



# COMPTROLLER GENERAL OF THE UNITED STATES

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*Annual Report of the*

**COMPTROLLER GENERAL**

**of the**

**UNITED STATES**

*For the Fiscal Year Ended June 30, 1968*



**WASHINGTON : 1968**

**U.S. GOVERNMENT PRINTING OFFICE**  
WASHINGTON : 1968

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

January 3, 1969

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, 1968.

A handwritten signature in cursive script, reading "James B. Stewart".

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–July 31, 1965
Elmer B. Staats	March 8, 1966–

*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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#### PHOTOGRAPHY CREDITS

The GAO Watchdog. pp. 2. 228; Norman Matheny. p. 14; VA Center. Philadelphia. p. 44; National Aeronautics and Space Administration. p. 115; Brown and Root. Inc., p. 119; Department of Defense. p. 142; U.S. Army. p. 153; JUSPAO/OTS, Saigon, Vietnam. p. 172; Agency for International Development. pp. 181. 194; GAO Staff. 62. 178. 183.

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## Chapter One

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1.3



# Highlights of Activities *for the Year*

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## ***Audit Reports Issued***

As a result of its audit work in the departments, agencies, commissions, and corporations of the Federal Government in Washington, throughout the United States, and in Western Europe, Africa, Latin America, and the Near and Far East, the General Accounting Office during fiscal year 1968 issued 1,153 reports—

157 to the Congress;

231 to congressional committees, officers of the Congress, or individual Members;

765 to officials of departments and agencies.

These covered virtually every activity of the Government. As examples—

### ***In the International Area, GAO***

Issued a comprehensive report to the Congress on the U.S. Commercial Import Program in Vietnam, a program with obligations totaling \$397 million in fiscal year 1966.

Reported that the United States lost about \$2.2 billion in its balance-of-payments deficit through devaluation and other changes in the value of foreign currencies and outlined areas in Government operations where balance-of-payments advantages may be possible.

Reviewed U.S. economic development programs in Colombia and India, reporting a need for better planning and supervision; and issued

a report on overall U.S. economic assistance to Chile, providing a broader perspective of U.S. foreign assistance as it relates to this country than has been available heretofore.

*In Department of Defense Operations, GAO*

Found a need for the Department of Defense to improve its system of controls over Government-owned facilities, special tooling, and material in the possession of private contractors, a report that led to further inquiry by the Joint Economic Committee.

Reviewed the U.S. Army Tank-Automotive Command's system of financial management, as a result of which the Comptroller of the Army, in coordination with the Army Chief of Staff, directed that a further study be conducted, a study that resulted in a series of recommendations for improvements in other Army commodity commands.

Found a need for the Office of Civil Defense, Department of the Army, to exercise more effective control over contractors engaged to make independent research studies so as to provide greater assurance that the reports obtained are truly useful.

*In the Area of Civil Operations in the United States, GAO*

Made a series of reports on Government operations in connection with the "war on poverty." These included reviews of the Community Action Programs (Office of Economic Opportunity) in Los Angeles, Chicago and Detroit, and the Neighborhood Youth Corps Program (Department of Labor) in Cleveland.

Proposed fundamental changes in the management and operations of the U.S. Post Office, suggesting that mail be collected for processing and distribution through 550 sectional centers rather than at more than 33,000 independent post offices in 50 States, as is done at present.

Analyzed and reported on the reasons for the escalation in estimated cost (from \$46.7 million to \$127.1 million) and time of completion (from 5 to 8½ years) of Project Mohole, the project to drill through the earth's outermost crust.

These were among the more important reports issued by **GAO** this year.

Of this year's reports, **73** reviewed particular U.S. international activities—21 relating to programs and activities being conducted in Vietnam. The majority of the latter were in response to requests from congressional committees or individual Members of the Congress, and are discussed more fully in Chapter Six.

A total of 554 reports related to activities of the Department of Defense. Principal defense areas where **GAO** findings showed a need

for improvement in management controls involved supplies, procurement programs, administration of military and civilian pay and allowances and utilization of manpower, and administration of transportation matters.

Special reports were made on procurement of F-111 aircraft, and acquisition and installation of new automatic data processing equipment for use in computerized management systems, and a number of other matters, at the request of committees of the Congress and individual Members. See Chapter Five.

A total of 511 reports were issued on reviews of the activities of civil departments and agencies of the executive branch and in the legislative and judicial branches. Ninety-four of these reports were submitted to the Congress as a whole and 120 were submitted to its committees, officers, or Members on reviews made in response to their specific requests. In addition, 297 reports were made to agency officials.

Thirteen audit reports concerned Government-wide activities, one of which covered a study of the many factors involved in decisions by departments and agencies whether to use contractor-furnished maintenance services for computers—now a \$50 million annual expense—or to do the maintenance themselves. Two audit reports related to organizations outside the Government.

Digests of audit reports to the Congress are presented in Chapters Four through Seven. A list of audit reports issued during the fiscal year is in Appendix C-2.

### *Financial Savings*

As a consequence of suggestions or recommendations made in connection with a particular audit or review, actions were taken by Federal agencies during fiscal year 1968 to make improvements in their activities. For many of these it was impractical to determine the dollar savings that might be realized.

Refunds, collections, and financial savings or revenues that could be readily determined to have resulted from GAO audits and reviews amounted to \$232.8 million this year as follows:

Refunds and collections:			
		<i>(In millions)</i>	
Audits of departments and agencies . . . . .		\$2.0	
Transportation audits . . . . .		14.7	
General claims work . . . . .		2.9	<b>\$19.6</b>
		<hr/>	



HIGHLIGHTS OF ACTIVITIES

Other savings:

Supply management and procurement . . . .	\$144.6	
Reaward of contract following GAO ruling on a bid protest . . . . .	36.0	
Reduction in transportation costs . . . . .	10.5	
Reduction in Federal loans, contributions, and grants . . . . .	4.2	
Consolidation of operations at a Government installation . . . . .	3.0	
Reduction in cost of revising maps . . . . .	2.2	
Construction costs . . . . .	1.8	
Amendment of Federal employees' group life insurance contract . . . . .	1.5	
Miscellaneous . . . . .	9.4	\$213.2
	<hr/>	<hr/>

Total savings attributable to the work of GAO . . . "\$232.8

\*Savings of over \$30 million are recurring in nature and will continue in future years.

*Expenses and Staffing*

GAO operating expenses for fiscal year 1968 amounted to \$53.5 million. Over 89 percent of this amount—\$47.8 million—was required to pay salaries and other personnel costs. The staff at June 30 totaled 4,310, a net increase of 94 over 1967. During the past 10 years, GAO staff has been reduced by 1,079—over 20 percent—but the professional accounting and auditing staff has increased by 678 to 2,450.

*Internal Audit*

The importance of internal audit activities in the executive departments and agencies was stressed this year. Reports were submitted to the Congress on the effectiveness of internal audit activities in the departments of:

- Agriculture
- Commerce
- Defense
- Justice
- Labor, and the
- Post Office

Seven reports on internal audit activities were submitted to agency officials.

### *Financial Management Improvement*

Congressional interest in improved financial management in the Federal Government continued during the year. The House Government Operations Committee recommended that GAO make an annual report to the Congress summarizing findings relating to inadequate accounting systems and the progress of agencies in developing systems for submission and approval by the Comptroller General. The first annual report to the Congress is planned for the calendar year 1968.

GAO approved five complete accounting systems submitted by civil departments and agencies, three parts or segments of systems, and eight statements of accounting principles and standards during the 1968 fiscal year. At year end, 18 complete systems, three parts or segments of systems, and 13 statements of principles and standards submitted for approval by civil departments and agencies were in various stages of review by GAO.

As of June 30, the Department of Defense had submitted for approval 15 directives and instructions setting forth accounting principles and standards, the accounting manuals of the three military services covering construction activities, and industrial fund accounting systems manuals for four Defense activities. The directive governing the Department's overall Resource Management System was approved and all other submissions were under review.

In December 1967, the President approved the recommendations of his Commission on Budget Concepts that budget expenditures and receipts be reported on an accrual basis rather than in terms of cash. Specific instructions to the executive agencies for implementing these recommendations were issued by the Bureau of the Budget in April. GAO was consulted in the preparation of these instructions.

The Joint Financial Management Improvement Program—comprising representatives from the Bureau of the Budget, the Civil Service Commission, GAO and the Treasury—planned a number of projects during the year and started several as formal projects. Two of the major projects were a study of the use by Federal agencies of letters-of-credit to finance contractors and grantees, and a study of procedures for centralizing within the Federal Government the billing and payment of transportation charges incurred by Federal agencies.

### *Scope of GAO's Audit Work*

In examining the extent to which Government agencies are discharging their financial responsibilities in an effective, efficient, and economical manner, GAO conducted approximately 1,800 audits and reviews in the United States and in 43 other countries during fiscal year 1968.

**HIGHLIGHTS OF ACTIVITIES**

<i>Field of activity</i>	<i>Number of audits and reviews</i>	<i>Area &amp; audits</i>	
		<i>U.S.A.</i>	<i>Overseas</i>
Civil . . . . .	957	1,798	14
Defense . . . . .	697	871	110
International . . . . .	175	128	196
Total . . . . .	1,829	2,797	320

Most of these audits and reviews were undertaken at U.S. Government locations but work was done also at about 700 other locations such as State and local governments, universities and similar recipients of Federal grants and loans, and approximately 330 plants and offices of private contractors holding Government contracts.

***Access to Contractor Records***

The United States Court of Appeals, Ninth Circuit, affirmed in November a District Court order granting to the Comptroller General of the United States the right to examine books, documents, papers, and records of the Hewlett-Packard Company relating to, or otherwise disclosing, production costs of items sold by the company to the Air Force under four negotiated contracts.

It was GAO's position that the negotiated contract clause, and the statute on which the clause is based, gave GAO the right to examine the cost records and other pertinent data that related to the items included in the contract in sufficient detail to enable GAO to determine the reasonableness of the negotiated prices.

The United States Supreme Court in March declined to review, and thereby upheld, the Federal District Court decision.

***Bid Protests***

Each year the Comptroller General of the United States makes several hundred decisions on protests from losing bidders for Government contracts and about that number of protests were processed this year. Some of these decisions involved routine matters but in one case the Comptroller General made a bid protest decision of unusual significance.

The case involved the selection by the Air Force of a contractor to provide advanced computer equipment at a cost of well over \$100 million, after determining that it was the only one of four competing companies to meet all mandatory requirements.

The runner-up price was approximately one-half of that of the com-

pany selected. Following benchmark tests the three losers were not considered further by the Air Force.

The runner-up bidder protested the selection to the Comptroller General, asserting—among other matters—that the action of the Air Force in refusing to conduct further oral or written discussion after the benchmark tests was contrary to the mandate of 10 U.S.C. 2304(g).

The Comptroller General held that the statute and regulations sustained the protester's position.

The Air Force canceled its original selection as the source for the procurement and announced that it would reopen the negotiations.

In a case with unusual circumstances, the Comptroller General, in answer to a protest by an airline company, sustained a contract negotiated by the Department of the Interior on behalf of the High Commissioner of the Trust Territory of the Pacific Islands with another airline. The contract provided for air transportation to, from, and within the Trust Territory—and also for the development of the economy of these Western Pacific Islands through the encouragement of tourism. The Comptroller General held that the evaluation standards set out in the solicitation, although general in nature, met the requirement of the Federal Procurement Regulations.

GAO bid protest procedures, as published in the Code of Federal Regulations, are included in Appendix C of this report, page 327.

#### **Legal Services**

Decisions prepared for issuance by the Comptroller General and other legal matters handled during the year totaled 4,903. The total included 647 legislative and legal reports submitted to committees and Members of Congress on information of interest to them and 61 reports to the Director of the Bureau of the Budget on proposed, pending, or enrolled bills and other legal matters.

#### **Assistance to Congress**

A major objective of GAO is to assist the Congress in maintaining the surveillance necessary for effective legislative oversight of the complex of governmental programs and operations. Toward this end in fiscal year 1968:

- **GAO** representatives testified on **33** occasions before congressional committees.

## HIGHLIGHTS OF ACTIVITIES

- 120 *GAO* staff members were assigned to the staffs of 21 committees or subcommittees. This represents approximately 10,195 man-days, or 39.1 man-years, of *GAO* staff time.
- 356 reports were furnished to committee chairmen on pending bills—  
220 to the Senate, and  
136 to the House.

### Publications

In response to numerous inquiries from Members of Congress and the general public regarding available materials prepared by GAO in the form of manuals, booklets, pamphlets, brochures, reports, etc., a semiannual comprehensive compilation of GAO publications which are available to the public either at a nominal charge or free upon request has been issued.

This booklet, entitled "List of GAO Publications," is published at the start of each calendar and fiscal year and may be obtained from the GAO, Publications Section, Room 6427, Washington, D.C. 20548.

Among the more recent additions to this listing are the following:

*GAU Newsletter*—A monthly capsule review of selected activities. It includes a listing of unrestricted audit reports issued or made available to the public during the month, as well as summarizations of certain of these reports and selected legal decisions of the Comptroller General.

*GAO Review*—A quarterly publication which includes articles written by the professional staff of *GAO*. These articles are based on the presumed interest of the professional staff and relate to subjects of a highly technical nature as well as those of a more general interest.

An important innovation was introduced in the Comptroller General's reports to the Congress, its committees and Members, at the close of this fiscal year. A digest, designed to give the reader a synopsis of the essential information, was inserted in each report. Two copies were included: one as a tear-out sheet, for filing and other purposes; one bound permanently into the report.

### Transportation

During fiscal year 1968, GAO, in meeting its responsibilities for determining the correctness of charges claimed for freight and passenger transportation services furnished the United States, audited \$2.1 billion

in transportation charges, consisting of \$1.2 billion paid for 4.9 million freight shipments and \$844 million for 2.9 million passenger movements. This is an increase of about 10 percent over the charges audited in fiscal year 1967.

Overcharges issued against carriers and carrier claims against the United States settled by GAO in 1968 were as follows:

<i>U.S. Claims Against Carriers</i>	
<i>Number</i>	<i>Amount</i>
112,306 . . . . .	\$15.5 million

*Carrier Claims Against U.S. Settled by GAO*

[In millions of dollars]				
	<i>Number</i>	<i>Charges</i>	<i>Allowed</i>	<i>Disallowed</i>
Original bills . . . . .	2,517	\$7.4	\$7. 1	\$0.3
Supplemental bills . . . . .	20, 312	3.9	2.2	1. 7
Total. . . . .	22,829	\$11.3	\$9. 3	\$2. 0

GAO also furnished assistance to the Department of Justice in some 47 legal actions involving claims against the United States for approximately \$950,000 covering 43,254 shipments. Sixty-three suits, the subject of reports in this or prior years, were settled for about \$195,000, about \$625,000 less than claimed.

Carriers filed 121 suits covering 166,497 shipments. Eighty of these suits and about 130,000 of the shipments covered overseas movements of household goods by the Department of Defense. The amount sued for is not stated in the petitions but we estimate the liability of the United States on the 180 household goods suits filed in this and prior years to be nearly \$100 million if the carriers prevail on all issues involved.

