



094235

*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  
March 31, 1974 B-162578

Department of Defense

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

~~710674~~  
094235

MAY 20, 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 12th 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 March 31, 1974.

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 Lockheed incurred 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 \$634,148,554 from the special bank account against the total appropriated amount of \$657.5 million. (See appendix.) The amounts deposited in and withdrawn from the special bank account during the quarter ended March 31, 1974, follow.

B-162578

	Special bank <u>account</u>	Funds authorized by Public Laws (note a)	
		<u>92-436</u>	<u>93-155</u>
Balance, January 1, 1974	\$ 168,153	\$17,912,251	\$28,400,000
Deposits during the quarter	23,063,038		
Withdrawals during the quarter		17,912,251	5,150,787
Labor	\$5,661,410		
Overhead	8,661,888		
Material and other charges	8,651,249		
Intercompany transactions:			
Charges \$155,158			
Credits	<u>747</u>	<u>154,411</u>	<u>23,128,958</u>
Balance at March 31, 1974	\$ 102,233	\$ -	\$23,249,213

a/All funds appropriated pursuant to the authorization under Public Laws 91-441 and 92-156 had been spent by the end of the quarter ended Sept. 30, 1973.

As previously stated, \$4.4 million of the amount authorized under Public Law 92-436 could be paid to Lockheed for reasonable and allocable depreciation and amortization costs. Through March 31, 1974, the Air Force had paid Lockheed about \$2 million for depreciation and amortization costs from funds authorized by this law. All funds appropriated pursuant to the amount authorized under Public Law 92-436 have now been spent and no further payments for depreciation can be made from this portion of the funds.

The first payment from funds Public Law 93-155 authorized was made on March 13, 1974. Through March 31, 1974, the Air Force had paid Lockheed about \$70,000 of the \$1.7 million permitted for depreciation and amortization costs from the funds Public Law 93-155 authorized.

#### 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 reviewed 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.

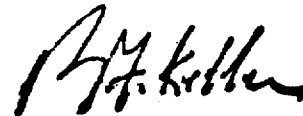
We reviewed the Defense Contract Audit Agency audit of payments from the special bank account for labor, overhead, and material and other costs.

CONCLUSIONS

Our review revealed no payments from the special bank account to Lockheed-Georgia during the quarter ended March 31, 1974, that were contrary to Public Laws 91-441, 92-156, 92-436, and 93-155.

- - - -

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.



Acting Comptroller General  
of the United States

TOTAL AMOUNTS DEPOSITED IN AND WITHDRAWN FROM  
THE SPECIAL BANK ACCOUNT

JUNE 16, 1971 TO MARCH 31, 1974

	Special bank account	Funds authorized by Public Laws			
		91-441	92-156 (note a)	92-436	93-155
BEGINNING BALANCE					
DEPOSITS	\$634,250,787	\$200,000,000	\$321,500,000	\$107,600,000	\$28,400,000
WITHDRAWALS:		b200,000,000	c321,500,000	d107,600,000	e5,150,787
Labor	\$136,567,824				
Overhead	191,830,736				
Material and other charges	299,374,325				
Intercompany trans- actions:					
Charges	\$21,434,506				
Credits	15,058,837	6,375,669	634,148,554		
BALANCE AT MARCH 31, 1974		\$ 102,233	\$ -	\$ -	\$23,249,213

<sup>a</sup>Public 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.

<sup>b</sup>Initial payment from this fund was on June 16, 1971, and final payment was on Sept. 6, 1973.

<sup>c</sup>Initial payment from this fund was on Dec. 1, 1971, and final payment was on Sept. 6, 1973.

<sup>d</sup>Initial payment from this fund was on Mar. 7, 1973, and final payment was on Mar. 13, 1974.

<sup>e</sup>Initial payment from this fund was on Mar. 13, 1974.

Copies of this report are available at a cost of \$1 from the U.S. General Accounting Office, Room 4522, 441 G Street, N.W., Washington, D.C. 20548. Orders should be accompanied by a check or money order. Please do not send cash.

When ordering a GAO report please use the B-Number, Date and Title, if available, to expedite filling your order.

Copies of GAO reports are provided without charge to Members of Congress, congressional committee staff members, Government officials, news media, college libraries, faculty members and students.

AN EQUAL OPPORTUNITY EMPLOYER

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

OFFICIAL BUSINESS  
PENALTY FOR PRIVATE USE, \$300

POSTAGE AND FEES PAID  
U. S. GENERAL ACCOUNTING OFFICE



THIRD CLASS

Mr. T. E. Sullivan  
Transportation  
Room 3033

