to law (2 U.S.C. 81a).
28. Audit made pursuant to law (40 U.S.C. 174k).
29. Annual audit made pursuant to law (40 U.S.C. 174j-5).
30. Administrative accounts are maintained by the Library of Congress.
31. Annual audit made pursuant to [illegible] U.S.C. 63).
32. Audit applies only to appropriat[illegible] and does not include the funds of the Clerk of the Supreme Court. The General Accounting Off[illegible] duty to settle the accounts of the Clerk of the Supreme Court (28 U.S.C. 671) and no right of a[illegible] his records (31 U.S.C. 2, 54).
33. Audit made in the Administrative [illegible]ffice of the U.S. Courts, Washington, D.C.
34. Annual audit made pursuant to law (22 U.S.C. 278a).
35. Annual audit made on request.

RESTRICTIONS ON AUDIT AUTHORITY

With certain exceptions, the audit authority and responsibility of the General Accounting Office extends to all activities, financial transactions, and accounts of the Federal Government. The authority extends also to records of contractors having Government contracts negotiated without advertising, their subcontractors' records, and records of certain recipients of Federal financial assistance such as loans, advances, grants, or contributions. The principal types of restrictions on the audit authority of the General Accounting Office are shown below.

Organizations Not Subject to Audit

The financial transactions and activities of the following organizations of the Federal Government are not subjected to audit by the General Accounting Office.

Office of Alien Property
Office of the Comptroller of the Currency
Exchange Stabilization Fund established by the Gold Reserve Act of 1934
Federal Land banks
Federal Reserve System
Smithsonian Institution (trust funds)
United States Soldiers' Home (trust fund)

Funds Accounted for Solely by Certifications

Various laws provide that certain expenditures of a privileged, confidential, or emergency nature are to be accounted for solely on the certificate of the President, the head of an agency, or other authorized person. Audit by the General Accounting Office is restricted to examining the certification and ascertaining that limitations on such expenditures have not been exceeded. Some examples are:

Expenses necessary for the White House Office (see annual appropriation acts)

Traveling expenses of the President (3 U.S.C. 103)

Expenditures for the purpose of intercourse or treaties with foreign nations (31 U.S.C. 107)

Salary and mileage accounts of Members of the Senate and the House of Representatives (2 U.S.C. 48)

Certain expenditures of the Atomic Energy Commission, the Central Intelligence Agency, the Departments of Defense, Army, Navy, and Air Force, the Federal Bureau of Investigation, the Immigration and Naturalization Service, and the Post Office Department (see annual appropriation acts and 50 U.S.C. 403j(b))

Finality Clauses

The laws establishing agencies or authorizing them to carry on additional activities sometimes specify that they shall have the right to determine the character of and necessity for their obligations and expenditures and the manner in which they shall be incurred, allowed, and paid; provide that the determinations of the head of the agency in regard to expenditures shall be final and conclusive on all officers of the Government; or provide that such expenditures are not to be subject to review by any officer or agency other than a court of law. These provisions relate most frequently to payment of certain types of claims; the expenditures of Government corporations; awards made under retirement, disability, and insurance programs; and advances of funds, loans, and grants under certain legislation dealing with housing and education. The effect of these provisions on the audit authority of the General Accounting Office is to limit the applicability of the provisions of section 305 of the Budget and Accounting Act, 1921, relating to the settlement and adjustment of claims, demands, and accounts by the General Accounting Office, although they do not prohibit the General Accounting Office from examining such activities and transactions and from reporting to the Congress on the manner in which the agencies are conducting their affairs.

In the legislative branch, payments from the contingent funds of the Senate and the House of Representatives, when approved by the Committee on Rules and Administration of the Senate or the Committee on House Administration, are conclusive upon all the departments and officers of the Government.

Prohibitions Against Disclosure of Information

Certain laws impose restrictions on the disclosure of information and prescribe penalties for any officer or employee of a Government agency who violates the restrictions. An example is section 7213(a)(1) of the Internal Revenue Code.

There are no restrictions on the authority of the General Accounting Office to audit the administrative expenses of the Internal Revenue Service, but the nature and full effectiveness of an audit of tax collection matters is dependent on access to tax returns and related information with respect to which restrictions exist. The General Accounting Office does not have access to individual income tax returns or to taxpayer information of a nature falling within the categories of information precluded from disclosure by section 7213(a)(1) of the Internal Revenue Code, except when permission for examination is granted under section 6013(a) of the Code.

Recipients of Federal Financial Assistance

The general audit authority of the General Accounting Office contained in the Budget and Accounting Act, 1921, and the Accounting and Auditing Act of 1950 has not been regarded as extending to moneys which have been transferred to and are under the custody and control of State or territorial governments or their instrumentalities. These funds have been considered to lose their identity as Federal funds and to become State or territorial funds. As a consequence, the expenditures of such funds by the States or territories are not subject to audit by the General Accounting Office unless specific authority is provided by law.

Various laws authorize the General Accounting Office to audit the records of certain recipients of Federal financial assistance. For instance, the act of August 2, 1954 (42 U.S.C. 1435), gave the Office authority to audit the pertinent activities of any local housing authority receiving loans or annual contributions from the Public Housing Administration. The Housing Act of 1961, approved June 30, 1961, extended the Office's audit authority to records of any person or local body receiving a contract for a loan, advance, grant, or contribution from the Housing and Home Finance Agency or its constituents, and to records of mortgagors having mortgages on new or rehabilitated multifamily housing insured by the Federal Housing Administration. In addition, the Office was given authority to examine and audit records of recipients of loans and grants under sections 6, 7, or 8 of the Area Redevelopment Act, approved May 1, 1961, that are pertinent to assistance received under those sections.

Audits of expenditures under other grants-in-aid or cost sharing programs may be made only with the cooperation of the Federal department or agency concerned and the approval of the State, territory, or local

authority. General Accounting Office audits of the Federal-aid highway program at the State highway department level are examples of audits made under such arrangements.

The General Accounting Office does not have authority to audit the records of foreign governments or their agencies receiving cash grants under the foreign assistance programs.

Contractors' Records

The General Accounting Office ordinarily does not have authority to audit the records of Government contractors except when such authority is specifically granted by law. For example, the General Accounting Office does not have such authority with respect to contracts awarded pursuant to advertising for bids.

The General Accounting Office does have authority under various laws such as the Armed Services Procurement Act of 1947, the Federal Property and Administrative Services Act of 1949, and the Atomic Energy Act of 1954 to audit the records of contractors having Government contracts negotiated without advertising and to audit the records of these contractors' subcontractors. However, the Office does not have authority to audit the records of contractors outside the United States furnishing equipment and supplies under the military assistance program under negotiated agreements with allied governments. Nor does the Office have authority to examine contractors' records pertaining to contracts negotiated under the Defense Production Act of 1950 unless the procuring agency and the contractor voluntarily insert a clause in the contract granting the General Accounting Office this authority.