**Claims Settlement and Debt Collection**

General claims against the United States in fiscal year 1968 involved Government contracts, compensation to civilian personnel and pay and allowances to military personnel, retired pay, travel, transportation and per diem matters, and miscellaneous claims of Government personnel and other public creditors. General claims against and by the United States settled by GAO were as follows:

	<i>Number</i>	<i>Paid by U.S.</i>	<i>Collected by U.S.</i>
		<i>(In millions)</i>	
Claims against U.S. . . . .	13,812	\$61	.....
Claims by U.S. . . . .	16,282	.....	\$2.9

## HIGHLIGHTS OF ACTIVITIES

At the end of the year, 9,236 claims under collection represented accounts receivable in the amount of about \$5.6 million. GAO reported 1,205 claims to the Department of Justice for collection by suit. As of June 30 there were 6,036 claims under collection by that Department, representing approximately \$3.9 million in accounts receivable.

### *Training and Career Development*

Nearly 1,600 members of GAO's professional staff were provided with special training this year through GAO internal facilities. Over 500 professional staff members participated in training or career development programs conducted in other agency or non-Government facilities. ~~Sixty~~ five staff members passed the CPA examination given by State boards during the year. A total of 440 members now hold the CPA certificate; 86 others who have passed the required examination will receive their certificates upon completion of their experience requirement.

### *Public Activities*

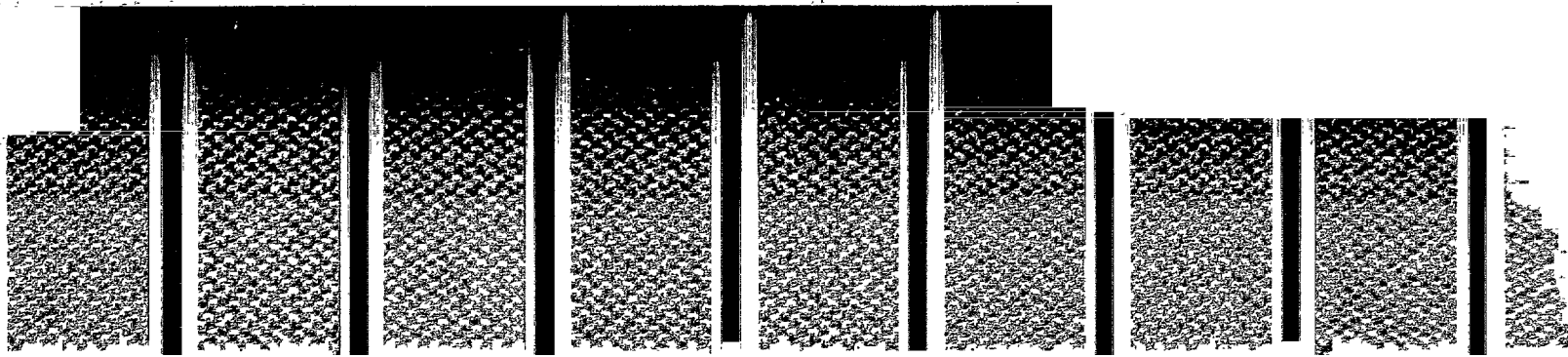
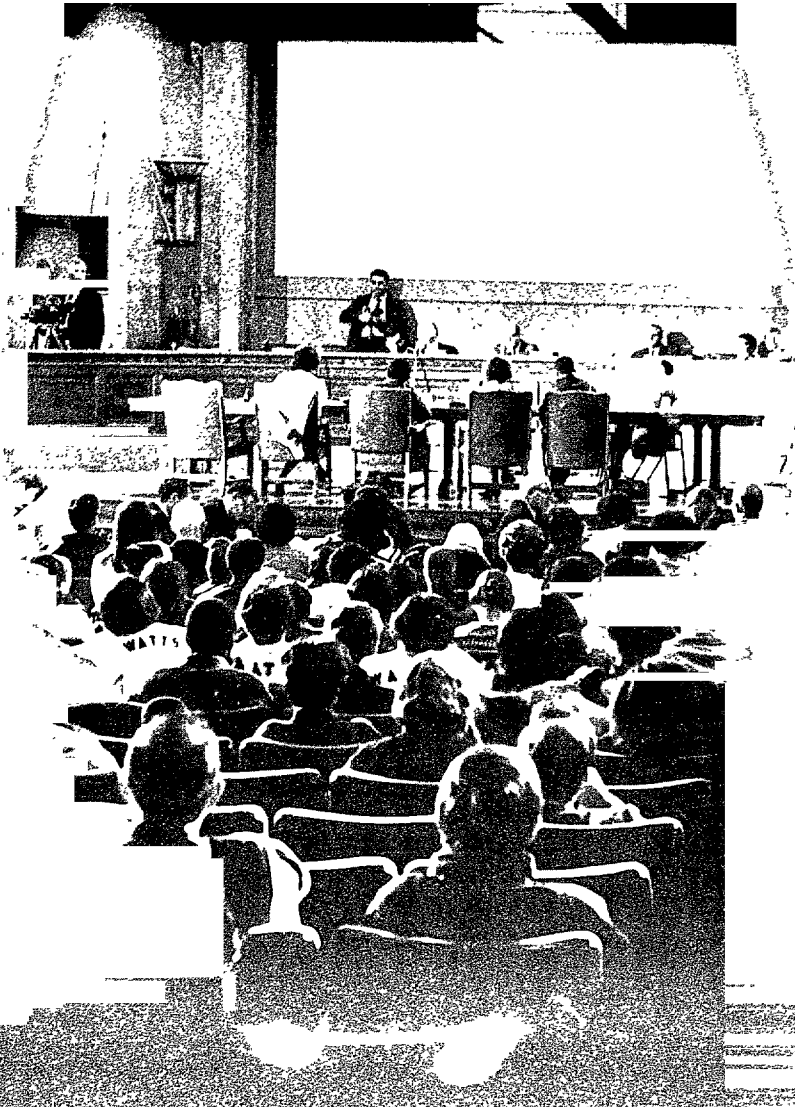
The Comptroller General spoke before 18 business and professional organizations throughout the United States during the year in connection with the work of GAO.

The Assistant Comptroller General addressed 10 similar groups.

The Comptroller General attended the sixth International Congress of Supreme Audit Institutions in Tokyo, May 22 to 30, the first U.S. Comptroller General to participate.

## **Chapter Two**





# Assistance to the Congress

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## SUMMARY OF ASSISTANCE PROVIDED

Basic to functions and duties of the General Accounting Office is assistance to the Congress in maintaining legislative oversight of the ever-increasing number of Federal programs. The General Accounting Office is an arm of the Congress—a part of the legislative branch— independent and, traditionally, objective and nonpartisan in its work.

Through its reports, testimony, staff assistance, and counsel, the General Accounting Office serves as an extension of Congress' own eyes and ears. The Office provides the Congress with a steady flow of information and recommendations resulting from its continual search for means of achieving greater economy and efficiency throughout the Government.

Our Office of Legislative Liaison, which is a part of the Office of the General Counsel, is a central point of coordination for achieving our goal of providing Congress the assistance it needs and expects. The legislative attorneys of our liaison staff are in continuous contact with staff members of the committees to discuss matters of mutual interest and to coordinate our efforts most effectively to meet the committees' requirements. The Office of Legislative Liaison also serves as the point of contact through which individual Members and their staffs, as well as the staffs of the committees, may channel their inquiries and requests for assistance in order that our responses may be made with the maximum effectiveness.

This chapter summarizes and highlights in one place our assistance

to the Congress in fiscal year 1968. Other chapters deal in greater detail with some of the material mentioned here.

Our assistance is furnished principally through :

- Audit reports to Congress.
- Special audit and investigative reports as requested by committees and individual Members of Congress.
- Direct staff assistance to committees.
- Comments to committees on pending legislation.
- Advisory assistance in legal and legislative matters.
- Testimony at hearings.
- Recommendations for legislation.
- Accounting and auditing **advice** on House **and** Senate financial and administrative operations.

### AUDIT REPORTS TO CONGRESS

Reports to the Congress—addressed to the President of the Senate and to the Speaker of the House—are reports which, for the most part, result from audits and reviews originated within the Office. In fiscal year 1968, we issued 157 reports of this type.

Audit groups are assigned and physically located in most of the departments and agencies in the Washington metropolitan area. Other groups are assigned to our regional offices located in key cities in the continental United States and to our overseas offices in Frankfurt, Honolulu, Manila, Saigon, and New Delhi. Coordinated by the Washington staff, these groups achieve a working familiarity with agency operations at almost all levels and, thus, the Office is able to originate programs resulting in meaningful reports to the Congress on a Government-wide range of subjects.

Our audit programs are necessarily selective since complete and continuous audits of all Government activities are not feasible. In selecting areas for audit, we make every effort to include subjects in which we believe Congress and its committees are particularly interested.

By periodically exchanging information and views in informal meetings with the committee staffs, we make a concerted effort to identify areas of current interest and concern so that we may direct our efforts to those areas. Our practice of regular meetings with the Appropriations Com-

mittees' staffs, for example, has proved most fruitful in this regard, as have our frequent meetings and close relationships with both Government Operations Committees.

The chairman of the House Armed Services Committee has expressed interest in having the staff of that committee meet with us at regular intervals to exchange information. We strongly believe that such an exchange of ideas and information provides one of the best means of directing our resources toward the most productive areas. Unless the Congress through its committee system helps to design our work programs so as to reflect its interests, the maximum benefit may not be derived from our efforts.

On occasion the Congress will express its desire for specific work by the General Accounting Office directly in a statute, resolution or committee report. By Public Law 90-222 last year, for example, Congress directed the Office to review and evaluate the efficiency and effectiveness of the poverty programs on a nationwide basis. We had already noted a keen interest on the part of Congress in these programs and had scheduled reviews of a number of projects. Reports on some of those have been made and our overall report pursuant to the statute is expected to be made in the early part of calendar year 1969.

Similarly, section 640(b) was added to the Defense Appropriation, 1968, requiring GAO to evaluate a new accounting system (PRIME) proposed by the Department of Defense. The Department was prohibited by section 640(b) from placing the new system in operation until after the Comptroller General had made his review and certified to the Congress that the system met certain conditions. Our report on the system was issued on April 12, 1968, and later we testified on the matter before the Defense Subcommittee of the House Appropriations Committee

Frequently, Members of Congress cite General Accounting Office reports on the floor during debate or in committee hearings. As has been its practice for several years, the Joint Economic Committee held hearings again last year to review our reports on Government procurement and supply management. The Joint Committee report which followed commended the Office for "outstanding work."

#### **SPECIAL \*REPORTS REQUESTED BY COMMITTEES OR INDIVIDUAL MEMBERS**

The special reports we issue in response to requests of committees and individual Members for reviews or investigations of specific government-

al actions or limited segments of programs form another important means of assisting Congress. While section 312 of the Budget and Accounting Act of 1921, as amended, requires our Office to make investigations and furnish information and assistance to the Congress and to the congressional committees having jurisdiction over revenue, appropriations, or expenditures, it has been our policy to comply with requests of all committees and individual Members within the limits of available funds and manpower.

During the year we issued 231 special reports. These reports were made to many committees and individual Members of Congress. They covered a wide variety of subjects.

With respect to military activities, the House Committee on Appropriations called upon us to make special surveys of the practices of acquiring and installing new automatic data processing equipment for use in computerized management systems; the operations of the Medical Education for National Defense (MEND) Program; the operations of the Johns Hopkins Applied Physics Laboratory under Government research contracts; the actions taken to strengthen management of Government-owned machine tools; and the policies, procedures, and practices in planning and programming hospital construction projects. The findings in our reports on these matters were used by the committee as a basis for questioning Department of Defense officials during the hearings on the appropriations for fiscal year 1969. They were specifically identified by the committee in its report (H. Rept. 1735, 90th Cong.) on the Department of Defense Appropriation Bill, 1969, as examples of the need for more economy in the administration of military programs.

In response to a request by the chairman of the Subcommittee on Department of Agriculture and Related Agencies of the House Committee on Appropriations, we reviewed and reported on meat and poultry inspection activities conducted by the Consumer and Marketing Service, Department of Agriculture. The committee stated in its report (H. Rept. 1335, 90th Cong.) on the Department of Agriculture and Related Agencies Appropriation Bill, 1969, that our report "noted a number of instances of duplication of inspection work, lack of uniform practices and procedures, failure to effectively utilize field inspectors, scattering of supervision, and an inefficient and wasteful organizational setup, especially in the field."

In view of these findings the committee directed the Department to reorganize its inspection activities on the most efficient and economical basis possible. Also language was added to the appropriation (Public Law 90-463) placing one-half of the increase in funds (\$13,440,250) for

meat and poultry inspection into a reserve to be released only after the inspection activities are fully coordinated and placed on an efficient and economical operating basis.

Based upon observations of a special study mission to Latin America as to the size of the U.S. aid program in the Dominican Republic, the chairman of the House Foreign Affairs Committee requested an audit of the program by our Office. Our report to the committee in response to that request was classified.

At the request of the Joint Committee on Atomic Energy we furnished a number of reports concerning the vital activities of the Atomic Energy Commission. Our reviews encompassed a number of areas, such as (1) establishment of the amount to be charged by the Atomic Energy Commission for uranium enrichment services, (2) problems associated with the policies, procedures, and administration of selected construction projects, and (3) the potential financial impact on the U.S. Government of a proposed sale of plutonium to the European Atomic Energy Community.

As a result of our review of selected construction projects, the Atomic Energy Commission revised its instructions to provide better control over the administration of construction activities and to provide the Congress with more detailed information concerning individual construction projects.

A number of special reports were made to the Manpower Subcommittee of the House Committee on Post Office and Civil Service concerning the utilization of contractors instead of Civil Service personnel to perform functions at Government installations. Following hearings by the Subcommittee on Special Studies of the House committee on Government Operations on this same subject, we furnished the latter committee a report containing an extensive analysis of various alternative cost profiles which had been proposed for use by agencies in evaluating contracting-out problems. In its report on those hearings, the Government Operations Committee adopted the position taken in our report and in the Comptroller General's testimony at the hearings.

Other examples of special reports we made during the past year to the House Government Operations Committee or to its various subcommittees include: (1) a report to the Subcommittee on Foreign Operations and Government Information on the efforts of the U.S. Government concerning land reform in South Vietnam, (2) a report to the Government Activities Subcommittee on the administration of oil and gas deposits owned by the United States under military installations, (3) a report also to the Government Activities Subcommittee on certain interpretations of the Federal Employees compensation Act by the Bureau

of Employees' Compensation of the Department of Labor, (4) various reports to the Subcommittee on Intergovernmental Relations concerning matters under jurisdiction of the Office of Education and the National Institutes of Health, and (5) a report to the Subcommittee on Legal and Monetary Affairs on the manner Government obligations are marketed by various agencies.

