



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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PROCUREMENT AND SYSTEMS
ACQUISITION DIVISION

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6-21-74



The Honorable
The Secretary of the Navy

Dear Mr. Secretary:

This letter summarizes the results of our survey of the Navy's ship construction surveillance activities at the Newport News Shipbuilding and Dry Dock Company, Newport News, Virginia. We made observations and analyses of the principal types of work performed by the resident Supervisor of Shipbuilding, Conversion, and Repair (SUPSHIP) organization, with particular emphasis on the surveillance functions. Although most of this work involved SUPSHIP-Newport News, we also did a limited amount of work at the Naval Ship Systems Command Headquarters, Washington, D. C., and at SUPSHIP-Groton, Connecticut.

Our survey work provided us with insight into the nature of the Navy's surveillance activities at a major private shipyard, the principal policies and procedures affecting these activities, some recent changes in the practices followed in accomplishing the mission, and the beneficial effects of the Navy's surveillance program. This information will be useful to us in planning and conducting future audit effort involving the Navy's contracting with private shipyards.

The current surveillance program, which was implemented by SUPSHIP-Newport News in May 1972, has many desirable features and, in our opinion, provides the Navy with a better means of discharging its surveillance responsibilities than the previous program. The current program emphasizes procedural reviews and evaluations, verification of contractor records and detailed documentation of physical inspections. In addition, increased emphasis is placed on audits of the various functional areas of the shipbuilder's quality assurance system to assess its effectiveness and to help in identifying areas in which the Navy's physical inspection of the shipbuilder's work should be focused. This approach should result in more efficient and effective use of the resources devoted by the Navy to its shipyard surveillance functions.

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We are sending copies of this letter to the Chairmen, House and Senate Committees on Appropriations, Armed Services, and Government Operations; the Director, Office of Management and Budget; Secretary of Defense; the Commander, Naval Ship Systems Command; and the Supervisor of Shipbuilding, Conversion and Repair, Newport News. A more detailed summary of the information developed in our survey has also been provided to the SUPSHIP-Newport News.

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We appreciate the cooperation extended to our staff during the course of the survey.

Sincerely yours,



R. W. Gutmann
Director