Activities Carried on With Nonappropriated Funds

Many activities carried on by Government agencies, such as the operation of post exchanges, restaurants, canteens, vending machines, and welfare activities, are not subject to audit by the General Accounting Office because they do not use appropriated funds.

International Operations

The United States is a member in, and contributor to, numerous international organizations. The General Accounting Office does not have authority to audit the affairs of any of these organizations.

DECISIONS AND OTHER LEGAL MATTERS HANDLED DURING THE FISCAL YEAR 1964

Assignment areas:	
Appropriations and miscellaneous	750
Civilian personnel	878
Contracts	1,678
Military pay and allowances	800
Transportation	733
	4,839
Private inquiries, etc	491
Total	5,330

Legislative and Legal Reports Furnished to committees and Members of Congress, and the Bureau of the Budget (Included in the Above Statistics on Decisions and Other Legal Matters)

To the committees of the Congress:	
Legislative reports	381
Legal matters	34
To Members of the Congress:	
Legislative reports	4
Legal matters	369
	788
To the Bureau of the Budget:	
Reports on draft bills	14
Reports on enrolled bills	48
Reports on bills	21
Reports on legal matters	3
	86
Total	874

REPORTS ON CONGRESSIONAL INQUIRIES

This table is an alphabetical listing of selected reports and letters to committees and Members of the Congress in response to their request for comments on proposed legislation, for legal opinions, and for information on other subjects of interest. It does not include audit reports, which are listed on pages 399 through 424.

(Reports of general interest only are included)

Subject	To	Date	Reference No.
Agriculture:			
Authority for research grants, etc. (88th, H.R. 7155).	H. Agriculture	7-30-63	B-150672
Extension of Public Law 480, 83d (88th, S. 2787)	S. Agriculture and Forestry	6-16-64	B-140093
Rural Electrification: Cooperative purchasing power from AEC.	Rep. John J. Rhodes	12-23-63	B-152685
Wheat sale	Rep. Paul Findley	3-18-64	B-153227
Aircraft: Construction: Local service aircraft development (88th, S. 2143).	S. Commerce	10-18-63	B-91957
Airports: Federal aviation grants-in-aid: Availability.	H. Interstate and Foreign Commerce.	12-19-63	B-77406
Alaska Railroad: Rate agreements with Alaska Steamship Co.	Sen. Ernest Gruening	8-20-63	B-152220
Appropriations:			
Availability:			
Defense agencies operation funds for President's Committee on Equal Opportunity.	S. Appropriations	11- 7-63	B-152583
Domestic Peace Corps	Rep. H. R. Gross	7- 9-63	B-150963
TV and radio advertising of agency programs	Rep. Joe M. Kilgore	11- 8-63	B-142983
Continuing:			
Excessive Expenditures	Rep. Thomas B. Curtis	1- 7-64	B-153026
NASA	Sen. Thomas M. Pelly	12- 6-63	B-152554
Defense Department: Reprograming policies	S. Appropriations	11-22-63	B-152583
Foreign aid: Section 107(b) violations	Rep. Melvin R. Laird	1-20-64	B-152075
	H. Government Operations	2-14-64	B-152075
Kennedy Performing Art Center	Sen. Leverett Saltonstall	6-18-64	B-154459
Military construction: Availability for construction at place other than designated.	Rep. Thomas G. Morris	8-20-63	B-152219
National Capital Transportation Agency: Reprograming policies.	S. Appropriations	7-15-63	B-141529
Propriety of use of operating and maintenance funds for construction of housing.	H. Government Operations	1- 9-64	B-133102
Weather Bureau: Reimbursements between appropriations (88th, S. 2315).	S. Commerce	12-20-63	B-136318
Archives: Acceptance of certain film for preservation.	Sen. Harry Flood Byrd	12-30-63	B-152928
Area Redevelopment: Loan information	Rep. Thomas B. Curtis	12- 4-63	B-152826
Armed services personnel:			
Air Corps Reserve bonus: Entitlement	Rep. Joseph W. Martin, Jr.	3-20-64	B-153680
Allowances: Illegitimate children	Sen. Thomas H. Kuchel	10-14-63	B-152794
Coast Guard:			
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Loss due to administrative error	Rep. Henry B. Gonzalez	2-26-64	B-153526
Use in lieu of advance of sick leave	Sen. Herbert S. Walters	5-15-64	B-154018
Compensation equivalent payments	Rep. Watkins M. Abbitt	4-20-64	B-36876
Credit (88th, H.R. 7277)	H. Judiciary	7-12-63	B-151939
	Rep. Herbert C. Bonner	3-12-64	B-153600
Military: State National Guard duty	Sen. J. Glenn Beall	8- 5-63	B-152985
Sick:			
Compensation	Sen. Everett McKinley Dirksen.	9-25-63	B-152423
Credit or cash at time of retirement (88th, S. 1661).	S. Post Office and Civil Service.	7-31-63	B-130441
Medical certificate requirement	Rep. Morris K. Udall	8- 5-63	B-152129
Recredit	Rep. John Young	11-26-63	B-146610
Medical treatment: Reimbursement (88th, H.R. 6183).	H. Judiciary	10- 1-63	B-100924
Overseas:			
Employment agreement breach: Liability for advance refund.	Rep. Charles C. Diggs, Jr.	5- 8-64	B-153918
Internment allowance refund (88th, H.R. 10155).	H. Judiciary	5- 8-64	B-153740
Personal property losses (88th, H.R. 9466)	do	2-27-64	B-153436
Quarters, etc. (88th, S. 1833)	S. Government Operations	7-16-63	B-100883
	Rep. John E. Moss	2-13-64	B-153366
	H. Post Office and Civil Service.	5-13-64	B-100883
Restoration rights of Reserve and National Guard.	H. Armed Services S. Armed Services	12-30-63	B-152107 B-152451
Retirement:			
Annuities: Increases (88th, S. 2184)	S. Post Office and Civil Service.	11-22-63	B-130393
Liberalization of survivorship provisions (88th, S. 2144).	do	10-21-63	B-138504
Reemployed annuitants: Compensation deduction (88th, H.R. 9152).	Vice President	10- 7-63	B-152579
	H. Judiciary	12- 6-63	B-152579
Service credits	Sen. Wayne Morse	9- 9-63	B-152329
Widows, widowers of employees who died prior to Feb. 29, 1948.	S. Post Office and Civil Service.	9-19-63	B-83477
Without deduction (88th, S. 1662)	do	8- 8-63	B-138504
Transportation and travel expenses:			
Amendments to Administrative Expenses Act of 1946 (88th, H.R. 10076, H.R. 10640).	H. Government Operations	4- 8-64	B-149785
	do	4-14-64	B-149785
Between home and headquarters	Rep. John E. Fogarty	12- 5-63	B-152901
Dependents: Per diem (88th, H.R. 8946)	H. Judiciary	11-27-63	B-147672
Employees at isolated duty stations (88th, S. 2670).	H. Government Operations	3-27-64	B-149785
	S. Government Operations	4-13-64	B-149785
Foreign vessel use	Rep. George E. Brown, Jr.	8- 5-63	B-150671
	Rep. George E. Brown, Jr.	11-19-63	B-150671
Household effects:			
Alternate destination when employee overseas.	Sen. Clinton P. Anderson	4-24-64	B-153870
Commercial carrier for trailer movement	Rep. Alvin E. O'Konski	6- 2-64	B-154053
Commingling (88th, H.R. 5447)	H. Judiciary	7-29-63	B-151766
Time limitation (88th, H.R. 8532)	do	10-14-63	B-152634
	Rep. Philip Philbin	3-20-64	B-153709
	Rep. Frank Chelf	6- 9-64	B-154335
Per diem:			
Entitlement	Rep. William A. Barrett	2-19-64	B-153388
	Rep. Robert N. Giaimo	3-17-64	B-106079
Offshore duty (88th, H.R. 11211)	H. Government Operations	6-26-64	B-153571
Rate propriety	Sen. Daniel K. Inouye	12-19-63	B-147492
Federal Communications Commission: Employees: Exception from conflict of interest (88th, S. 2319).	S. Commerce	12-11-63	B-152955
Federal Deposit Insurance Act: Amendments (88th, S. 1799).	S. Banking and Currency	10-16-63	B-77630