#### **STAFF ASSISTANCE TO COMMITTEES**

At the request of committee chairmen we assign members of our professional staff to work along with regular committee staffs on special projects. When so assigned, our personnel work under the committee's direction.

To the extent we are able to assist in this regard, it frequently enables a committee to undertake work which might not be possible otherwise and eliminates the necessity of hiring short-term employees for special projects. Depending upon the circumstances and the application of the authorizing statutes to the committee involved, the costs of our employees' salary and expenses may or may not be reimbursed to our Office from committee funds.

In most cases, we consider that the experience of the employees on committee assignments is beneficial both to the General Accounting Office and to the employee himself. In order to avoid too long an absence by the employee from General Accounting Office assignments and supervision, our policy continues to limit the duration of such assignments to 6 months, except in special circumstances.

During the past year, we furnished considerable staff assistance both here in Washington and other parts of the country to the Senate Permanent Subcommittee on Investigations in connection with its investigations into the causes of riots and the administration of certain poverty programs. As in past years, we provided assistance to the staff of the House Select Committee on Small Business in the preparation of its reports on tax-exempt foundations. A complete summary of these assignments during fiscal year 1968 appears on pages 360 and 361, Appendix H-6.

#### **ADVISORY ASSISTANCE ON LEGAL AND LEGISLATIVE MATTERS**

Assistance by our Office on legal and legislative matters is rendered upon request and usually takes the form of either legislative drafting or providing advisory legal opinions as to the proper interpretation of laws

or agency regulations, or proposed legislation. Many times the advice is given in informal conferences with Members or staff personnel but in some instances written opinions are required.

The subjects covered in requests received in 1968 for our opinion or advice included such matters as the legal sufficiency of Army Regulations governing burials in Arlington Cemetery, authority of the Small Business Administration to make 3-percent disaster loans in riot areas, authority for the military services' full-time scholarship programs, and many others.

Most of the requests received for assistance in drafting legislation are made informally, quite often from committees or individual Members to carry out recommendations contained in our audit reports to the Congress. The requests may require drafting of an entire bill or of a special provision to be included in a bill. In this work, our purpose is to insure that the results intended by the proponents of the legislation will be achieved. We believe our contribution in this regard is of real value because of the wide range of expert knowledge of governmental activities gained through our audits and the competence our legal staff has developed through its constant association with the governing statutes and regulations.

#### REPORTS ON PENDING LEGISLATION

During 1968, a total of 356 reports on pending bills were furnished to the committees of Congress at the requests of the respective chairmen.

Certain committees invite our comments on all pending bills as a matter of course. In some cases we have no pertinent information or comment to offer; in many others, however, we are able, through the combined efforts of the legal staff and the accounting and auditing staffs, to contribute worthwhile information and recommendations to the committee. We make extensive comments on bills containing provisions directly affecting the work of our Office, as well as bills which have been introduced to correct deficiencies noted in our audit reports, or to implement our own recommendations.

For example, Title **X** of Senate bill 698, the Intergovernmental Cooperation Bill, would have placed considerable additional responsibility on our Office for determining the adequacy and nature of the accounting and auditing systems of the various States with respect to Federal assistance programs. Largely based on our report to the effect that an interagency study was being undertaken on the subject and that



we considered inappropriate certain of the new functions that would be imposed upon our Office, the committee decided to delete Title X from the bill.

Frequently, in the case of bills which do not deal directly with our Office or which have not been the subject of our reports, we are able through experience with the agencies concerned and their programs to furnish constructive comments. These might relate to unanticipated legal effects which certain language employed in the bill may have or to operational, fiscal, and administrative aspects of the proposed legislation. For example, in our report to the Senate Committee on Commerce on S. 752, designed to limit interstate transportation performed by ICC-exempt agricultural cooperative associations, we pointed out that the enactment of the bill could curtail the possible use of agricultural cooperative trucks by the Government and thus increase Government transportation costs. Certain clarifications were made to the bill along the lines we recommended before its enactment as Public Law 90-433, approved July 26, 1968.

Also, in reporting to the Senate Committee on Finance on H.R. 16241, a bill which: among other things, would have extended the 5-percent air fare tax to foreign travel as a means to alleviate balance-of-payment problems, we strongly supported an amendment that would continue the Government's exemption from air transportation taxes. We pointed out that if the Government was not exempted, more than \$1 3,500,000 would have to be appropriated for a single fiscal year, drawn from the Treasury to pay the taxes, only to be returned to the Treasury again.

Following is a table showing the number of reports on bills furnished to the committees during fiscal year 1968:

Senate

Armed Services . . . . .	2
Banking and Currency . . . . .	16
Commerce . . . . .	141
Finance . . . . .	1
Foreign Relations . . . . .	1
Government Operations . . . . .	19
Interior and Insular Affairs . . . . .	1
Judiciary . . . . .	2
Labor and Public Welfare . . . . .	17
Post Office and Civil Service . . . . .	19
Public Works . . . . .	1

House

Agriculture . . . . .	1
Banking and Currency . . . . .	3
Education and Labor . . . . .	3
Government Operations . . . . .	31
Interior and Insular Affairs . . . . .	4
Interstate and Foreign Commerce . . . . .	11
Merchant Marine and Fisheries . . . . .	20
Judiciary . . . . .	50
Post Office and Civil Service . . . . .	6
Public Works . . . . .	3
Science and Astronautics . . . . .	3
Ways and Means . . . . .	1
	136
	136
Total . . . . .	356

**TESTIMONY AT HEARINGS**

During fiscal year 1968, the Comptroller General or other officials of the General Accounting Office appeared and testified before congressional committees on **33** occasions.

The committees rely on the Comptroller General, as an agent of Congress, for testimony on many subjects considered during the course of a session in view of the extensive and diverse accumulation of information and expertise within his Office on Government activities.

There follows a list of appearances, including identification of the subjects covered.

*Appearances by General Accounting Office Representatives at Congressional Hearings During Fiscal Year 1968*

Committee	Date	Subject
U.S. SENATE		
Judiciary: Special Subcommittee .	Aug. 23, 1967	Waiver of limitations upon claims of certain retired reserve members of the uniformed services under Public Law 88-519 (78 Stat. 699) (S. 725).

*Appearances by General Accounting Office Representatives at Congressional Hearing During Fiscal Year 1968—Continued*

Committee	Date	Subject
<b>U.S. SENATE—Continued</b>		
Finance . . . . .	Sept. 12, 1967	An amendment to the Social Security Amendments Bill, which would add a Title V entitled, "Quality and Cost Control Standards for Drugs."
Select Committee on Small Business: Subcommittee on Government Procurement.	Feb. 7, 1968	Bid protest decision procedures.
Post Office and Civil Service. . .	Mar. 11, 1968	Need for increasing the number of supergrade positions in GAO.
Government Operations: Subcommittee on Foreign Aid Expenditures.	Mar. 19, 1968	The propriety of the U.S. Government paying port charges on agricultural commodities donated by the U.S. to voluntary relief agencies under Public Law 480 program.
Government Operations : Subcommittee on National Security and International Operations.	Mar. 26, 1968	Analysis of the issue raised by the application of PPB in the executive branch, and the implications this has for the congressional role in establishing national policies and budgets.
Appropriations : Subcommittee on Legislative Branch.	Apr. 17, 1968	General Accounting Office budget estimates for 1969.
Banking and Currency . . . . .	June 18, 1968	Uniform accounting standards for Government contractors. An amendment to the Defense Production Act extension (S. 3097 and H.R. 17268).
Armed Services . . . . .	June 20, 1968	To increase the effectiveness of the "Truth-in-Negotiations Act" by giving the contracting agencies access to records and data of contractors and subcontractors related to negotiation, pricing, and performance of contracts (H.R. 10573).
Judiciary: Subcommittee on Anti-trust and Monopoly Legislation.	June 21, 1968	The effect of Department of Defense procurement on competition and concentration.

*Appearances by General Accounting Office Representatives at Congressional Hearings  
During Fiscal Year 1968—Continued*

Committee	Date	Subject
<b>HOUSE OF REPRESENTATIVES</b>		
Government Operations: Subcommittee on Special Studies.	July 17, 1967	General Accounting Office activities to improve financial management in Federal agencies.
Government Operations: Subcommittee on Government Activities.	July 18, 1967	Current problem and developments in automatic data processing in the Federal Government.
Armed Services: Subcommittee on Special Investigations.	July 27, 1967	Multiyear procurement authority for the military departments (H.R. 5791).
Government Operations: Subcommittee on Military Operations.	July 28, 1967	The relationship of the General Accounting Office with the Defense Contract Audit Agency.
Armed Services: Subcommittee for Special Investigations.	Aug. 3, 1967	Improving the system of procurement in the Defense Department.
Government Operations: Subcommittee on Research and Technical Programs.	Aug. 9, 1967	Survey of the accounting and management controls employed by five Federal research laboratories in the utilization and procurement of laboratory equipment.
Armed Services: Subcommittee No. 3 . . .	Aug. 22, 1967	Results of review of certain activities of the U.S. Civil Administration of the Ryukyu Islands.
Armed Services: Subcommittee on Special Investigations.	Sept. 25, 1967	Problem areas related to the administration of Public Law 87-653, "Truth-in-Negotiations Act."
Government Operations: Subcommittee on Government Information and Foreign Operations.	Jan. 18, 1968	Current and planned reviews of activities of U.S. agencies in Latin America.

Appearances by General Accounting Office Representatives at Congressional Hearings  
During Fiscal Year 1968—Continued

Committee	Date	Subject
HOUSE OF REPRESENTATIVES—Continued		
Banking and Currency . . . .	Mar. 6, 1968	Need for access to records in audit of the Federal Deposit Insurance Corporation.
Appropriations : Subcommittee on Legislative Branch.	Mar. 19, 20, and 21, 1968	General Accounting Office budget estimates for 1969.
Government Operations: Subcommittee on Special Studies.	Apr. 25, 1968	Procurement of necessary support services from commercial or Government sources.
Appropriations: Subcommittee on Defense . . . .	May 2, 1968	Proposed changes in financial management procedures in the Department of Defense (Project PRIME).
Banking and Currency . . . .	May 7, 1968	Access to records in audit of the Federal Deposit Insurance Corporation (H.R. 16064).
Government Operations: Special Subcommittee on Donable Property.	May 20, 1968	The program for advance acquisition of excess property and the possible role of the military in an excess property repair and rehabilitation program at overseas locations.
Government Operations : Subcommittee on Executive and Legislative Reorganization.	June 11, 1968	“Joint Funding Simplification Act” (H.R. 12631).
Armed Services: Special Subcommittee on the M-16 Rifle Program.	June 18, 1968	Legality of contracts awarded to provide additional sources for the production of the M-16 rifle.
Government Operations: Subcommittee on Military Operations.	June 21, 1968	Procurement of rocket launchers,
Government Operations: Subcommittee on Military Operations.	June 24, 1968	Department of Defense supply management.

*Appearances by General Accounting Office Representatives at Congressional Hearings During Fiscal Year 1968—Continued*

Committee	Date	Subject
<b>JOINT</b>		
Economic: Subcommittee on Economy in the Government.	Sept. 21, 1967	Role of GAO in the "Planning, Programming, and Budgeting System."
Economic: Subcommittee on Economy in the Government.	Nov. 27, 1967	Department of Defense procurement and supply management.
Economic: Subcommittee on Economy in the Government.	Dec. 8, 1967	Department of Defense procurement and supply management.
Economic: Subcommittee on Economy in the Government.	Jan. 29, 1968	Survey of the use by Federal departments and agencies of the discounting technique in making evaluations of future programs.

**ASSISTANCE ON HOUSE AND SENATE  
FINANCIAL AND ADMINISTRATIVE OPERATIONS**

We maintain a professional staff at the Capitol to furnish assistance on management, financial, and administrative problems requested by officers of the Congress. These requests have increased steadily over the years and we expect to continue working closely with those officials, making any contribution we can.

During the past year, we assisted employees of the Clerk of the House of Representatives in adapting accounting procedures to the new data processing equipment for payroll, office equipment, furniture, and the stationery inventory. We also discussed methods of conversion of the present base pay system to single gross amounts with the Disbursing Clerk of the House if legislation to accomplish this is eventually enacted.

We furnished management counsel and accounting assistance in the reorganization of the House Beauty Shop at the request of the Select Committee on the House Beauty Shop.

We are conducting a management study of the House Restaurant at the request of the Subcommittee on Legislative Appropriations of the Committee on Appropriations, House of Representatives, in accordance with the purpose outlined in the committee's report (H. Rept. 1576, 90th Cong.) accompanying the Legislative Branch Appropriation Act, 1969.

At the request of the officers of the Senate and of the House of Representatives we audited and reported on the following activities :

- Capitol Guide Force
- Senate Office Beauty Shop
- Senate Employees Barber Shop
- Senate Recording Studio Revolving Fund
- House Recording Studio Revolving Fund
- House Stationery Revolving Fund
- House Finance Office

We continued to assist the Architect of the Capitol in various areas of financial management.

Under the provisions of Senate Rule 44 as provided in Senate Resolution 266 approved by the Senate on March 22, 1968, each Senator or person who has declared or otherwise made known his intention to seek nomination or election to the Senate and each **officer** and employee of the Senate compensated at a rate in excess of \$15,000 a year is required to file with the Comptroller General, between January 1 and May 14 of each year, a "Confidential Statement of Financial Interest."

The Senate Committee on Standards and Conduct promulgated a form which contains instructions for submitting the completed financial statement in a sealed envelope by registered mail or by calling to have it picked up. We informed each Senator by letter that a personal representative of the Comptroller General would arrange to meet with the Senator to receive the sealed envelope if he requested it.

Recognizing the highly confidential nature of the information involved, we have had prepared a special security envelope in which, as an extra degree of protection, the sealed envelope containing the information furnished under Rule 44 will be placed.

We are authorized to release the information submitted only to the Senate Select Committee on Standards and Conduct upon a majority vote of the committee.

#### **RECOMMENDATIONS FOR LEGISLATION**

Many of the recommendations included in our reports to Congress for corrective action on deficiencies noted may be accomplished administratively. Sometimes legislation is required or may be desirable and, if so, we include in our reports specific legislative recommendations. We also submit special recommendations from time to time based upon findings

made in the course of our legal work or upon a change in our own operational requirements.

A discussion of some of our recommendations follows.

***Recommendations Considered by the Congress in Fiscal Year 1968***

1. Need *for* revised legislation relative to financing of site acquisition transactions.—The Post Office Department had initiated actions to acquire some facility sites earlier than the actions probably would have been initiated if the funds available for site acquisitions would have remained available after the end of the fiscal year. Some of these early acquisitions of sites had resulted in additional costs to the Government and, in a few cases, the Department may not have made sufficient studies before initiating actions to acquire facility sites.

We recommended that the Congress give consideration to amending existing legislation to (1) authorize, and provide the Department with, a revolving fund of an appropriate amount for financing the acquisition of sites and the planning of postal facilities pursuant to the authority contained in section 2103 of title 39, United States Code, and (2) require the Postmaster General to include, in his annual report to the Congress, data regarding the activities of the revolving fund, including the investments in sites for proposed new facilities.

