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REPORT TO THE CONGRESS

Audit Of Payments From
Special Bank Account
To Lockheed Aircraft Corporation
For The C-5A Aircraft Program
During The Quarter Ended
September 30, 1974

B-162578

Department of Defense

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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NOV. 19, 1974



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-162578

To the President of the Senate and the
Speaker of the House of Representatives

This is our 14th report on the audit of payments from the special bank account to the Lockheed Aircraft Corporation for the C-5A aircraft program. This report covers the quarter ended September 30, 1974.

The last remaining funds in the special bank account were expended on July 17, 1974. Therefore, we do not contemplate any further reporting on this matter.

We made our audit pursuant to section 504 of Public Laws 91-441 and 92-156, section 603 of Public Law 92-436, and section 802 of Public Law 93-155, the Armed Forces appropriation authorities for fiscal years 1971, 1972, 1973, and 1974, respectively. Public Law 91-441 authorized \$200 million interim funding for the C-5A aircraft program, Public Law 92-156 authorized \$325.1 million, Public Law 92-436 authorized \$107.6 million, and Public Law 93-155 authorized \$28.4 million.

Public Laws 91-441 and 92-156 provide that (1) the payments be made through a special bank account, (2) the funds be spent only for the reasonable and allocable direct and indirect costs incurred by Lockheed on the C-5A aircraft program, and (3) the funds not be used to reimburse Lockheed for intercompany profits, bid and proposal costs, independent research and development costs, similar unsponsored technical effort costs, and depreciation and amortization costs. Public Laws 92-436 and 93-155 contain the same restrictions and controls, except that up to \$4.4 million of the amount authorized under Public Law 92-436 and \$1.7 million of the amount authorized under Public Law 93-155 may be paid to Lockheed for reasonable and allocable depreciation and amortization costs. These laws require us to audit payments from the special bank account and to submit a report to the Congress not more than 30 days after the close of each quarter.

Since June 16, 1971, the Department of the Air Force has paid Lockheed \$657.5 million from the special bank account, the total appropriated amount. (See app.) The amounts deposited in and withdrawn from the special bank account during the quarter ended September 30, 1974, follow.

		Special bank <u>account</u>	Funds authorized by Public Law 93-155 (<u>note a</u>)
Balance, July 1, 1974		\$ 198,274	\$3,471,197
Deposits during the quarter		3,471,197	-
Withdrawals during the quarter		-	3,471,197
Labor	\$ 789,317		
Overhead	906,786		
Material and other charges	1,977,969		
Intercompany transactions		-	-
Changes	\$399	-	-
Credits	- 399	<u>3,669,471</u>	<u>-</u>
Balance at September 30, 1974		<u>\$ -</u>	<u>\$ -</u>

a/ All funds appropriated pursuant to the authorizations under Public Laws 91-441, 92-156, and 92-436 were expended as of the quarter ended June 30, 1974. The final payment from funds appropriated pursuant to the authorization under Public Law 93-155 was made on July 17, 1974. (See app.)

The amounts permitted to be paid to Lockheed for depreciation and amortization costs pursuant to Public Laws 92-436 and 93-155 were not exceeded. Lockheed was paid about \$2 million of the \$4.4 million authorized by Public Law 92-436 to cover depreciation and amortization. Lockheed also received about \$391,000 of the \$1.7 million permitted by Public Law 93-155 for these costs.

SCOPE OF AUDIT

We made our audit at the Lockheed-Georgia Company, Marietta, Georgia. Our review of labor costs included tests to determine whether these costs appeared reasonable and allocable to the C-5A aircraft program. In our review of overhead costs, we examined the reasonableness of provisional overhead rates and costs eliminated to comply with Public Laws 91-441, 92-156, 92-436, and 93-155.

To determine the accuracy and propriety of material and other costs, we traced selected charges on the reimbursement vouchers to such documents as purchase orders, vendors' invoices, receiving reports, and work orders. We verified that no intercompany profit was paid from the special bank account.

We reviewed the Defense Contract Audit Agency audit of payments from the special bank account for labor, overhead, and material and other costs.

CONCLUSIONS

Our review revealed no payments from the special bank account to Lockheed-Georgia during the quarter ended September 30, 1974, that were contrary to Public Laws 91-441, 92-156, 92-436, and 93-155.

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We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Defense; and the Secretary of the Air Force.



Comptroller General
of the United States

APPENDIX

TOTAL AMOUNTS DEPOSITED IN AND WITHDRAWN FROM
 THE SPECIAL BANK ACCOUNT
 DURING THE PERIOD JUNE 16, 1971, to SEPTEMBER 30, 1974

	Special bank account	Funds authorized by Public Laws			
		91-441	92-156 (note a)	92-436	93-155
BEGINNING BALANCE		\$200,000,000	\$321,500,000	\$107,600,000	\$28,400,000
DEPOSITS	\$657,500,000				
WITHDRAWALS		^b 200,000,000	^c 321,500,000	^d 107,600,000	^e 28,400,000
Labor	\$142,841,769				
Overhead	200,400,461				
Material and other charges	307,786,719				
Intercompany transactions:					
Charges	\$21,530,044				
Credits	15,058,993	6,471,051	657,500,000		
BALANCE AT SEPTEMBER 30, 1974	\$ -	\$ -	\$ -	\$ -	\$ -

^aPublic Law 92-156 authorized \$325.1 million; however, Public Law 92-204 appropriated only \$321.5 million which is \$3.6 million less than authorized.

^bInitial payment from this fund was on June 16, 1971, and final payment was on September 6, 1973.

^cInitial payment from this fund was on December 1, 1971, and final payment was on September 6, 1973.

^dInitial payment from this fund was on March 7, 1973, and final payment was on March 13, 1974.

^eInitial payment from this fund was on March 13, 1974, and final payment was made on July 17, 1974.

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