Subject	To	Date	Reference No.
Fishing: Territorial waters prohibition (88th, S. 1988).	S. Commerce	9-10-63	B-152036
	H. Merchant Marine and Fisheries.	2-27-64	B-152036
Foreign Aid:			
Contracts: State contract propriety	Rep. Gleard P. Lipscomb	2- 4-64	B-153166
Prohibition against aid to countries selling, etc., to Cuba: Enforcement.	Rep. Melvin R. Laird	10-16-63	B-152075
General Accounting Office:			
Abatement of action pending Congressional action (88th, H.R. 7351).	H. Post Office and Civil Service.	12-16-63	B-141989 B-136459
Audits: Calendar year basis: Federal Home Loan Banks and Federal Savings and Loan Insurance Corporation (88th, H.R. 10705).	H. Government Operations	4-17-64	B-114827
Gifts: Commerce Department: Acceptance authority (88th, S. 2049).	S. Commerce	9-25-63	B-128527
Highways: Advance acquisition of rights of way	Rep. James C. Cleveland	9-11-63	B-151980
Housing:			
District of Columbia (88th, S. 628)	Rep. George Huddleston, Jr	4-28-64	B-53637
Housing and community development (88th, S. 2468).	S. Banking and Currency	3-12-64	B-119343
Housing and Neighborhood Rehabilitation Act (88th, S. 2566).	do	4-13-64	B-119343
Insured mortgages: Claim recourse for structural defects (88th, S. 1209, S. 2226).	do	10-17-63	B-152607
Mortgages: Multifamily (88th, H.R. 5018)	do	1-26-64	B-126941
Relocation payments (88th, S. 2232)	do	12-19-63	B-141002
Indians: Colville Tribe: Citizenship (88th, H.R. 4918).	H. Interior and Insular Affairs	7-29-63	B-145580
Interstate Commerce Commission:			
Carriers: Interlocking directorates (88th, S. 2558).	S. Commerce	3-11-64	B-85745
Carriers of coal by pipeline: Eminent domain right (88th, S. 2066).	do	9-24-63	B-148497
Damage suits: Testimony by ICC personnel (88th, S. 2557).	do	3-11-64	B-139659
Delegation of authority (88th, S. 2554)	do	3-20-64	B-107445
Intermodal through transportation regulation (88th, S. 1062).	do	1- 9-64	B-101930
Motor carrier and freight forwarder regulation (88th, S. 2152, S. 2796).	do	11- 6-63	B-101930
	do	6-25-64	B-101930
Motor carriers: Regulation exemption (88th, S. 2553).	do	4-29-64	B-140217
Railroads: Loan guaranty program (88th, S. 1062).	do	1-24-64	B-101930
Kennedy Performing Arts Center: Donation availability for appropriation matching.	S. Appropriations	6-24-64	B-154459
Leases:			
Replacement of damaged equipment	Rep. Oliver P. Bolton	2- 6-64	B-153210
Termination: Propriety	Sen. Philip A. Hart	11- 7-63	B-146147
	Sen. Philip A. Hart	12-16-63	B-146147
	Sen. Philip A. Hart	2- 3-64	B-146147
Maritime:			
Construction reserve funds: Extension for deposits (88th, S. 1698).	S. Commerce	7-18-63	B-110344
Guam Trade (88th, H.R. 7028)	H. Merchant Marine and Fisheries.	6- 8-64	B-154803
Nuclear powered merchant ships (88th, S. 2705)	S. Commerce	6-12-64	B-124032
Subsidies: Construction-differential (88th, H.R. 6813, S. 1773, H.R. 7384, S. 1172).	H. Merchant Marine and Fisheries.	7- 9-63	B-115403
	S. Commerce	7-30-63	B-138589
	H. Merchant Marine and Fisheries.	8- 7-63	B-138589
	do	10-25-63	B-115403
Terminal facilities: Civil penalty removal (88th, S. 2317).	do	1- 2-64	B-97278
United States flag vessels: Cargo preference (88th, H.R. 8315).	do	10-17-63	B-95832
Vessel construction:			
Fishing vessels (88th, S. 1096)	do	10-23-63	B-127124
Inequity (88th, H.R. 7385)	do	7-30-63	B-138589
Reimbursement (88th, H.R. 82)	S. Commerce	8-22-63	B-127703
War risk insurance: Limitation removal (88th, H.R. 6814).	H. Merchant Marine and Fisheries.	7- 9-63	B-83676
Mental Illness: Research center construction (88th, H.R. 7033).	H. Interstate and Foreign Commerce.	7-10-63	B-74251
Military Academy: Teachers: Free quarters	Sen. Jacob K. Javits	9-30-63	B-140003
National Aeronautics and Space Admiaistration: Inspector of programs (88th, H.R. 7700).	H. Science & Astronautics	9-30-63	B-152280
National Bureau of Standards: Organic act amendment (H.R. 8838).	S. Commerce	4-13-64	B-8742