In reports on the Treasury, Post Office, and Executive Office Appropriation Bill for 1969, the Senate and House Committees on Appropriations directed the Department to transfer the site acquisition fund from the Building Occupancy account to the Postal Public Buildings account, which has a no-year limitation, and to utilize the site acquisition fund in the future only after complete justification, by line item project, had been made available to the Committees on Appropriations of the House and Senate. We believe that these actions should accomplish the objectives of our recommendations. (Revised Practices Needed for Acquiring Control of Sites for Leased Postal Facilities, B-153129, May 1, 1968.)

2. Financing the *Office* of the Government Comptroller of the Virgin Islands.—Since 1959 the activities of the Office of the Government Comptroller have been financed by appropriations made by the Federal Government. In view of the substantial increase in net revenues collected by the U.S. Treasury on Virgin Islands products transported to the United States and paid to the Government of the Virgin Islands as Federal grants, and because the Government Comptroller's operations primarily benefit the insular government, we stated that the Congress might wish to consider financing the Office of the Government Comp-



troller from funds which are otherwise transferable to the insular government as Federal grants.

Legislation considered during the fiscal year and enacted as Public Law 90-496, approved August 23, 1968, included provision that the salary and expenses of the Office of the Government Comptroller of the Virgin Islands be paid by the United States from funds derived by transfer from internal revenue collections appropriated for the Virgin Islands. (Review of the Activities of the Government Comptroller of the Virgin Islands, B-114808, Apr. 28, 1966; page 22, Annual Report of the Comptroller General for fiscal year 1967.)

**3. Potential savings available through use of civil service rather than contractor-furnished employees for certain support services.** — In June 1967 we reported that our review of the relative costs of using civil service personnel or contractor-furnished personnel to perform engineering and related technical support services at the National Aeronautics and Space Administration's Goddard and Marshall Space Flight centers showed that estimated annual savings of as much as \$5.3 million could be achieved with respect to the contracts we reviewed if these services were to be performed by civil service employees. We noted that the Space Administration's policies had not been sufficiently clear as to the consideration to be accorded to relative costs in determining whether contractor-furnished or civil service personnel should be used.

Because action to fully correct the situation would require a significant change in the Space Administration's policy relating to the use of support service contracts and because of the potential effect that a significant change could have on its civil service personnel requirements, we suggested that the Congress might wish to consider the policy aspects of this matter in further detail with agency officials. We suggested also that the Congress might wish to explore with the Space Administration the impact that cost considerations should have in determining whether to use contractor or civil service personnel in those cases where either could equally carry out the operation.

As a result of our report, the Special Studies Subcommittee of the House Committee on Government Operations held hearings in June 1967 on this matter. Follow-up hearings were also held by the subcommittee in April 1968 to consider the various cost elements involved in making studies of the cost of performing the work with civil service employees compared to the cost of contractor performance, with the objective of possibly developing cost standards and criteria which would be for Government-wide application.

**4. Providing uniform restoration benefits for Federal employees entering military service.** — In 1963 and again in 1967, we pointed out two inconsistent provisions of law between job restoration rights of members

of the Reserves and National Guard who leave Federal civilian positions to enter active military duty and restoration rights of other Federal employees entering service under the Universal Military Training and Service Act. In the case of Reserves and National Guardsmen there was no time limit on restoration rights provided them under 5 U.S.C. 3551 but, on the other hand, the law covering enlistees and draftees limited restoration rights to a period of 4 years after entering military service.

A provision to equalize these benefits by limiting restoration rights to a period of 4 years in all cases was included in H.R. 1093 which was enacted as Public Law 90491, approved August 17, 1968.

#### *Recommendations to the Congress During Fiscal Year 1968*

1. Policies and Procedures used in estimating costs, evaluating bids, and awarding contracts for dredging.—The law under which the Corps of Engineers, Department of the Army, awards contracts for dredging (33 U.S.C. 624) stipulates that appropriated funds shall not be used to pay for any work done by contract if the contract price is more than 25 percent in excess of the estimated cost of the Government's doing the work with its own equipment and crews (in-house). Our review showed that the Corps generally does not prepare in-house estimates but, rather, awards contracts for dredging to the contractor whose bid price is low and is not more than 25 percent in excess of the Corps' estimate of fair and reasonable cost to a contractor, exclusive of profit. Our examination of 32 dredging contracts showed that 11 of the contracts were awarded at prices that were about \$2.1 million in excess of the statutory limitation and about \$4.4 million in excess of the costs that would have been incurred if the work had been done by the Corps itself.

We recommended that the Corps' regulations be revised to require the Corps to award future dredging contracts in compliance with the law. The Department of the Army disagreed with our findings and stated that present policies and practices of the Corps are in accordance with the policies and intentions of both the Congress and the Administration. We suggested that if the Congress should determine that the Corps' present policies and procedures applicable to its dredging operations are to be continued, consideration be given to revising or repealing 33 U.S.C. 624. (Need for Improving Policies and Procedures for Estimating Costs, Evaluating Bids, and Awarding Contracts for Dredging, B-161330, Aug. 7, 1967.)

2. Proposed revision of law governing financing of salary costs of retired *civil* service annuitants reemployed by Federal agencies.—In a

report to the Congress we proposed that the Congress consider amending the provision of the civil service retirement law, relating to the payment of annuities and salaries to reemployed retired employees (5 U.S.C. 8344), to provide that amounts equivalent to the annuities allocable to the period of actual employment, which are deducted from reemployed retired employees' salaries, be transferred by the employing Federal agencies to the U.S. Civil Service Commission for deposit in the Treasury of the United States to the credit of the Civil Service Retirement and Disability Fund.

The effect of reimbursing the retirement fund for the amounts deducted from employees' salaries equivalent to the annuities paid from the retirement fund would be to finance the total salaries paid reemployed retired employees from the funds of the employing agencies rather than to finance a portion of such salary costs, estimated to total about \$7 million annually, from the retirement fund. (Proposed Revision of Law Governing Financing of Salary Costs of Retired Civil Service Annuity Reemployed by Federal Agencies, B-130 150, May 28, 1968.)

3. Significant savings possible if rural mail carriers use Government instead of personal vehicles.—Under existing legislation, rural carriers are required to furnish their own vehicles in delivering the mail along their rural routes, and the Post Office Department is required to pay the carriers an equipment maintenance allowance for the use of the vehicles.

In a review of selected rural routes operating within or near metropolitan areas, we found that the Department could achieve substantial cost reductions without adversely affecting postal service if certain rural mail carriers were furnished with Government-owned vehicles rather than paid an allowance for using their own vehicles.

We recommended that the Congress consider enacting legislation authorizing the Postmaster General to furnish Government-owned or -leased vehicles to rural carriers rather than pay them the equipment maintenance allowance when he determined that such action would be more economical and in the best interests of the Government. (Significant Savings Possible if Rural Mail Carriers Use Government Instead of Personal Vehicles, B-161392, Jan. 4, 1968.)

4. Potential economies and improvements in service through modernization of the postal field service.—The present organization of the postal field service is based generally on the 19th-century concept of an independent post office in each city, town, or village. There are currently about 33,000 independent post offices which, with few exceptions, process their own incoming and outgoing mail and are responsible for their own administrative and financial functions. We believe that this concept of operation must be modernized if satisfactory mail service is to be pro-

vided economically to the Nation in an area of growing as well as shifting population, rapidly expanding mail volume, swifter methods of transportation, and increasing availability of sophisticated machines adaptable to speedy processing of mail in mass volumes.

To this end, we recommended that the Congress consider amending 39 U.S.C. 701 to provide that the primary criteria for the establishment, discontinuance, or consolidation of post offices be the efficiency of the service and economy of operations. We recommended also that the Congress consider amending 39 U.S.C. 701 to eliminate the prohibition against discontinuing independent post offices at county seats as a result of consolidations and consider amending 39 U.S.C. 705 to eliminate the restriction against establishing branches and stations more than 20 miles beyond the outer boundaries of a city, town, or village in which the principal office is located. (Potential Economies and Improvements in Service Through Modernization of the Postal Field Service, B-114874, Dec. 7, 1967.)

5. *Opportunity for reducing Federal participation in the cost of airport land used for installation of runway approach light systems.* — We found that the Federal Aviation Administration was participating in the cost of land required for approach light systems at the maximum rate of 75 percent of the cost even though most of the approach light system was installed on land within a runway clear zone area. Federal participation in the cost of clear zone area land would be at 50 percent instead of 75 percent if the land were not also to be used for the installation of lights. Use of the land for installation of lights in no way increases the sponsor's cost when clear zone area land is acquired in fee.

We believe that consideration should be given to limiting Federal participation in the sponsor's cost of purchasing clear zone area land to 50 percent when the requirement for an approach light system does not increase the sponsor's land acquisition cost. We therefore suggested that the Congress consider limiting Federal participation at the 75-percent rate to those cases where the requirement for an approach light system results in increased land acquisition costs. (Federal Participation in the Cost of Airport Land Used for the Installation of Runway Approach Light Systems, B-158072, June 27, 1968.)

6. *Reduction of heating costs available through conversion of manually operated furnaces at military bases.* — We reviewed costs of operating heating units of the types generally used at military bases to heat single buildings. We found that costs could be reduced several million dollars annually at Army and Air Force installations if manually operated furnaces were converted to automatic-type units. Such conversions at the 12 military installations covered in our review could reduce costs by about

\$3.5 million a year, primarily by releasing military personnel for other duties.

Department of Defense officials expressed the opinion (1) that there could be no actual reduction of military personnel requirements if the function were eliminated since no personnel spaces had been authorized for this function, (2) that the Congress was reluctant to support requests for fuel conversion, (3) that military labor should not be considered an economic factor except where such labor was permanently assigned to the installation engineer and a reduction in strength could be made, and (4) that these duties were usually performed as an additional duty or by transient personnel.

However, the Department requested the Army and the Air Force to make a study of this matter, including a comprehensive review of all small hand-fired heating systems using either military or civilian firemen. This study, which was in progress at June 30, 1968, is intended to serve as a basis for evaluation of the economic potential from conversion of hand-fired furnaces.

In view of the need to achieve the most efficient and effective utilization of military manpower in assignments requiring military skills and to realize the economies possible through conversion of manually operated coal heating units to automatic gas or oil heating units, we suggested in our report that the Congress may wish to inquire into the practice of using military labor to perform the function of tending furnaces. (Reduction of Heating Costs at Military Bases Available Through Conversion of Manually Operated Furnaces, Department of the Army and Department of the Air Force, B-160931, Dec. 27, 1957.)

7. Authority for *GAO* to settle tort claims in foreign countries.—The GAO has been concerned with the possibility that our employees abroad may be forced personally to pay damages for personal injuries or property damage as a result of an accident in connection with official activities in foreign countries. Although GAO employees have not been held liable in the few cases that have arisen, the possibility exists because of the increasing activities of GAO in numerous foreign countries.

Therefore, we submitted to the Congress a special report recommending legislation to authorize the Comptroller General to pay tort claims arising in foreign countries in connection with GAO operations abroad. The proposal was introduced as S. 2999, which was passed by the Senate on September 12, 1968. No action was taken in the House on the bill during the 90th Congress.

8. Meritorious claims.—In addition to the two equitable claims detailed in last year's annual report, one additional claim has been transmitted to the Congress under our authority in the act of April 10, 1928, 45 Stat. 413, 31 U.S.C. 236. The claim involved reimbursing the father

of a Navy officer for costs in transporting his son's automobile from San Francisco to his home in Vermont when he was notified that his son was missing in action in North Vietnam. While it has not been our practice to submit to Congress military pay and allowance claims which cannot be paid because of a lack of any legal liability under a statute, this claim contained such elements of equity to warrant referral to Congress. Subsequent to the transmission of our report a private bill, H.R. 17109, was introduced to authorize payment of the claim. The House Committee on the Judiciary in reporting the bill favorably, without amendment, indicated agreement with our Office that the facts merited legislative relief.

The other two meritorious claims which passed the House in the first session have been referred to the Senate Judiciary Committee for consideration. These two bills are H.R. 2652, providing relief of an employee from an indebtedness arising from an advancement in grade and salary of an employer in contravention of the Whitten rider, and H.R. 2653, providing payment to a magazine publisher for a Government advertisement which was placed in the magazine without the prior approval required by law.

#### **Resafement of Prior Year Recommendations**

1. *Payment of certain severance benefits to former Foreign Service officers.*—We found that certain former Foreign Service officers of the Department of State who had been selected out were reemployed by the Federal Government immediately or within a month thereafter at salaries at least equal to their salaries at the time of separation and were also being paid severance benefits. In contrast, severance benefits payable to civil service employees are terminated upon reemployment by the Federal Government or the municipal government of the District of Columbia and severance benefits payable to Foreign Service Reserve employees of the Agency for International Development are terminated or adjusted upon reemployment by the Federal Government.

Severance benefit payments are authorized by the Federal Service Act of 1946, as amended (22 U.S.C. 1004), which provides that Foreign Service officers in classes 4 through 7 who are retired under selection-out provisions shall receive the selection-out benefits. A Foreign Service officer is selected out because he (1) does not receive a promotion to a higher class within a specified period prescribed by the Secretary of State or (2) fails to meet the standard of performance required of officers of his class.

We suggested that the Congress might wish to consider the need for amending section 634 of the Foreign Service Act of 1946 to provide for

the adjustment of payable selection-out benefits at such time as a former Foreign Service officer becomes reemployed by the Federal Government or employed by the municipal government of the District of Columbia before expiration of his selection-out benefit period. We have been informally advised that the Department of State concurs in the enactment of legislation to carry out the substance of this recommendation. (Payment of Certain Severance Benefits to Former Foreign Service Officers, B-160300, Jan. 31, 1967.)

2. Proposed *repeal of* requirement that Comptroller General make annual audit of General Supply Fund.—We submitted for the consideration of the Congress a legislative proposal recommending that section 109(e) of the Federal Property and Administrative Services Act of 1949 be amended to discontinue the specific statutory requirement that the Comptroller General make an annual audit of the General Supply Fund.

We believe that the Accounting and Auditing Act of 1950 and the Budget and Accounting Act, 1921, provide ample authority for our Office to review the General Supply Fund when determined necessary or when requested to do so by the Congress. In the absence of the specific audit requirements of the 1949 act, we would have the same freedom of choice under the broad general audit authority given to us under the 1950 and 1921 acts in selecting the period and scope of financial reviews that we have in other areas in the General Services Administration, and in other agencies in general.

A bill, S. 1767, that would implement our recommendation was introduced in the Senate in May 1967, but no further action had been taken prior to the close of fiscal year 1968.

3. Exemption of US.-owned vehicles *from* D.C. registration, titling, and inspection requirements.—We recommended that the Congress consider enacting legislation amending title 40 of the District of Columbia Code to exempt vehicles owned by the Federal Government and by the District of Columbia from the requirements for registration, titling, and inspection. Savings could be attained by the Federal Government and the District of Columbia if requirements for registration, titling, and inspection of approximately 5,800 Government-owned motor vehicles based in Washington, D.C., were eliminated.

