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REPORT TO THE CONGRESS

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**Audit Of Payments From
Special Bank Account
To Lockheed Aircraft Corporation
For The C-5A Aircraft Program
During The Quarter Ended
September 30, 1973**

B-162578

Department of Defense

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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DEC. 3 1973



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

B-162578

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

This is our 10th 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, 1973. 6/10/74

We made our audit pursuant to section 504 of Public Laws 91-441 and 92-156 and section 603 of Public Law 92-436, the Armed Forces appropriation authorities for fiscal years 1971, 1972, and 1973, respectively. Public Law 91-441 authorized \$200 million interim funding for the C-5A aircraft program; Public Law 92-156 authorized \$325.1 million; and Public Law 92-436 authorized \$107.6 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 Law 92-436 contains the same restrictions and controls, except that up to \$4.4 million of the amount authorized under this law may be spent for reasonable and allocable depreciation and amortization costs. These laws require GAO 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 \$590,223,033 from the special bank account. (See appendix.) The amounts deposited in and withdrawn from the special bank account during the quarter ended September 30, 1973, follow.

	Special bank account	Funds authorized by Public Laws		
		<u>91-441</u>	<u>92-156</u>	<u>92-436</u>
Beginning balance at July 1, 1973	\$ 533,600	\$33,155	\$182,021	\$62,715,281
Deposits	24,167,814			
Withdrawals		33,155	182,021	23,952,638
Labor	\$6,500,218			
Overhead	8,097,050			
Material and other charges	9,672,802			
Intercompany transactions:				
Charges	\$319,294			
Credits	<u>2,274</u>	<u>317,020</u>	<u>24,587,090</u>	<u> </u>
Balance at September 30, 1973	\$ <u>114,324</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>38,762,643</u>

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 into the reasonableness of provisional overhead rates and costs eliminated to comply with Public Laws 91-441, 92-156, and 92-436.

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, 1973, that were contrary to Public Laws 91-441, 92-156, and 92-436.

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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.

A handwritten signature in cursive script that reads "James B. Stacks". The signature is written in black ink and is positioned above the printed name and title.

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, 1973

	Special bank account	Funds authorized by Public Laws		
		91-441	92-156 (note a)	92-436
BEGINNING BALANCE		\$200,000,000	\$321,500,000	\$107,600,000
DEPOSITS	\$590,337,357			
WITHDRAWALS		^b 200,000,000	^c 321,500,000	^d 68,837,357
Labor	\$125,290,912			
Overhead	176,237,644			
Material and other charges	282,554,866			
Intercompany transactions:				
Charges	\$21,197,227			
Credits	<u>15,057,616</u>			
	6,139,611	590,223,033	-	-
BALANCE AS OF SEPTEMBER 30, 1973	\$ <u>114,324</u>	\$ -	\$ -	\$ <u>38,762,643</u>

^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.

^cInitial payment from this fund was on December 1, 1971.

^dInitial payment from this fund was on March 7, 1973.

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