Subject	To	Date	Reference No.
National Guard: Employee status	Rep. Robert W. Kastenmeier	9- 9-63	B-20748
Panama Canal Company: Lease of piers	H. Merchant Marine and Fisheries.	7-19-63	B-120359 B-124794
Parking Fines: Liability	Rep. James D. Weaver	10-30-63	B-151788
Patents:			
Infringement	Rep. Wm. S. Mailliard	3-12-64	B-136916
Use by Government:			
Complaint investigation	Sen. Hubert H. Humphrey	5- 1-64	B-152773
Interpretation of 28 U.S.C. 1498	Rep. Neal O. Smith	11-29-63	B-136916
Small business	Rep. Charles L. Weltner	3-10-64	B-136916
Postal Service Employees:			
Compensation:			
Longevity increase: Erroneous payment (88th, H.R. 4758).	H. Judiciary	3-26-64	B-153597
Overpayment (88th, H.R. 10242)	do	4-22-64	B-153702
	do	5-18-64	B-153990
Rate	Sen. Edward M. Kennedy	9- 4-63	B-152299
Rate propriety	Sen. Edward M. Kennedy	10-21-63	B-152299
Seniority credit	Rep. Herman Toll	3- 4-64	B-153594
Compensatory time	Rep. Edna F. Kelly	12-30-63	B-153073
Leave:			
Day of mourning	Sen. Kenneth B. Keating	5-18-64	B-154077
Forfeiture due to administrative error	Rep. John Lesinski	11- 5-63	B-152513
Reemployed annuitant	Rep. Clark W. Thompson	6-12-64	B-154196
Life insurance: Deduction failure	Rep. Paul F. Schenck	4- 2-64	B-153652
Loss of probational appointment due to military service (88th, H.R. 10032).	H. Judiciary	4-20-64	B-153627
Post Office Department: Leases: Long term authority (88th, H.R. 9653).	H. Post Office and Civil Service.	3- 3-64	B-153129
Pribilof Islands: Administration (88th, S. 2169)	S. Commerce	11- 7-63	B-152576
Procurement:			
Commercial supplier utilization (88th, H.R. 8352, H.R. 10613, S. 2268, S. 2254, H.R. 10745).	H. Government Operations	11- 5-63	B-18980
	do	4- 2-64	B-18980
	S. Government Operations	12-30-63	B-18980
	do	1-17-64	B-18980
	H. Government Operations	5-28-64	B-18980
Uniform practices (88th, S. 1900)	S. Government Operations	9-18-63	B-39995
Property, Private: Damages: Engineer Corps projects.	Rep. Edward J. Gurney	9-30-63	B-152455
Public Buildings: Construction: Mechanical specialty work contracts.	H. Public Works	9-26-63	B-103967
Public Health Service: Hospital and medical facility authority (88th, H.R. 10041, S. 2531).	H. Interstate and Foreign Commerce. S. Labor and Public Welfare	3-16-64 4-13-64	B-143181 B-143181
Public Lands, Property, etc.:			
Acquisition: Just compensation (88th, H.R. 9998, H.R. 9999).	H. Public Works	5-11-64	B-141002
	do	5-12-64	B-141002
Conveyances:			
California (88th, S. 2442)	S. Commerce	3- 6-64	B-153329
Texas, Grand Prairie (88th, S. 2262, H.R. 8462).	do	11-12-63	B-151195
	do	12-16-63	B-151195
Exchanges (88th, H.R. 5862)	H. Interior and Insular Affairs.	12-20-63	B-151061
Surplus:			
Donee eligibility	Sen. James O. Eastland	6-12-64	B-153771
Exchange limitation (88th, S. 2096)	S. Government Operations	10-30-63	B-101646
Transfer, etc., administration (88th, H.R. 7774).	H. Government Operations	8- 7-63	B-151313
Railroads: Loan guaranty program (88th, H.R. 8897).	H. Interstate and Foreign Commerce.	12- 2-63	B-104930
Reclamation Projects: Rogue River Basin (88th, S. 1536).	S. Interior and Insular Affairs.	12-16-63	B-148330
Renegotiation Act: Preemptive effect (88th, H.R. 9082, H.R. 9395).	H. Ways and Means	4- 3-64	B-102963
Rural Electrification Administration:			
Loans:			
Propriety	Rep. Robert H. Michel	7-12-63	B-151295
Southwestern Power purchase	S. Appropriations	8-20-63	B-152146
St. Lawrence Seaway Development Corporation (88th, S. 2641).	S. Commerce	4-17-64	B-104930
Sales:			
Cancellation: Antitrust law clearance	Sen. Carl Hayden	2-13-64	B-141851
Liability relief (88th, H.R. 6468)	H. Judiciary	7-16-63	B-150537
Negotiated: Public land to be used for building to be leased to Government.	H. Government Operations	11- 6-63	B-152223
Price determination	Rep. Porter Hardy, Jr.	10-21-63	B-150163
Quantity variance: Losses (88th, H.R. 9029)	H. Judiciary	11-22-63	B-148626
Storage charge propriety	Sen. Thomas H. Kuchel	1-10-64	B-153100
Withdrawal: Prior to full payment: Liability	Sen. Carl Hayden	11-27-63	B-141851

REPORTS ON CONGRESSIONAL INQUIRIES—Continued

Subject	To	Date	Reference No.
States:			
Assistance: Abandonment of Federal activities (88th, S. 2398).	S. Commerce	1-30-64	B-126652
Federal aid, etc.: Congressional review (88th, H.R. 7159, 7160, 6176, 7289 and S. 2144).	H. Government Operations	7-31-63	B-146285
	S. Government Operations	9-24-63	B-146285
Payments in lieu of taxes on former RFC property (88th, H.R. 9061 and S. 2586).	H. Government Operations	2-25-64	B-115761
	S. Government Operations	3-17-64	B-115761
Payments in lieu of taxes on property in Hancock, Mass. (88th, H.R. 6815).	H. Judiciary	5-21-64	B-153941
Stockpiling: Cadmium disposition	Sen. Kenneth B. Keating	7-16-63	B-151663
Timber Sales: Additional compensation entitlement.	Sen. Warren G. Magnuson	3-30-64	B-153297
Transportation:			
Exclusive use of vehicle	Sen. John G. Tower	1-14-64	B-142312
Overcharge recovery (88th, H.R. 8840)	H. Judiciary	12-4-63	B-131643
	Sen. George A. Smathers	6-5-64	B-150208 B-153093
Privately owned autos of employees: Use of Alaska ferry system.	Sen. Ernest Gruening	9-20-63	B-151990
Rates: Minimum rate determination	Rep. Albert Thomas	7-8-63	B-138161 B-142619
Travel Agencies: Use by Government	Rep. Donald G. Brotzman	12-31-63	B-149811
United States Information Agency: Contracts: Propriety	Rep. Glenard P. Lipscomb	11-8-63	B-89294
Vending Stands: Operation in public buildings	Rep. Richard S. Schweiker	2-24-64	B-112810
Vessels: Construction, repair: U.S. products (88th, H.R. 5196)	H. Armed Services	12-30-63	B-125190
Veterans:			
Hospitalization: Cost liability	Rep. James H. Quillen	4-24-64	B-153837
Loans: Default	Rep. Albert Thomas	5-4-64	B-153726
Veterans Administration:			
Memorial certificate program	Rep. Bob Dole	6-19-64	B-152182
Transfer: Applicability of Interstate Commerce Commission regulations.	Sen. Peter H. Dominick	7-19-63	B-151627
Virgin Islands Corporation: Electric power facilities sale.	S. Interior and Insular Affairs	11-20-63	B-58303
	Rep. Jack Westland	11-20-63	B-58303
Vouchers: Statistical sampling (88th, S. 2650 and H.R. 10461).	S. Government Operations	5-1-64	B-150512
	H. Government Operations	5-1-64	B-150512
Water Pollution Control:			
Amendments (88th, S. 7563 and H.R. 7660)	H. Public Works	7-30-63	B-135945
Coal mine sealing (88th, H.R. 6844)	do	7-9-63	B-135945
Water Resource Projects: Discount interest rates (88th, S. Res. 165).	S. Interior and Insular Affairs	8-6-63	B-132321
Wildlife: Revenue disposition (88th, S. 2498)	S. Commerce	2-20-64	B-146254