The chairman of the House Committee on Government Operations requested the Comptroller General to comment on responses to the committee regarding the recommendation by the President of the Board of Commissioners, D.C., the Postmaster General, and the Administrator of General Services. Our comments were submitted to the chairman of the committee in April 1967, B-146974, April 19, 1967. (Potential Savings by Elimination of the Requirements for Registration, Titling, and

Inspection of Government-owned Motor Vehicles Based in Washington, D.C., p. 14, B-146974, Mar. 8, 1965.)

4. *Opportunities for reduction of interest costs on refunds attributable to net operating loss deductions.* — Under the Internal Revenue Code of 1954, better treatment is accorded to some taxpayers claiming refunds than others at considerable additional expense to the Government. The Code permits taxpayers to offset net operating business losses of a current tax year against a prior year's taxable income and thereby receive a tax refund. Interest on these refunds is paid by the Government at the rate of 6 percent, commencing on the first day following the close of the year in which the business loss occurred. Also, there is no interest-free period allowed the Government within which to process refunds attributable to net operating loss deductions. Therefore, taxpayers who delay filing claims for refunds for periods up to 3 years receive interest for the entire period. Interest paid on all refunds attributable to net operating loss deductions during fiscal year 1964 was estimated to total about \$28 million.

We suggested that the Congress might wish to consider amending the Code to provide that interest on refunds resulting from net operating loss carryback deductions begin from the date that applications or claims for such refunds are filed instead of from the date following the close of the taxable year in which the net operating loss occurs, except that the Internal Revenue Service be authorized to establish a reasonable period after applications or claims are filed within which interest-free refunds may be made. This change would be consistent with current provisions which allow the Government an interest-free period within which to process ordinary refund payments. The Assistant Secretary of the Treasury for Tax Policy stated that the Treasury is prepared to support legislation to carry out our proposal.

We suggested also that Congress might wish to consider similarly amending statutory provisions concerning interest payments on refunds attributable to investment credit carrybacks, foreign credit carrybacks, and unused deductions of life insurance companies. (*Opportunities for Reducing Interest Costs on Refunds Attributable to Net Operating Loss Deductions*, Internal Revenue Service, B-137762, May 26, 1967.)

5. *Elimination of tax exemption privileges on beer and tobacco products given free to employees and visitors.* — Since 1862, internal revenue laws have imposed excise taxes on beer and tobacco products. Breweries are permitted, however, to furnish tax-free beer to employees and visitors for consumption on the premises, and manufacturers of cigars and cigarettes are permitted to furnish these products tax free to employees for personal consumption. These tax exemption privileges are not enjoyed by other producers, such as distillers. Although we recognized that these practices have existed for a long time, we expressed our be-



lief that expenses incurred in producing and promoting the sale of products, including excise taxes, are appropriate costs to the manufacturers and that excise taxes should, therefore, be imposed on beer and tobacco products even when these products are given to employees and visitors free of charge. We estimated that if the beer and tobacco products given away during fiscal year 1965 had been subject to excise taxes, additional revenues of about \$1.6 million would have accrued to the Government.

We suggested that the Congress might wish to consider amending the Internal Revenue Code of 1954 to provide for payment of taxes by brewers on beer consumed by employees and visitors and by tobacco products manufacturers on cigars and cigarettes given to employees. (Review of Federal Excise Tax Exemption on Beer and Tobacco Products Given to Certain Consumers, Internal Revenue Service, B-133365, Apr. 25, 1967.)

6. Potential savings through changes in legislation *affecting* compensation of rural carriers.—Most rural carriers are compensated under a schedule, established by law, which is based on length of routes and years of service, regardless of the hours of work required to serve the routes. Basing compensation chiefly on the length of a route ignores such factors as the number of families on the route and the volume of mail handled, which significantly influence the time required to serve a route. Carriers who serve heavily patronized routes are compensated under a schedule, established by the Postmaster General pursuant to law, which is based on the hours of work required to serve their routes and on years of service. We recommended that the Congress consider enacting legislation authorizing the Postmaster General to compensate all rural carriers on the basis of the hours of work required to perform their duties. (Potential Savings Through Changes in Legislation Affecting Compensation of Rural Carriers and Consolidation of Rural Routes, B-114874, Dec. 13, 1966.)

7. Potential benefits *from* quarterly collections of Federal unemployment taxes.—In January 1967 we reported to the Congress that a significant acceleration in the availability of funds for financing the administration of employment security activities could be realized if appropriate legislation were enacted to provide for quarterly, rather than annual, collection of the Federal unemployment taxes. Both the Treasury Department and the Department of Labor agreed in principle with the desirability of our proposal to change the collection of the taxes to a quarterly basis. We recommended that the Secretaries of Labor and of the Treasury cooperatively determine the most feasible method of making quarterly collections of Federal unemployment taxes and submit the

necessary legislative proposal for consideration by the Congress to provide the authority for such collections.

Officials of the Department of Labor advised us that proposed legislation was submitted to the Bureau of the Budget in fiscal year 1968 but that the proposed legislation was not submitted to the Congress for consideration. (Potential Benefits From Quarterly Collections of Federal Unemployment Taxes, Department of Labor and Department of the Treasury, B-133285, Jan. 24, 1967.)

**8. *Need to clarify intent as to whether competitive negotiation requirements apply to the negotiation of architect-engineer contracts.***— Although Public Law 87-653 requires that, in all negotiated procurements in excess of \$2,500, proposals be solicited from the maximum number of qualified sources and that discussions be conducted with all responsible offerors whose proposals are within a competitive range, price and other factors considered, Federal agencies subject to this requirement generally solicit a proposal only from the architect-engineer firm selected on the basis of technical ability.

In our view there is no statutory basis which would exempt architect-engineers from the requirements of Public Law 87-653. However, we advised the agencies that their present procedures may be followed until the Congress had an opportunity to consider this matter in view of past administrative practices in the procurement of such services.

We stated that in our opinion the procurement of architect-engineer services was and should be subject to the competitive negotiation requirements of Public Law 87-653. We suggested that (1) in view of past administrative practices in the procurement of such services, it was important that the Congress clarify its intent as to whether the competitive negotiation requirements of the law are to apply to such procurements and (2) if the Congress determined that it was not so intended, the law should be amended to specifically provide for an exemption for this type of procurement. (Government-wide Review of the Administration of Certain Statutory and Regulatory Requirements Relating to Architect-Engineer Fees, B-152306, Apr. 20, 1967.)

**9. *Repeal of present statutory fee limitation on architect-engineer fees.***— We found that major construction agencies contracted for architect-engineer services at fees in excess of the statutory provisions which limit the fees payable to architect-engineers to 6 percent of the estimated cost of construction. Generally, these agencies interpreted the limitation as applying only to that portion of the total fee relating to the production and delivery of designs, plans, drawings, and specifications. Under such interpretation, most of the architect-engineer contracts under which the total fee exceeded 6 percent would be in compliance with the limitation. However, we reported that in our opinion the military pro-

curement statute and the Federal Property and Administrative Services Act of 1949 impose the 6-percent fee limitation on all architect-engineer services.

We reported that in our opinion the present statutory fee limitation is impractical and unsound principally because (1) the limitation is governed by estimated construction costs which do not necessarily relate to the value of the architect-engineer services rendered, (2) estimated construction costs may not be known at the time the limitation must be applied, (3) some architect-engineer contracts do not involve programmed construction projects, (4) the limitation may be partially avoided by agencies having their in-house resources perform services that have generally been contracted to architect-engineer firms, and (5) architect-engineer fees in terms of percentages of construction cost vary widely and thus render impracticable the establishment of a percentage at an appropriate level to effectively limit the fee for the majority of contracts.

The present requirements for competitive negotiation and the submission and certification of cost or pricing data, if properly applied to contracts for architect-engineer services, should provide adequate assurance of reasonable fees. Therefore, we recommended that the Congress repeal the 6-percent limitation imposed on architect-engineer fees by 10 U.S.C. 2306(d), 4540, 7212, and 9540 and by section 304(b) of the Federal Property and Administrative Services Act of 1949, as amended (41 U.S.C. 254(b)). A bill to implement this recommendation, S. 2089, was introduced in July 1967 but has not been acted upon. (Government-wide Review of the Administration of Certain Statutory and Regulatory Requirements Relating to Architect-Engineer Fees, B-152306, Apr. 20, 1967.)

### **Legislative Proposals to Heads of Departments or Agencies**

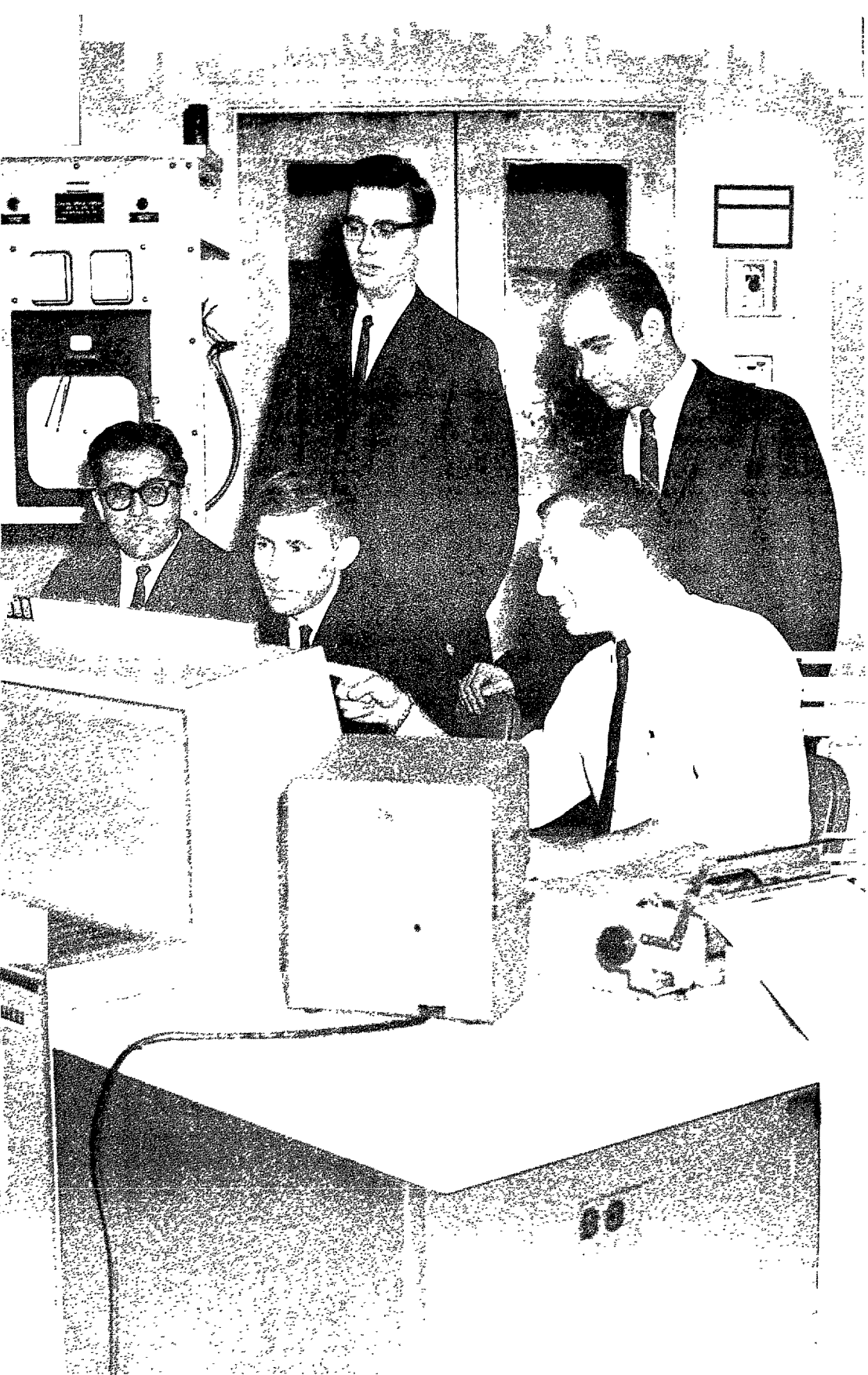
1. *Potential reduction in future losses from peanut price-support programs.*—In our review of the peanut price-support programs of the Commodity Credit Corporation, Department of Agriculture, we estimated that under existing legislation losses from the programs during the 5-year period, 1967 through 1971, would amount to at least \$248 million and that losses in the following years would continue to increase.

In a report submitted to the Congress in May 1968, we expressed the opinion that plans to control the production of peanuts could best be established by revising the Agricultural Adjustment Act of 1938. This act limits the quantity of peanuts which can be produced by providing for a national acreage allotment that may not be less than 1,610,000

acres. Since passage of this act, new farm technology has increased the average yield per acre enormously and, thus, has reduced the usefulness of the national acreage allotment as a control over production.

We expressed the belief that the Department of Agriculture should consider recommending to the Congress a change in the Agricultural Adjustment Act of 1938 which would permit production to be controlled on the basis of pounds instead of acres in order to reduce the Corporation's future losses. (Review of Peanut Price-Support Programs, Commodity Credit Corporation, Department of Agriculture, B-163484, May 9, 1968.)

## **Chapter Three**



*Assistance in*  
Improving Agency  
Management  
Practices

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SUMMARY OF ASSISTANCE PROVIDED

**An** important part of the **work** of the General Accounting Office is providing 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 is rendered principally in the form of (1) performing audit work and reporting on findings and recommendations to agency officials, (2) cooperating in the development of improved financial management systems, (3) promulgating accounting principles, standards, and policies, (4) furnishing consulting advice in acquiring and using automatic data processing systems, (5) providing advisory assistance in traffic and transportation problems, (6) settling claims, and (7) issuing legal decisions and advice.

This chapter describes our work in assisting agencies in establishing and maintaining their financial management information systems and improving their related management practices. Our assistance in other areas of management is discussed in Chapters Four through *Six* with regard to findings and recommendations for corrective action resulting from our audit work and in Chapters Seven through Nine with regard to our assistance in the areas of transportation, claims, and legal services. Our assistance to the Congress on its internal accounting and financial management is discussed in Chapter Two.

## CONGRESSIONAL INTEREST IN FINANCIAL MANAGEMENT

The House Government Operations Committee has continued its interest in the progress being made in financial management improvements in the Federal agencies since enactment of the Budget and Accounting Procedures Act of 1950. The committee held hearings in 1964, 1966, and 1967 on the lack of progress in improving accounting systems in the departments and agencies of the Federal Government. It issued formal reports on these hearings, strongly urging constructive and prompt action by the respective Federal agencies and more aggressive attention to the area of financial management by the General Accounting Office, the Bureau of the Budget, the Treasury Department, and the Civil Service Commission.

The committee issued its latest report on March 5, 1968 (**H. Rept. 1159**, 90th Cong., 2d sess.) in which it recommended that the General Accounting Office (1) make an annual report to the Congress summarizing findings relating to inadequate accounting systems and the progress of agencies in developing systems for submission and approval by the Comptroller General, (2) continue to circulate among executive agencies examples of good financial management practices, and (3) re-evaluate previously approved systems on a regular cycle basis. The first annual report to the Congress is planned for the calendar year 1968. Action is also planned in response to the other congressional recommendations.

The committee's continuing interest in this subject was further evidenced by a meeting in which financial management systems being designed for the Department of Labor were presented to a large group of high-level executive agency officials. This continued congressional interest has been helpful in stimulating continuing effort toward improved Federal financial management practices.

The House and Senate Committees on Appropriations have been vitally interested in the efforts of the Department of Defense to establish an improved system for the management of its resources. Section 640(b) of the Department of Defense Appropriation Act, 1968, required the Comptroller General, in coordination with the Director of the Bureau of the Budget, to evaluate the accounting system for operations being proposed by the Department of Defense and to express an opinion on its conformance to all laws and regulations. On April 12, 1968, we reported to the Congress (B-159797) our opinion that the proposed system was designed to (1) meet the requirements of all applicable laws governing budgeting, accounting, and the administration of public funds and the standards and procedures established pursuant thereto, (2) provide for uniform application to the extent practicable throughout the Depart-



ment of Defense, and ( 3 ) prevent violations of the antideficiency statute (Rev. Stat. 3679; 31 U.S.C. 665).

The conference report on the Department of Defense Second Supplemental Appropriation Bill for 1968, dated July 1, 1968, provided that the Department's actions to effect improvements in its accounting be accomplished in collaboration with the General Accounting Office.

#### **ASSISTANCE IN IMPROVING FINANCIAL MANAGEMENT**

The ever-increasing scope, complexity, and cost of the Government's activities increase the importance of the development and maintenance of sound financial management systems. The Government's annual expenditures are now running at a rate in excess of \$180 billion, including trust fund expenditures, with significant increase as a result of new and expanded social programs, defense expenditures, and interest costs on a steadily mounting public debt. New social programs have been developed in recent years to broaden educational opportunities, to develop economically depressed areas of the Nation, to help finance health services and medical care, and to launch a concerted attack on poverty.

The growth of these domestic programs and the defense and related international programs, coupled with the corresponding decentralization of activities throughout the United States and the world, add to the complex responsibilities of the Government's managers. Thus, the managers in Federal service need all available tools, including detailed and reliable data on the actual costs of activities, programs, and functions, to help them plan and administer Federal programs and funds effectively and economically and in accord with the intent of the Congress.

One very important management tool is an adequate accounting system designed to provide control over funds, property, and other assets and liabilities; to provide current and timely information on the costs of operations and other related information that is of value to management officials in decisionmaking; and to provide cost and other financial data to various levels of management related to the previous financial plans that were expressed in operating cost budgets of each agency. The availability of timely and reliable cost information, related to cost budgets and assignments of management responsibility, is essential in promoting in responsible officials and employees desirable attitudes of cost consciousness which are so important to the economical conduct of Government operations.

It is not possible to estimate the potential savings that could be realized by developing and using adequate budget and accounting systems. However, the savings should be substantial because of the improved informa-

tion available to managers for their use in making better decisions. The need for improved budgeting, accounting, and reporting certainly warrants the unremitting efforts of all agency officials,

### *Prescribing Accounting Principles and Standards*

**An** important accounting responsibility assigned to us by law is the prescribing of accounting principles and standards to be followed by the executive agencies in establishing and maintaining their accounting systems. The first comprehensive statement of these principles and standards, issued in accordance with this requirement, was released in 1952.

The establishment of accounting principles and standards is not a one-time action; revisions and additions must be made from time to time to reflect benefits gained from experience, evolution in financial management concepts, and the requirements of newly enacted legislation. A complete restatement of the accounting principles and standards prescribed by the Comptroller General was issued on June 30, 1965, as Title 2 of the General Accounting Office Manual for Guidance of Federal Agencies.

In April 1967 the restatement of the principles and standards was amended to make it clear that the accounting systems of executive agencies must provide adequate support in the form of cost and other financial information for the planning-programming-budgeting system prescribed by the President for executive agencies.

### *Accounting Recommendations of President's Commission on Budget Concepts*<sup>1</sup>

The President's approval in December 1967 of the recommendations of his 16-member Commission on Budget Concepts (of which the Comptroller General was a member) that budget expenditures and receipts be reported on an accrual basis rather than in terms of cash put added emphasis on the need for each Federal agency to maintain its accounts on the accrual basis.

Specific instructions to the executive agencies for implementing the Commission's recommendations are contained in Bureau of the Budget Bulletin No. 68-10, dated April 26, 1968. The General Accounting Office was consulted in the preparation of this bulletin and we have endorsed its purpose and content.

<sup>1</sup>Report of the President's Commission on Budget Concepts, U.S. Government Printing Office, Washington, D.C., October 1967.

Basic laws and our prescribed principles and standards of accounting for Federal agencies have long called for the maintenance of accounts on the accrual basis. However, some refinement in the application of our principles and standards is necessary to accommodate, primarily at the appropriation level, the reporting, in accordance with the Commission's recommendations, of revenues and expenditures in terms of accruals rather than in terms of receipts and disbursements. Accordingly, the heads of departments and agencies were informed on May 4, 1968, that accrued revenue and expenditure data must be obtained and reported on a monthly basis and that in the case of contractors performing work to the Government's specifications, accrued expenditures must be recognized in Federal accounts and reports on the basis of constructive receipt of goods and services, without awaiting physical delivery to or acceptance by the Government. These requirements are being formally incorporated in our statement of prescribed accounting principles and standards for Federal agencies.

Special studies were instituted during the year by the General Accounting Office, the Bureau of the Budget, and the Treasury Department to analyze the problems and develop workable procedures for implementing the accrued revenue and expenditure recommendations of the President's Commission on Budget Concepts. The Commission recommended a conversion to this basis for the 1971 budget, to be submitted to the Congress in January 1970. The principal problems requiring special study are (1) accounting for costs incurred by contractors but not yet reported to the Government under contracts for the furnishing of materials, facilities, and equipment to the Government's specifications; (2) accounting for costs incurred by recipients of Federal funds under grant-in-aid programs; and (3) estimating revenues from income and other forms of Federal taxes on the accrual basis.

#### ***Cooperative Work in the Development of Accounting Systems***

We have continued to devote a substantial amount of manpower to the field of financial management, including cooperative assistance to the executive agencies in the development of improved accounting systems.

Our manpower has been directed to such matters as working with agency officials and staffs so that, with our technical assistance and guidance, the agencies may proceed to develop and maintain financial management systems that are designed and operated in accordance with the concepts of the Budget and Accounting Procedures Act and that meet the needs of the operating and central agencies of Government. In our coop-

erative work, we keep ourselves informed as to what each agency is doing and the problems it is encountering in order that we may reach a common understanding as to the concepts and principles to be employed. Our purpose is to be as helpful as we can without assuming agency management responsibilities. The head of each executive agency has the statutory responsibility for establishing and maintaining adequate accounting and financial management systems.

Our cooperative efforts in the financial management area are the direct responsibility of the Management Control Systems Group in the Defense Division, the Financial Management and Special Projects Group in the International Division, and each of the audit groups in the Civil Division. During the year each of our responsible organizations has worked closely with agencies in the development and review of their accounting systems. A large part of our effort has been devoted to the development and review of separate statements of principles and standards. These statements set the stage for the detailed systems design and improvement effort that will follow in each agency.

### ***Review and Approval of Accounting Systems***

Our approval of an agency's accounting system is based on, among other things, a test of the operation of the system to the extent necessary to establish whether the system is adequate and conforms in all material respects with our prescribed principles and standards.

After approval, we have the continuing responsibility of providing consultative assistance on further refinements and of reviewing systems in operation from time to time to evaluate their continued adequacy and usefulness. If we subsequently find that the approved system is not being implemented as planned, or has been adversely modified since approval, then cooperative action is taken with the agency to achieve the corrective action needed. Where appropriate, a report on the financial management system is submitted to Congress.

The procedures to be followed by agencies in obtaining approval of their accounting systems are set forth in Title 2 of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies. In May 1967 we changed our requirements for requesting approval of accounting systems by specifying that agencies should first prepare a statement of accounting principles and standards applicable to their systems and obtain GAO approval before proceeding to the detailed design and installation of revised systems. Under this approach, we had under review for the civil departments and agencies, during

the fiscal year 1968, 21 statements of accounting principles and standards; eight of these were approved during the year and 13 were under review by our Office on June 30, 1968.

During the year, we also had under review 29 complete and *six* parts or segments of systems submitted by civil departments and agencies. Five of these complete systems (which included reapproval of one updated system previously approved) and three partial systems were approved during the year, and **six** complete systems were withdrawn by, or returned to, the agencies for further development. At the end of the year, 18 complete and three partial systems were in various stages of review.

At June 30, 1968, out of the 150 civil department and agency accounting systems subject to approval, the accounting systems of 57 organizational entities had been approved compared with 60 approvals reported as of June 30, 1967. However, during the year, seven approvals of complete systems issued in prior years were dropped from our count of complete system approvals because the related systems were discontinued, merged into new systems, or were reclassified to new authorized stages of the approval process. In addition, we have approved 13 parts or segments of systems, covering such operations as payroll and property accounting, in other entities among the civil departments and agencies where the complete system has not yet been approved. When a complete system is approved, any prior approvals of segments are dropped from our count of approved systems segments.

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. However, as described on page 46 we did report to the Congress our favorable opinion on the design of the proposed Department of Defense accounting system for operating expenses.

As of the end of the year, the Department of Defense had submitted for approval 15 directives and instructions setting forth accounting principles and standards, the accounting manuals of the three military services for construction activities, and industrial fund accounting systems manuals for four Defense activities. The directive governing the Department's overall Resource Management System was approved and all other submissions were being reviewed at the end of the year.

#### ***Joint Financial Management Improvement Program***

The Joint Financial Management Improvement Program is a Government-wide cooperative effort of all departments and agencies under

the joint leadership of the Comptroller General of the United States, the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Chairman of the Civil Service Commission to establish and maintain systems of financial management that will be of maximum usefulness throughout the Federal Government.

The program is coordinated through a Steering Committee composed of a representative of each of the central agencies. The Steering Committee meets regularly to consider problem areas, initiate work projects, and keep abreast of progress being made throughout the Government. The principals of the program meet from time to time to receive overall reports of progress and to furnish broad policy guides to the Steering Committee. At a meeting of the principals in April 1968, ongoing projects were reviewed and proposals for new projects were considered.

A number of projects were planned during the year and several were started as formal projects. Two of the major projects were:

1. *A study of the use by Federal agencies of letters-of-credit to finance contractors and grantees.* — A task force comprised of a representative from each of the central financial agencies and a representative of the Department of Health, Education, and Welfare visited selected Federal agencies which use letters-of-credit, and selected grantees in order to determine the effectiveness of this method of financing. At year end, the task force was summarizing the results of its study and evaluations.
2. *A study of procedures for centralizing within the Federal Government the billing and payment of transportation charges incurred by Federal agencies.* — During the year, a study team chaired by a representative of the General Services Administration and comprised of representatives from the General Accounting Office, the Bureau of the Budget, the Department of the Treasury, the Department of Commerce, the Department of Health, Education, and Welfare, and the Department of Agriculture, conducted preliminary reviews and studies at selected Federal agencies and held meetings with transport associations. The study is expected to be completed during fiscal year 1969 and a report issued.

The principals as well as the Steering Committee continually concern themselves with a broad range of financial management matters. One project in particular which will start in the fiscal year 1969 and which will require substantial resources to complete is a Government-wide review of the financial administration of grants-in-aid to States and to local governments.

### Other Factors Affecting Accounting Systems Development

The recommendations of the President's Commission on Budget Concepts made in its report of October 10, 1967, and which were endorsed and adopted by the President, will have an important effect in stimulating the further development of agency accounting and reporting. The Commission heartily endorsed the trend toward the use of accrual systems of accounting and recommended that budget expenditures and receipts be reported on an accrual basis instead of the present cash basis.

Another factor affecting accounting system design and development is the need to classify data so as to accommodate the planning-programming-budgeting system (PPBS). The availability of properly stated and classified financial information to correspond to classifications of PPBS is a significant factor in the effective use of PPBS as a planning and management device.

The increased interest in the legislative branch and at the highest executive branch level in a Government-wide cost reduction program focuses additional attention on the need for improved Federal agency accounting. The Government has in being an organized effort to reduce costs, and, about a year ago, established the President's Advisory Council on Cost Reduction. Adequate accounting systems can help in the identification of opportunities for cost reduction by disclosing unit cost information for comparative analysis purposes or by disclosing costs which might be eliminated or reduced when brought to the attention of management.

The mechanics of accounting and reporting, and the ability to classify and print data in various combinations, are greatly facilitated by the use of electronic computers and printers. The availability of such equipment has a very significant effect on Government accounting systems planning and development work.

The proper, efficient, and economical use of such equipment for accounting and reporting purposes requires careful and detailed planning, programming, and implementation over an extended period of time. However, the high cost of the equipment and the expensive programming for its actual use requires good planning and supervision to avoid extensive waste in trying to achieve better record and reporting systems. The systems development work related to electronic equipment constitutes a real challenge to the systems accountants in the Government.

### AUTOMATIC DATA PROCESSING

Approximately 4,000 computers are now installed in Federal agencies, as contrasted with approximately 3,000 installed as of June 30, 1967,

and 2,200 as of June 30, 1965. The trend toward increased use of computer-based systems throughout the Federal Government is thus evident. These totals include computers used in business management functions and scientific and engineering programs but are exclusive of equipment used for tactical, intelligence, and other classified purposes.

Over a 3-year period the inventory of installed computers has almost doubled and the use of automatic data processing systems in carrying out Federal Government functions has had a significant impact on operations in almost every major agency of the Government. In the Department of Defense, the principal business applications are in supply and logistics programs and related financial management operations. In these activities computer systems are now processing millions of transactions monthly in supply control and related financial management operations. Extensive communication facilities are being used to transmit data between using organizations and computer centers. Extensive use is being made of small-scale computers throughout the Department for base-level operations.

In the civil agencies, many large-scale paperwork operations have been converted to automatic data processing systems. Important examples may be found in the Treasury Department, the Social Security Administration, the Veterans Administration, the Department of Agriculture, the Post Office Department, and the Census Bureau.

We continued to provide advice and assistance to Federal agencies on questions involving the acquisition and use of automatic data processing systems. Also, in carrying out our review and evaluation responsibilities, we assisted agencies by reviewing with agency officials deficiencies disclosed during our audits related to the planning for and use of such systems. We are currently engaged in a general survey of ADP activities in civil departments and agencies in the Federal Government. The survey is concerned with the overall management and control of ADP activities, and the participation of internal audit groups in ADP matters.