TRANSPORTATION AUDIT AND CLAIMS ADJUDICATION

BILLS OF LADING AND TRANSPORTATION REQUESTS EXAMINED DURING THE FISCAL YEAR 1964

	Number	Amount paid	Notices of overcharge issued	
			Number	Amount
Audit:				
Bills of lading	4,828,273	$897,670,631	61,563	$9,838,931
Transportation requests	2,481,561	434,880,289	11,688	1,523,248
Totals	7,309,834	1,332,550,920	73,251	11,362,179

TRANSPORTATION CLAIMS RECEIVED AND SETTLED DURING THE FISCAL YEAR 1964

Class of claims	On hand July 1, 1963	Received	Settled			On hand June 30, 1964
			Number of claims	Amount claimed	Amount allowed	
Freight	9,562	24,567	21,155	$13,058,270	$9,142,641	12,974
Passenger	999	1,505	1,518	6,075,238	5,842,636	986
Totals	10,561	26,072	22,673	19,133,508	[1] 14,985,277	13,960

[1] Includes allowance of $6,979,328 for Military Air Transport movements audited before payment.

REAUDIT OF WORLD WAR II FREIGHT PAYMENTS

(January 1, 1943 to September 30, 1946)

Fiscal year	Payments audited		Overcharges stated		Collections
	Bills of lading	Amount	Number	Amount	
1948–49	673,524	$88,472,153	18,910	$4,348,750	$2,448,413
1950	1,796,301	229,363,909	29,266	11,100,110	6,601,679
1951	4,915,711	654,456,254	56,030	19,120,498	14,256,660
1952	6,044,474	825,828,272	72,536	24,007,617	22,253,456
1953	6,544,911	739,106,884	54,188	17,585,785	21,547,705
1954	6,463,567	594,806,646	75,491	20,965,190	18,648,042
1955	5,730,558	517,264,134	54,697	19,503,936	18,146,479
1956	4,720,559	1,049,161,292	62,443	44,841,259	31,632,457
1957	1,844,755	589,730,837	55,497	21,508,802	29,031,893
1958	1,101,136	423,329,623	31,161	16,784,121	22,016,142
1959	641,952	220,230,407	19,799	10,533,685	13,815,998
1960	924,702	267,199,166	25,959	12,914,048	7,929,491
1961	934,234	265,367,732	22,339	12,621,019	15,058,875
1962 [1]	271,574	85,160,587	30,633	21,445,718	21,428,257
1963					4,686,720
1964					542,382
Totals	42,608,708	6,540,478,056	608,879	257,283,538	249,444,652
Adjustments and revisions made to reduce amounts of overpayments stated, net				7,606,573	
Balance remaining to be collected from carriers at June 30, 1964					232,313
Total overpayments asserted				249,676,965	249,676,965

[1] Audit completed December 29, 1961.

TRANSPORTATION AUDIT AND COLLECTIONS FISCAL YEARS 1950–64

Fiscal year	Bills of lading and transportation requests audited	Amount paid	Notices of overcharge issued		Total collections[1]
			Number	Amount	
1950	4,865,346	$555,575,818	69,561	$16,108,865	$19,535,714
1951	12,822,193	1,337,011,497	121,412	28,152,778	27,522,248
1952	19,089,671	1,925,654,785	170,262	39,916,160	36,753,273
1953	18,163,003	1,915,654,935	148,561	36,477,526	37,625,824
1954	16,837,202	1,750,627,922	170,607	43,636,036	40,755,453
1955	15,919,289	1,848,620,965	163,271	45,394,766	38,512,444
1956	10,788,739	2,063,099,756	129,863	66,409,991	52,097,027
1957	11,605,821	2,240,435,771	117,224	38,700,921	47,654,842
1958	10,628,433	1,783,881,381	99,388	33,896,835	40,162,361
1959	10,829,724	2,001,198,613	84,515	26,307,785	29,535,058
1960	8,912,516	1,826,979,297	88,880	25,814,160	21,514,880
1961	6,981,818	1,289,995,011	63,630	21,110,735	24,660,443
1962	6,740,370	1,185,691,946	78,003	29,392,962	28,159,888
1963	7,114,879	1,320,208,498	77,833	13,146,393	15,959,913
1964	7,309,834	1,332,550,920	73,251	11,362,179	10,499,464
Total	168,611,928	24,376,593,815	1,655,961	475,822,125	470,388,832

[1] Includes amounts collected in our adjudication of claims reported by other Government agencies.

TRANSPORTATION CLAIMS SETTLED DURING FISCAL YEARS 1950–64

Fiscal year	Number of claims	Amount claimed	Amount allowed
1950	121,446	$28,760,206	$7,425,857
1951	93,056	21,194,825	10,025,351
1952	74,447	20,263,145	8,187,232
1953	73,600	18,491,594	6,961,271
1954	56,568	16,918,810	5,665,574
1955	55,343	17,120,241	5,914,005
1956	58,463	22,388,397	11,516,436
1957	45,763	17,725,691	8,331,391
1958	29,685	12,228,687	5,744,506
1959	27,102	11,601,630	5,346,383
1960	28,539	11,599,018	5,020,537
1961	29,859	10,106,150	5,349,093
1962	26,635	11,149,021	6,695,863
1963	35,237	13,013,912	6,774,930
1964	22,673	19,133,508	[1] 14,985,277
Total	777,836	254,694,671	113,343,709

[1] Includes allowance of $6,979,328 for Military Air Transport movements audited before payment.

GENERAL CLAIMS AND INDIAN CLAIMS

GENERAL CLAIMS SETTLED DURING THE FISCAL YEAR 1964

Class of claims	On hand July 1, 1963	Received	Settled	On hand June 30, 1964
Claims against the United States	674	7,388	7,450	612
Claims by the United States	37,234	40,952	43,267	34,919
Total general claims	37,908	48,340	50,717	35,531

REPORTS ON INDIAN CLAIMS

Reports on petitions which during the fiscal year ended June 30, 1964, were completed and transmitted to the Department of Justice for use in Indian tribal suits before the Indian Claims Commission pursuant to the act of August 13, 1946, 60 Stat. 1049.

Tribal claimant	Docket No.	Date filed	Amount claimed (principal)	Date forwarded to Department of Justice
Colville	224	8- 8-51	(1)	7-17-63
Seneca	312-A	3- 1-57	(1)	7-24-63
Seneca	368-A	3- 1-57	$97,214	7-24-63
Kiowa, Comanche and Apache	258	8- 9-51	(1)	7-31-63
Six Nations, et al	89	1-18-51	(1)	9-12-63
Seneca	312-C	11-17-53	(1)	9-12-63
Seneca	342-D	11-17-58	(1)	9-12-63
Seneca	368	8-13-51	5,987,061	9-12-63
Chippewa	13	10-16-47	(1)	9-26-63
Chippewa	18	1-12-48	(1)	9-26-63
Mission Indians (Calif.)	80-C	1-20-60	(1)	10-21-63
Chippewa	18-R	7-12-63	(1)	11-14-63
Colville	186	8- 1-51	(1)	11-14-63
Gila River Pima-Maricopa	236-A	11- 2-60	$85,000	12-20-63
Gila River Pima-Maricopa	236-B	9-22-61	(1)	12-20-63
Chippewa Cree	221-A	6- 2-58	(1)	2- 4-64
Blackfeet	279-B	5-16-57	225,000	2-26-64
Creek	280	8- 9-51	10,771,200	3-18-64
Chippewa Cree	221-C	6- 2-58	(1)	3-23-64
Chippewa Cree	221-B	6- 2-58	(1)	3-24-64
Delaware	72	8- 7-50	(1)	4-30-64
Delaware	298	8-10-51	(1)	4-30-64
Creek	272	8- 9-51	(1)	5-28-64
Iowa [2]	79	8- 7-51	(1)	6-12-64
Iowa	339	8-11-51	(1)	6-12-64
Spokane	331	8-10-51	(1)	6-17-64

[1] Not stated.
[2] Amended petition.

SUMMARY OF GENERAL ACCOUNTING OFFICE RECORDS HOLDINGS, FISCAL YEAR 1964

Volume of records (cubic feet)	Departmental	Field	GAO records center	Federal records center	Total
On hand, July 1, 1963	112,307	11,581	229,317	530,350	883,555
Created or received, fiscal year 1964	18,889	1,614	14,800	54,509	89,003
Disposed of, fiscal year 1964	(13,881)	(2,022)	(22,594)	(91,524)	(130,021)
Transfers to GAO Records Center	(14,800)				(14,800)
Transfers to Federal Records Center	(962)	(1,264)			(2,226)
Transfers from departmental to field	(1,243)				(1,243)
Transfers from field to departmental		(799)			(799)
On hand, June 30, 1964	99,501	9,110	221,523	493,335	823,469

	Number of reference services during fiscal year 1964	Amount of space occupied by records June 30, 1964 (square feet)	Volume of records disposed of during fiscal year 1964 (pounds)	Amount received through the sale of records
GAO Records Center, Cameron Station, Virginia	265,411	81,025	699,480	$7,504

NEW OR REVISED INSTRUCTIONS ISSUED FOR THE GENERAL ACCOUNTING OFFICE POLICY AND PROCEDURES MANUAL FOR GUIDANCE OF FEDERAL AGENCIES

Codification	*Date of issue*	*Subject*
4 GAO 2540	12- 1-63	Designation of beneficiary—civilian officers and employees.
4 GAO 3010	12- 1-63	Designation of beneficiary—members of the Armed Forces and the National Guard.
4 GAO 5060	2- 1-64	Disposition of collections made by the General Accounting Office on debts reported as administratively uncollectible.
4 GAO 5020 4 GAO 6040 4 GAO 7060	2- 1-64	Reporting doubtful debt claims to the General Accounting Office for adjudication.
5 GAO 3075	9-20-63	Payment of transportation charges on shipments of household goods or mobile dwellings stored in transit.
5 GAO 3000	3-20-64	Revision of "Condition 9" on reverse of U.S. Government bill of lading forms.
6 GAO 1000 6 GAO 8000 6 GAO 9000	9-16-63	Revision of Standard Form 1126, payroll change slip, with the addition of a "utility copy," SF 1126c.
6 GAO 5060	10- 1-63	Serving of notices of levy for delinquent taxes on the accrued salary or wages of any officer, employee, or elected official of the United States or the District of Columbia.
6 GAO 5080	10- 1-63	Processing U.S. savings bonds transactions.
6 GAO 1000 6 GAO 5000	11- 1-63	Prescribing Standard Forms 1187 and 1188 for use in the authorization and the revocation of payroll deductions for payment of employee organization dues.
6 GAO 8530	12- 1-63	Effective period of a designation of beneficiary—civilian officers and employees.
7 GAO 6600	11-15-63	Reporting transactions in checking accounts maintained with designated depositaries.
7 GAO 5000	4-15-64	Information to be shown on basic disbursement vouchers and on voucher and schedule of payments forms.
7 GAO 5300	4-15-64	Advance of cash funds for travel expenses.
7 GAO 5500	4-15-64	Payments for communication services.
7 GAO 6200	4-15-64	Adjustment of check issue errors.
7 GAO 6600	4-15-64	Procedures in connection with checks drawn on designated depositaries reported as not received or as lost, stolen, or destroyed.
Title 9 Appendix A	9-16-63 3-31-64	New and revised standard accounting forms.

SELECTED PROVISIONS OF MAJOR STATUTES ASSIGNING AUTHORITY AND RESPONSIBILITY TO THE COMPTROLLER GENERAL AND THE GENERAL ACCOUNTING OFFICE

Budget and Accounting Act, 1921

SEC. 304. "The balances certified by the Comptroller General shall be final and conclusive upon the executive branch of the Government" (42 Stat. 24; 31 U.S.C. 44).

SEC. 305. "All claims and demands whatever by the Government of the United

States or against it, and all accounts whatever in which the Government of the United States is concerned, either as debtor or creditor, shall be settled and adjusted in the General Accounting Office" (42 Stat. 24; 31 U.S.C. 71).

SEC. 312. "(a) The Comptroller General shall investigate at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President when requested by him, and to Congress at the beginning of each regular session, a report in writing of the work of the General Accounting Office, containing recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular report, or in special reports at any time when Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures.

"(b) He shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request.

"(c) The Comptroller General shall specially report to Congress every expenditure or contract made by any department or establishment in any year in violation of law.

"(d) He shall submit to Congress reports upon the adequacy and effectiveness of the administrative examination of accounts and claims in the respective departments and establishments and upon the adequacy and effectiveness of departmental inspection of the offices and accounts of fiscal officers.