We have continued to work with the US. Civil Service Commission and the auditing agencies of the Government in providing a training program for auditing in an automatic data processing environment. This course is now being offered by the Civil Service Commission to auditors of all Federal agencies.

In addition to advising and assisting individual Government agencies, we have as a result of our continuing studies in this field made recommendations which were directed at achieving improvements in the management and administration of automatic data processing facilities on a Government-wide basis.

These studies are being made as a follow-up to our earlier studies that were the subject of comprehensive reports to the Congress in June 1958,



December 1960, March 1963, April 1964, and August 1965. Copies of these reports were widely distributed to Government agencies to assist them in the development of their automatic data processing programs.

Our latest report in this series was issued in April 1968 and was entitled "Maintenance of Automatic Data Processing Equipment in the Federal Government." This report pointed out that in most cases maintenance services for Government-owned computers are being obtained from computer equipment manufacturers and that only a relatively small number of Government computer installations have adopted a policy of in-house maintenance for their equipment. We concluded that greater consideration should be given to in-house maintenance because of the potential for cost reduction in obtaining this necessary service and other possible advantages. The report recommended that :

- The Bureau of the Budget require the executive agencies to consider in-house maintenance in reaching procurement and maintenance decisions and that the General Services Administration accelerate its studies now underway on this subject with an objective of promulgating more specific policies for the guidance of Federal agencies in obtaining adequate maintenance service at the least cost to the Government.
- The head of each Federal agency arrange for the establishment of procedures for arriving at the most advantageous decisions for maintenance of automatic data processing equipment.

Also, during our study, we noted a few instances where aggressive managers had saved their activities significant sums of money by not purchasing automatic data processing system components and repair parts from the computer manufacturer but by purchasing the items direct from the actual manufacturers of the components or from other sources of supply.

The cost savings from such direct procurement illustrated by the few cases we encountered suggest that this method of procurement should be more extensively explored. We are conducting further studies of this question as a preliminary to making specific recommendations.

The Bureau of the Budget has advised us that it is taking steps to amend its Circular No. A-54 which relates specifically to acquisition and use of automatic data processing equipment to assure that agencies give appropriate consideration to the use of in-house maintenance decisions.

The General Services Administration has accelerated its study by awarding a contract for consulting services to conduct a survey "to identify the optimum least cost alternative means for maintenance of ADP within appropriate parameters such as make, size and type of equipment, type and priority of applications and geographical considerations."

The General Services Administration also advised us that it would issue a Federal Property Management Regulation containing some initial interim guidelines to assist agencies in their evaluation of alternative means of maintenance. These will include the factors brought out in our report.

### REVIEW OF AGENCY INTERNAL AUDITING

In the discharge of its statutory audit responsibilities and as a matter of generally accepted auditing practice, the General Accounting Office reviews and evaluates the effectiveness of departments' and agencies' systems of internal control, including internal audit or other methods of internal review.

During the year we reviewed the activities of a number of the audit organizations in the civil departments and agencies and the Department of Defense and made recommendations for changes and improvements in several instances. We submitted six reports to the Congress on these reviews in the Departments of Agriculture, Commerce, Defense, Justice, Labor, and Post Office. In addition, we reported to the Congress shortly after the close of the fiscal year on our review of internal audit activities in the Federal Aviation Administration (FAA). We also issued reports on this subject to responsible officials of the Army Corps of Engineers, the Atomic Energy Commission, the District of Columbia Government, the Federal Housing Administration, Department of Housing and Urban Development, the National Aeronautics and Space Administration, the Panama Canal Company, and the Peace Corps.

The more important matters discussed in these reports are summarized below and are described more fully in Chapters Four, Five, and Six, including the digests of our reports sent to the Congress during the year:

- Need to establish a central internal audit organization responsible to the highest practicable level, preferably the agency head or a principal subordinate official (Commerce, FAA and Justice).
- Relocation of internal audit function at a higher level needed (Labor).
- Need for expanded internal audit function commensurate with needs of the department (Labor).
- Procedures for follow-up action on recommendations contained in internal audit reports were in need of improvement (Post Office).
- Need to include significant findings in audit reports (Army Corps of Engineers).

- More comprehensive reviews and increased emphasis on evaluations of operating efficiency and economy were needed (District of Columbia Government).

In our reports on the Justice, Labor and FAA internal audit activities, we expressed our opinion that where the internal audit organization does not report directly to the agency head, that official should take action to ensure that the activity will be sufficiently independent to provide him **with** independent and impartial appraisals of the agency's programs and activities.

We concluded that the internal audit activities of the Departments of Agriculture, Defense, and Post Office, the Atomic Energy Commission, and the Panama Canal Company were being carried out in a generally satisfactory manner. However, we expressed reservations concerning the organizational placement of the internal audit organization in the Panama Canal Company. We expressed a similar view in regard to the Peace Corps' audit function.

Our audit work underway at June 30, 1968, included reviews of the internal audit activities at the Department of the Interior, Treasury Department, National Science Foundation, Railroad Retirement Board, and the Veterans Administration. At fiscal year end, we were preparing reports on our reviews of such activities in the Department of State, the Agency for International Development, and the United States Information Agency.

### SYSTEMS ANALYSIS

The Systems Analysis Group was established in July 1967 to provide the General Accounting Office with specialized capability in planning-programming-budgeting (PPB) concepts and related systems analysis techniques. With the spread of these concepts in the executive branch agencies by direction of the President and growing congressional interest in **this** area, it is considered essential that the GAO have appropriate capability to :

1. Make or review special studies of Federal programs, policies, and activities which involve the application of systems analysis concepts and techniques.
2. Provide consulting advice and assistance in this area to congressional committees, Members of Congress, and Federal agency officials, as required.

Work performed by this group during the year or underway at fiscal year end included : ( 1) participation in review of Economic Opportunity

programs, (2) survey of PPB in Federal agencies, (3) pilot studies in program effectiveness, (4) review of discount rate practices, (5) assistance in evaluating an economic feasibility report concerning the Supersonic Transport Airplane, and (6) participation in development of a training course in program budgeting and systems analysis for GAO accountants and auditors.

With respect to discount rate practices, the Comptroller General and members of his staff testified before the Subcommittee on Economy in Government of the Joint Economic Committee of the Congress on January 29, 1968. At that time, the Comptroller General submitted a report on the results of our survey of use by Federal agencies of the discounting technique in evaluating future programs. We expressed our opinion in this report that because of the extreme variation in discount rates and techniques being used by the executive agencies for evaluating and justifying their programs and because there is strong impetus toward the use of the discounting technique by Federal agency adoption of planning-programming-budgeting systems, the Congress may wish to provide guidance to the executive agencies on this important topic. We also stated our belief that some measure of standardization regarding the use of the discounting technique is needed to enhance the quality and consistency of information concerning Federal programs which is presented to the Congress for its consideration.

We plan to continue our inquiries into Federal agency discounting practices and to work with the Joint Economic Committee staff in its continuing studies.

#### **ANNUAL COMPILATIONS OF GENERAL ACCOUNTING OFFICE FINDINGS AND RECOMMENDATIONS FOR IMPROVING GOVERNMENT OPERATIONS**

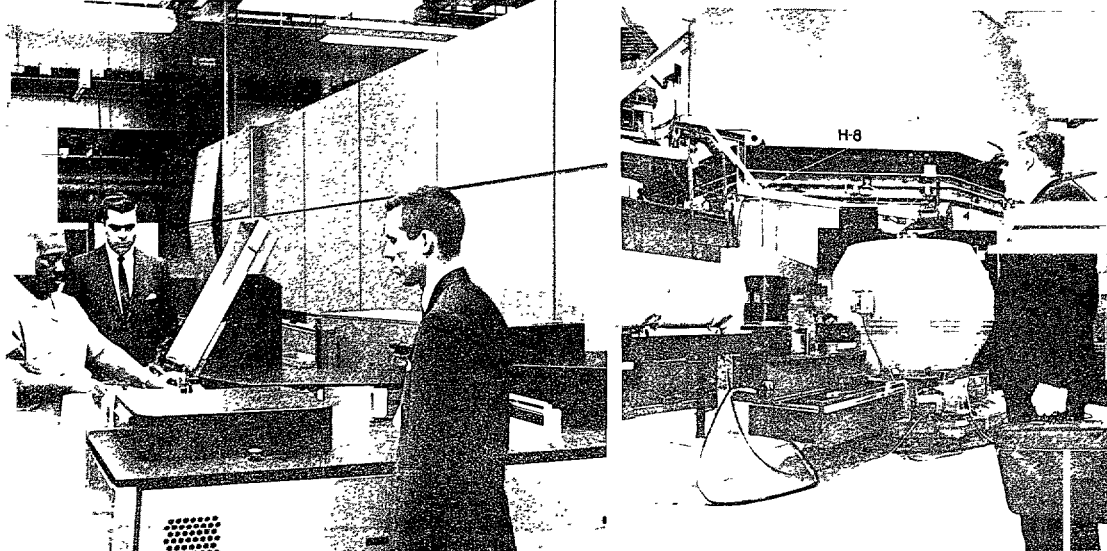
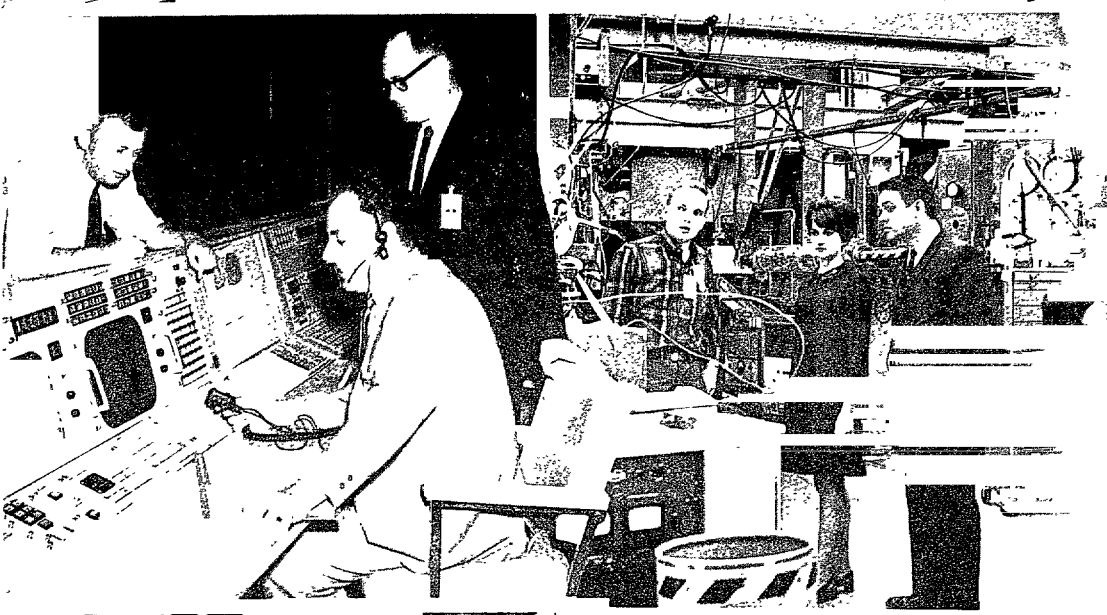
During the year, we submitted to the Congress two reports presenting compilations of General Accounting Office findings and recommendations for improving Government operations (B-138162, Aug. 23, 1967, and May 10, 1968). These compilations related for the most part to fiscal years 1966 and 1967.

In addition to their usefulness to the Congress, one of the primary purposes of these compilations is to acquaint Federal agency officials with specific findings we have made in functional areas of operation in the Federal Government, together with our recommendations for correction or improvement and, where applicable, information on accomplishments. Many of the findings which are developed in one agency have application in other agencies performing similar functions. The com-

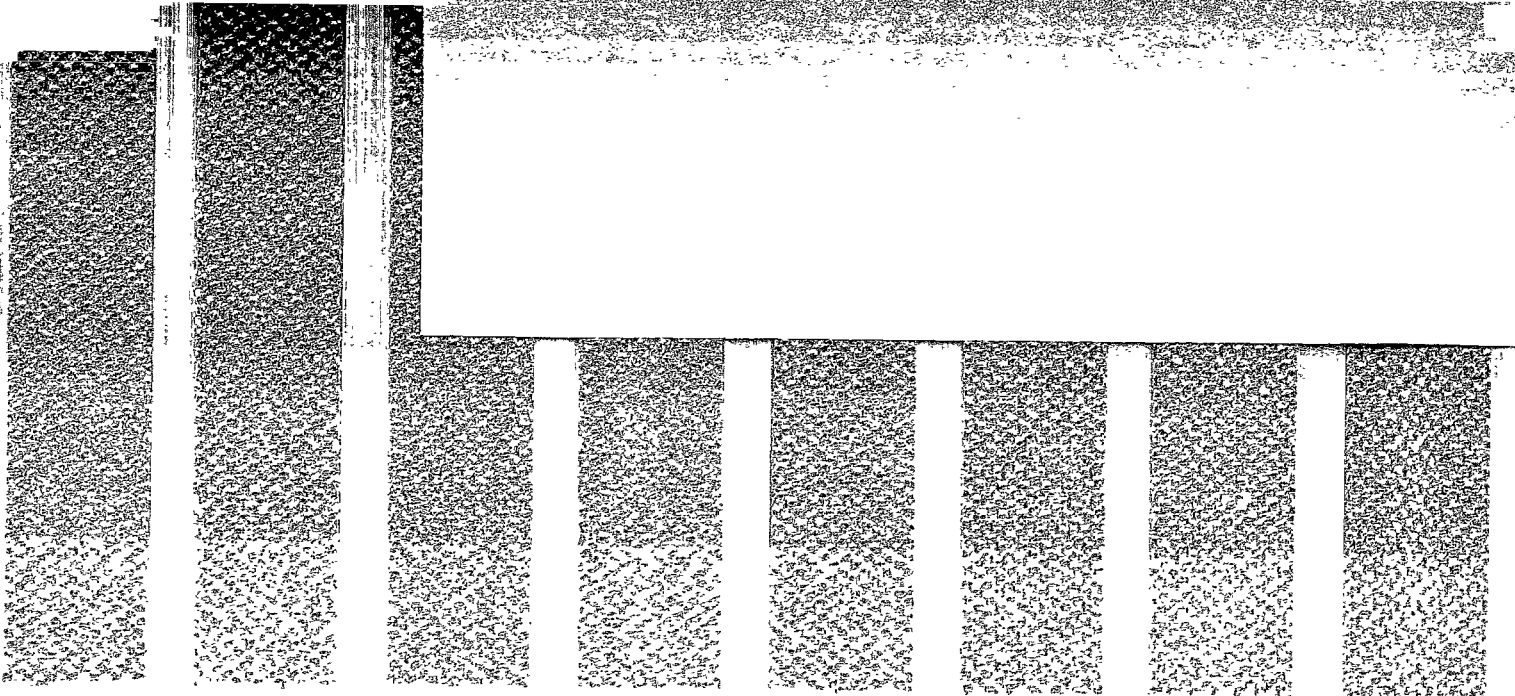
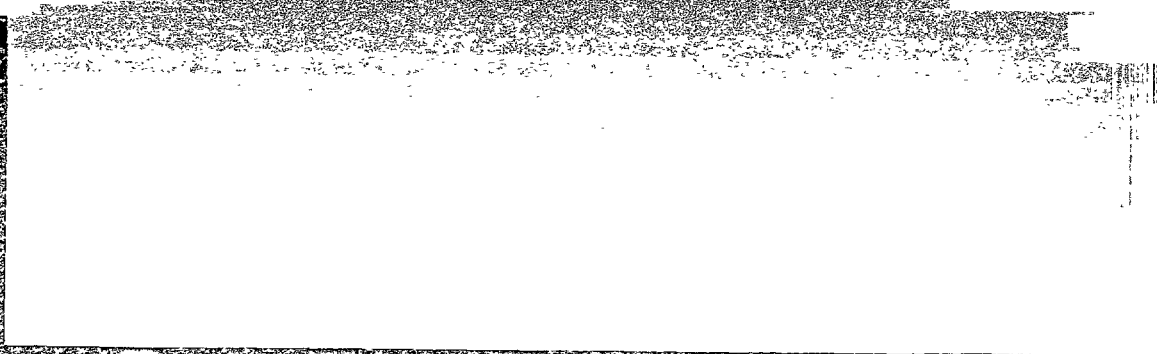
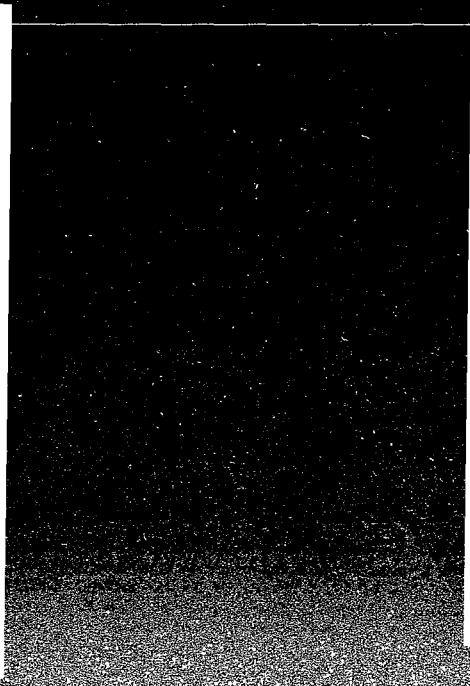
pilations provide a summary means of communicating the findings to all agencies regardless of where we have developed them and where we have **officially** reported them.