"(e) He shall furnish such information relating to expenditures and accounting to the Bureau of the Budget as it may request from time to time" (42 Stat. 25; 31 U.S.C. 53).

SEC. 313. "All departments and establishments shall furnish to the Comptroller General such information regarding the powers, duties, activities, organization, financial transactions, and methods of business of their respective offices as he may from time to time require of them; and the Comptroller General, or any of his assistants or employees, when duly authorized by him, shall, for the purpose of securing such information, have access to and the right to examine any books, documents, papers, or records of any such department or establishment. The authority contained in this section shall not be applicable to expenditures made under the provisions of section 107 of this title" (42 Stat. 26; 31 U.S.C. 54).

Budget and Accounting Procedures Act of 1950

SEC. 112. "(a) The Comptroller General of the United States, after consulting the Secretary of the Treasury and the Director of the Bureau of the Budget concerning their accounting, financial reporting, and budgetary needs, and considering the needs of the other executive agencies, shall prescribe the principles, standards, and related requirements for accounting to be observed by each executive agency, including requirements for suitable integration between the accounting processes of each executive agency and the accounting of the Treasury Department. Requirements prescribed by the Comptroller General shall be designed to permit the executive agencies to carry out their responsibilities under section 66a of this title, while providing a basis for integrated accounting for the Government, full disclosure of the results of the financial operations of each executive agency and the Government as a whole, and financial information and control necessary to enable the Congress and the President to discharge their respective responsibilities. The Comptroller General shall continue to exercise the authority vested in him by section 486(b) of Title 40 and, to the extent he deems necessary, the authority vested in him by section 49 of this title. Any such exercise of authority shall be consistent with the provisions of this section.

"(b) The General Accounting Office shall cooperate with the executive agencies in the development of their accounting systems, including the Treasury Department, in the development and establishment of the system of central accounting and reporting required by section 66b of this title. Such accounting systems shall be approved by the Comptroller General when deemed by him to be adequate and in conformity with the principles, standards, and related requirements prescribed by him.

"(c) The General Accounting Office shall from time to time review the accounting systems of the executive agencies. The results of such reviews shall be available to the heads of the executive agencies concerned, to the Secretary of the Treasury, and to the Director of the Bureau of the Budget, and the Comptroller General shall make such reports thereon to the Congress as he deems proper" (64 Stat. 835; 31 U.S.C. 66).

SEC. 117. "(a) Except as otherwise specifically provided by law, the financial transactions of each executive, legislative, and judicial agency, including but not limited to the accounts of accountable officers, shall be audited by the General Accounting Office in accordance with such principles and procedures and under such rules and regulations as may be prescribed by the Comptroller General of the United States. In the determination of auditing procedures to be followed and the extent of examination of vouchers and other documents, the Comptroller General shall give due regard to generally accepted principles of auditing, including consideration of the effectiveness of accounting organizations and systems, internal audit and control and related administrative practices of the respective agencies.

"(b) Whenever the Comptroller General determines that the audit shall be conducted at the place or places where the accounts and other records of an executive agency are normally kept, he may require any executive agency to retain in whole or in part accounts of accountable officers, contracts, vouchers, and other documents, which are required under existing law to be submitted to the General Accounting Office, under such conditions and for such period not exceeding ten years as he may specify, unless a longer period is agreed upon with the executive agency: *Provided*, That under agreements between the Comptroller General and legislative and judicial agencies the provisions of this sentence may be extended to the accounts and records of such agencies" (64 Stat. 837; 31 U.S.C. 67).

Government Corporation Control Act (1945)

SEC. 105. "The financial transactions of wholly owned Government corporations shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States: *Provided*, That such rules and regulations may provide for the retention at the offices of such corporations, in whole or in part, of any accounts of accountable officers, covering corporate financial transactions, which are required by existing law to be settled and adjusted in the General Accounting Office, and for the settlement and adjustment of such accounts in whole or in part upon the basis of examinations in the course of the audit provided by this section but nothing in this proviso shall be construed as affecting the powers reserved to the Tennessee Valley Authority in section 831h(b) of Title 16. The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. The audit shall begin with the first fiscal year commencing after the enactment of this chapter" (59 Stat. 599; 31 U.S.C. 850).

SEC. 106. "A report of each such audit for each fiscal year ending on June 30 shall be made by the Comptroller General to the Congress not later than January 15 follow-

ing the close of the fiscal year for which such audit is made. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of the several corporations, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President, to the Secretary of the Treasury, and to the corporation concerned at the time submitted to the Congress" (59 Stat. 599; 31 U.S.C. 851).

Sections 202 and 203 (59 Stat. 600; 31 U.S.C. 857 and 858) contain similar provisions applicable to mixed-ownership Government corporations.

Legislative Reorganization Act of 1946

SEC. 206. "The Comptroller General is authorized and directed to make an expenditure analysis of each agency in the executive branch of the Government (including Government corporations), which, in the opinion of the Comptroller General, will enable Congress to determine whether public funds have been economically and efficiently administered and expended. Reports on such analyses shall be submitted by the Comptroller General, from time to time, to the Committees on Government Operations, to the Appropriations Committees, and to the legislative committees having jurisdiction over legislation relating to the operations of the respective agencies of the two Houses" (60 Stat. 837; 31 U.S.C. 60).

Federal Property and Administrative Services Act of 1949

SEC. 205(b). "The Comptroller General after considering the needs and requirements of the executive agencies shall prescribe principles and standards of accounting for property, cooperate with the Administrator and with the executive agencies in the development of property accounting systems, and approve such systems when deemed to be adequate and in conformity with prescribed principles and standards. From time to time the General Accounting Office shall examine such property accounting systems as are established by the executive agencies to determine the extent of compliance with prescribed principles and standards and approved systems, and the Comptroller General shall report to the Congress any failure to comply with such principles and standards or to adequately account for property" (63 Stat. 389; 40 U.S.C. 486(b)).

SEC. 206(c). "The General Accounting Office shall audit all types of property accounts and transactions at such times and in such manner as determined by the Comptroller General. Such audit shall be conducted as far as practicable at the place or places where the property or records of the executive agencies are kept and shall include but not necessarily be limited to an evaluation of the effectiveness of internal controls and audits and a general audit of the discharge of accountability for Government-owned or controlled property based upon generally accepted principles of auditing" (66 Stat. 593; 40 U.S.C. 487(c)).

Access to Records and Audit Provisions

(1) Department of the Interior and Related Agencies Appropriation Act, 1964, Public Law 88–79, approved July 26, 1963, 77 Stat. 96, provides with respect to audit of the Trust Territory of the Pacific Islands:

*** That all financial transactions of the Trust Territory, including such transactions of all agencies or instrumentalities established or utilized by such Trust Territory, shall be audited by the General Accounting Office in accordance with the provisions of the Budget and Accounting Act, 1921 (42 Stat. 23), as amended, and the Accounting and Auditing Act of 1950 (64 Stat. 834). (77 Stat. 102).

(2) Clean Air Act, Public Law 88–206, approved December 17, 1963, 77 Stat. 392, contains the following access to records provision with respect to recipients of grants:

SEC. 11(b). The Secretary of Health, Education, and Welfare and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examinations to any books, documents, papers, and records of the recipients that are pertinent to the grants received under this Act (77 Stat. 401).

(3) Foreign Aid and Related Agencies Appropriation Act, 1964, Public Law 88–258, approved January 6, 1964, 77 Stat. 857, continues in section 602 an access to records provision similar to that in previous appropriations, as follows:

SEC. 602. None of the funds herein appropriated shall be used for expenses of the Inspector General, Foreign Assistance, after the expiration of the thirty-five day period which begins on the date the General Accounting Office or any committee of the Congress, or any duly authorized subcommittee thereof, charged with considering foreign assistance legislation, appropriations, or expenditures, has delivered to the office of the Inspector General, Foreign Assistance, a written request that it be furnished any document, paper, communication, audit, review, finding, recommendation, report, or other material in the custody or control of the Inspector General, Foreign Assistance, relating to any review, inspection, or audit arranged for, directed, or conducted by him, unless and until there has been furnished to the General Accounting Office or to such committee or subcommittee, as the case may be, (A) the document, paper, communication, audit, review, finding, recommendation, report, or other material so requested or (B) a certification by the President, personally, that he has forbidden the furnishing thereof pursuant to such request and his reason for so doing (77 Stat. 865).

(4) The act of March 11, 1964, Public Law 88–280, 78 Stat. 158, amending the Federal Airport Act to extend the time for making grants thereunder contains the following access to records and audit provisions:

SEC. 21(b). The Administrator and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to the grants received under this Act (78 Stat. 162).

Accounting System Approval

(5) The Independent Offices Appropriation Act, 1964, Public Law 88-215, December 19, 1963, 77 Stat. 425, contains under the heading "General Services Administration, Administrative Operations Fund," the following proviso:

Provided, That costs and obligations for such administrative operations for the respective program activities shall be accounted for in accordance with systems approved by the General Accounting Office (77 Stat. 435).

Audit Exemption for Foreign Contracts

(6) Military Construction Authorization Act, 1964, Public Law 88-174, approved November 7, 1963, 77 Stat. 307, contains the same provision with respect to the exemption of foreign contracts from audit requirements as in previous authorization acts.

SEC. 604. Whenever—

(1) the President determines that compliance with section 2313(b) of title 10, United States Code, for contracts made under this Act for the establishment or development of military installations and facilities in foreign countries would interfere with the carrying out of this Act; and

(2) the Secretary of Defense and the Comptroller General have agreed upon alternative methods of adequately auditing those contracts; the President may exempt those contracts from the requirements of that section (77 Stat. 327).

DIRECTORY OF THE U.S. GENERAL ACCOUNTING OFFICE

Main Office	*Local telephone No.*	*FTS No.*
U.S. General Accounting Office Bldg. 441 G St. NW. Washington, D.C., 20548	EXecutive 3-4621.....	.....
International Operations Division		
EUROPEAN BRANCH		
c/o American Consulate General Platenstrasse 7 Frankfurt/Main, Germany	770-731, ext. 326 or 327.	.....
FAR EAST BRANCH		
Kikai Boeki Kaikan Bldg. No. 3—Tamachi 7— Chome, Akasaka, Minato-Ku Tokyo, Japan	481-7141, ext. 632.....	.....
Field Operations Division		
REGIONAL OFFICES		
Atlanta Room 204, 161 Peachtree St. NE. Atlanta, Ga., 30303	522-4121, ext. 4455.....	404-522-4455
Boston 1800 Custom House, State St. Boston, Mass., 02109	223-6536.....	617-223-6536
Chicago Room 1002, U.S. Custom House 610 South Canal St. Chicago, Ill., 60607	828-6176.....	312-828-6176
St. Paul Suboffice Room 1407, U.S. Post Office & Custom House St. Paul, Minn., 55101	222-8011, ext. 431.....	612-222-7431
Cincinnati 8112 Federal Office Bldg. 5th and Main Sts. Cincinnati, Ohio, 45202	381-2200, ext. 2107.....	513-684-2107
Army Audit Staff Fort Benjamin Harrison Indianapolis, Ind., 46249	546-9211, ext. 657.....	.....
Dallas Room 600, 251 North Field St. Dallas, Tex., 75202	RI-9-3437.....	214-749-3437

Field Operations Division—Continued

REGIONAL OFFICES—continued	*Local telephone No.*	*FTS No*
Denver		
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Denver, Colo., 80215		
Air Force Audit Staff		
3800 York St.	825-1161, ext. 411.....	.....
Denver, Colo., 80205		
Detroit		
Room 2006, Washington Boulevard Bldg.	226-6044.....	313-226-6044
234 State St.		
Detroit, Mich., 48226		
Cleveland Suboffice	621-7700, ext. 125.....	.....
1901 East 13th St.		
Cleveland, Ohio, 44114		
Navy Audit Staff	621-7700, ext. 24.....	.....
1901 East 13th St.		
Cleveland, Ohio, 44114		
Kansas City		
Room 2500, Federal Office Bldg.	BA-1-7600, ext. 2777..	816-221-2777
9th and Walnut Sts.		
Kansas City, Mo., 64106		
St. Louis Suboffice	MA-2-8100, ext. 4121..	314-622-4121
Room 1740, 1520 Market St.		
St. Louis, Mo., 63103		
Los Angeles		
Room 423, 1031 South Broadway	688-3813.....	213-688-3813
Los Angeles, Calif., 90015		
New Orleans		
Room T-8034, Federal Office Bldg.	527-6115.....	504-527-6115
701 Loyola Ave.		
New Orleans, La., 70113		
New York		
341 9th Ave.	PE-6-7700, ext. 501....	212-736-7501
New York, N.Y., 10001		
Norfolk		
423 Federal Bldg.	627-7471, ext. 7266.....	703-627-7266
600 Granby St.		
Norfolk, Va., 23510		
Philadelphia		
502 U.S. Customhouse	597-4333.....	215-597-4333
2d and Chestnut Sts.		
Philadelphia, Pa., 19106		

Field Operations Division—Continued

REGIONAL OFFICES—continued	*Local telephone No.*	*FTS No.*
San Francisco		
143 Federal Office Bldg. 50 Fulton St. San Francisco, Calif., 94102	556-6200	415-556-6200
Seattle		
312 Federal Office Bldg. 909 1st Ave. Seattle, Wash., 98104	MU-2-3360, ext. 736	206-682-4736
Portland Suboffice Room 208, U.S. Court House (Old) Portland, Oreg., 97204	CA-6-3361, ext. 478	503-226-1478

Claims Division

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Fort Benjamin Harrison Indianapolis, Ind., 46249	546-9211, ext. 2048	.....

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