In addition to presenting our findings and recommendations, the compilations also summarize the actions taken by the departments and agencies on our recommendations.

## Chapter Four



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# Civil Operations

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## GENERAL

Our work in the civil departments and agencies in the executive branch, carried out by our Civil Division, was directed primarily to those agency operations and programs having major significance and evidence of interest in the Congress. Many of our reviews originated with congressional requests.

**As** a result of our work in the civil departments and agencies of the executive branch and in the legislative and judicial branches, we submitted 223 reports to the Congress. Ninety-nine of these reports were submitted to the Congress **as** a whole and 124 were submitted to its committees, officers, or Members on reviews made in response to their specific requests. In addition, we submitted 297 reports to agency officials. A list of these reports appears in Appendix C-2 of this report, beginning on page 268.

Collections and other measurable financial savings resulting from our work in the civil departments and agencies during the year totaled \$578,000 and \$25,194,000, respectively. The details of these amounts are included, among others, on pages 333 through 345 of Appendix G.

Where appropriate, we made concurrent and coordinated reviews of selected aspects of related activities carried on by more than one department or agency. Eleven reports on such reviews were submitted to the Congress during the year. Five were submitted to the Congress **as** a whole and six were submitted to committees of the Congress on reviews made at their request. A list of these reports appears on pages 289 and 290.

The following sections of **this** chapter briefly describe the audit work performed during the year in the major civil departments and agencies in the executive branch, our findings, and agency comments and action taken on our suggestions and recommendations for improvement in their operations. These sections also contain digests of our reports to the Congress. Audit work performed in the legislative and judicial branches also is described.

## CIVIL OPERATIONS

Our efforts in constructively assisting the civil departments and agencies to further improve their financial management systems are set forth in the comments on this subject contained in the following sections.

Another subject that received considerable attention from our Civil Division during the year was the effectiveness of the internal audit activities being carried out by various civil departments and agencies. Reports were submitted to the Congress during the year on our reviews of the internal audit activities of the Departments of Agriculture, Commerce, Justice, and Labor, and the Post Office Department. In addition, **six** reports on our reviews of internal audit activities in other civil departments and agencies were submitted to agency officials.

### DEPARTMENT OF AGRICULTURE

During fiscal year 1968 we reviewed selected activities of 11 constituent agencies and offices of the Department of Agriculture at the central offices in Washington, D.C., and at various field locations. The reviews involved the use of about 90 man-years of professional staff with a significant portion being devoted to price stabilization and commodity operations.

We submitted 16 reports to the Congress during the fiscal year. Eleven of these reports were submitted to the Congress as a whole and five reports were submitted to its committees or Members. In addition, we issued 19 reports to Department or agency officials. We found that the Department could improve the effectiveness of its operations or achieve economies in certain management areas. Some of our more significant findings concerned :

- Need for improvements in management controls over office copying machines.
- Savings available if the Commodity Credit Corporation would recover interest costs on certain loans.
- Potential reduction in future losses by the Commodity Credit Corporation from peanut price-support programs.
- Opportunity for the Commodity Credit Corporation to reduce costs by accelerating the disposal of unneeded storage structures.
- Need for Farmers Home Administration to revise loan approval procedures to reduce possible defaults and foreclosures on future loans to grazing associations.
- Substantial interest savings available under programs of the Federal Extension Service and the Cooperative State Research Service if program funds are advanced to States only as needed.

These and other findings resulting from our reviews, and agency comments or action taken on our suggestions and recommendations for improvement, are summarized in the digests of our reports to the Congress included at the end of this section.

We continued to increase our efforts in assisting the Department to improve its financial management systems. During the year, we approved the accounting system for the Department's centralized payroll system and statements of accounting principles and standards for the Foreign Agricultural Service, the Rural Electrification Administration, and the working capital fund and the general, special, and trust funds of the Agricultural Research Service. Significant resources were directed to providing assistance to the various agencies of the Department.

We also reviewed the internal audit activities of the Department and submitted a report to the Congress on the results of our review. We found the Department's internal audit activities to be generally effective and well organized. We suggested certain changes in operations, however, that would, in our opinion, result in better service to management.

Audit work in process at June 30, 1968, included surveys and reviews of such activities as automatic data processing, the price-support program for rice, certain aspects of the sugar program, loan management, and poultry inspection.

Digests of the reports submitted to the Congress follow.

#### *Department-wide Activities*

Improvements in management controls over office copying machines, **B-146930**, Apr. 25, 1968

We found that, to achieve economies in meeting copying requirements, the Department and its constituent agencies needed to (1) acquire copying machines with production capacities commensurate with copying requirements, (2) perform adequate feasibility studies before acquiring copying machines, and (3) coordinate the location and use of copying machines. Moreover, we noted a need for periodic reports to management on the cost and output of office copying machines.

We proposed that the Department develop and implement a plan for centralizing, at the departmental level, the management of copying machine requirements. A departmental task force, subsequently established, agreed that improved service would be achieved and estimated that annual savings of \$400,000 would result. Subsequently, the Department advised us it was taking steps to implement the recommendations of the task force. We were further advised that a study was underway at the major field installations of the Department to ascertain whether there were similar opportunities for improving operations at those locations.

Review of activities of the Office of the Inspector General, **B-160759**, May 8, 1968

On the basis of our review of the direction of the internal auditing and investigating activities of the Department, we concluded that the Office of the Inspector General (OIG) was generally effective in providing management with reliable information for improving controls over the Department's operations. It was

our opinion that certain organizational and operational features of OIG have enhanced its effectiveness, namely: (1) placement of OIG in a position directly responsible to the Secretary, (2) a system of reporting significant disclosures to the Secretary and to other top management officials, (3) an informational retrieval system which codifies audit and investigation findings, (4) a self-inspection program to achieve and maintain top efficiency, and (5) emphasis on staff training.

We commented that certain changes in the operations of OIG would result in better service to management. Accordingly, we recommended that (1) the Inspector General continue efforts toward directing audit resources to broader based reviews and reexamine the role followed in appraising the Food Stamp Program, and (2) the Secretary define the role of OIG in the present efforts to improve the accounting systems of the Department. The Secretary advised us of his general agreement with our recommendations.

*Agricultural Stabilization and Conservation Service  
and Commodity Credit Corporation*

Review of certain aspects of the wheat export program conducted by the Commodity Credit Corporation, B-160340, July 24, 1967

Pursuant to a request of a Member of Congress, we reviewed certain aspects of the wheat export program conducted by the Commodity Credit Corporation (CCC). Under this program, CCC makes subsidy payments to exporters of wheat and wheat flour when domestic market prices are higher than world prices. We found that the export subsidy rates were administratively determined by Department of Agriculture officials on the basis of their judgment as to the subsidy levels needed to enable exporters to sell U.S. wheat competitively in foreign markets. Department officials advised us of certain factors considered in establishing the subsidy rates, but indicated that the rates established were not based on any written guidelines or formulas.

In view of the large amount of wheat export subsidies paid and the impact that even a minor variation in subsidy rates has on the wheat market, we suggested that agency records show the basis for the rates established. We were informed that the Department would take certain actions to improve its documentation of the determination of subsidy rates.

Follow-up review of cotton inventory management by the Commodity Credit Corporation, B-114824, Aug. 28, 1967

On the basis of our review of the Commodity Credit Corporation's cotton moving and storage practices, we concluded that certain improvements were needed to achieve more orderly management of cotton inventory, greater economies from lower storage rates, and improved marketability of certain cotton stocks.

To make space available in the growing areas for the new cotton crop and to provide for the orderly management of its inventory, CCC reconcentrates cotton from the warehouses in the growing areas to warehouses at other locations. Many warehousemen voluntarily offer to store reconcentrated cotton at rates below those specified in CCC's standard storage agreement as an inducement to obtain stocks of reconcentrated cotton from CCC.

We found that, although CCC's policy permitted the prompt reconcentration of CCC-owned cotton, avoidable delays occurred because CCC continued to reconcentrate cotton primarily at the request of storing warehousemen. We expressed the belief also that CCC needed to place greater emphasis on the reconcentration of old stocks—cotton which has been stored in the area of growth for 1 year or more after acquisition by CCC—and other stocks difficult to merchandise at their existing locations.

In response to our proposals for corrective action, Department officials agreed with our comments that cotton be moved and stored at the earliest practicable date after a determination is made of the quantities of cotton to be moved to provide space for new crop cotton.

Department officials disagreed, however, with our proposal that specific guidelines be established to consistently determine the acceptability of space offered for cotton storage at reduced rates. The basis of their disagreement was that the many factors involved are such that no set formula is feasible to govern the movement of cotton. We believe, however, that specific guidelines are needed to provide operating personnel with a consistent basis for determining the acceptability of space offered for the storage of reconcentrated cotton, and that such guidelines would aid in determining whether a movement is in the best interest of the Government. We therefore recommended that specific guidelines be established.

In January 1968, we reviewed actions taken to move cotton to locations offering improved marketability. This review showed that the Department was in the process of moving 100,000 bales of cotton of lower qualities to locations where it could attract more buyers.

**Savings available** if the Commodity Credit Corporation recovers interest costs on repaid price-support loans and on storage facility and equipment loans, **B-114824**, Sept. 21, 1967

Our review of the interest rates charged producers on price-support loans and storage facility and equipment loans showed that the Commodity Credit Corporation could incur interest costs (1) on unpaid price-support loans for the 1966 crops amounting to about \$7.6 million more than it would collect from the producers, and (2) on storage facility and equipment loans during 1966 amounting to about \$154,000 more than it would recover from producers. Such losses result from the Corporation's policy of charging producers interest on loans at a rate less than that which the corporation pays to obtain the loan funds from the U.S. Treasury and from private lending institutions.

We recommended that the Corporation revise its interest rate policy to provide that producers pay interest on future price-support loans which are repaid and on future storage facility and equipment loans at a rate not less than the rate the Corporation pays to finance the loans. In response to our proposals the Corporation advised us that the Department of Agriculture had studied the matter and concluded that the present policy was best considering the objectives of the price-support program and the farm-storage facility loan program. In November 1967 the Secretary of Agriculture reaffirmed the Department's earlier conclusion and informed us that the interest rates would not be increased at that time.

**Examination of financial statements of Commodity Credit Corporation for fiscal year 1967, B-114824**, Mar. 12, 1968

The Corporation reported a total realized loss of **\$3.8** billion for fiscal year 1967 in carrying out price-support and related programs. This loss, reimbursable through appropriations, was the highest in the Corporation's history. The amount of unreimbursed losses at June 30, 1967, was \$7.8 billion. In addition, the Corporation incurred costs totaling \$1.7 billion in carrying out special activities, such as those under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), which are financed separately.

In commenting on the Corporation's financial statements, we stated that, in view of the unique character and vast scope of the Corporation's operations, it was not practicable for us to perform all the examination and verification steps which we believe would be necessary to reach an independent overall opinion concerning the accuracy and fairness with which the statements presented the Corporation's financial position at June 30, 1967, and the results of its operations for the year then ended. However, we expressed

the opinion that the Corporation's accounting methods provided a generally satisfactory record of its financial transactions and that its system of financial reporting was, in general, adequate for the purpose of supplying the Corporation's management with information for conducting its affairs.

Review of peanut price-support programs, **B-163484**, May 9, 1968

During a 12-year period, 1955 through 1966, the annual production of peanuts increased, because of improved farm technology, to a point where supply was substantially greater than demand. As a result, during that period, the Commodity Credit Corporation had to dispose of increasing quantities of surplus peanuts at a loss of about \$274.5 million. Moreover, on the basis of available data we estimated that under existing legislation losses for peanut price-support programs during the 5-year period, 1967 through 1971, would amount to at least \$248 million and that losses in the following years would continue to increase.

We pointed out that, since passage of the Agricultural Act of 1938, new farm technology had increased the average yield per acre enormously and thus had reduced the usefulness of the national acreage allotment as a control over production. We concluded that the Department of Agriculture should consider recommending to the Congress a change in legislation which would permit peanut production to be controlled on the basis of pounds instead of acres. We estimated that such a change could reduce the Corporation's losses by at least \$56 million during the period 1968 through 1972, without any reduction of the existing level of producers' income, if production were limited to the quantity of peanuts produced in 1967.

In addition, we recommended that the Department initiate studies for developing additional concepts for accelerating the removal of excess acreage from peanut production and/or other means of equalizing supply and demand. In response to our proposals, the Corporation outlined action being taken to improve the peanut program and stated that our proposals were being considered and that every effort was being made to improve all aspects of the peanut program.

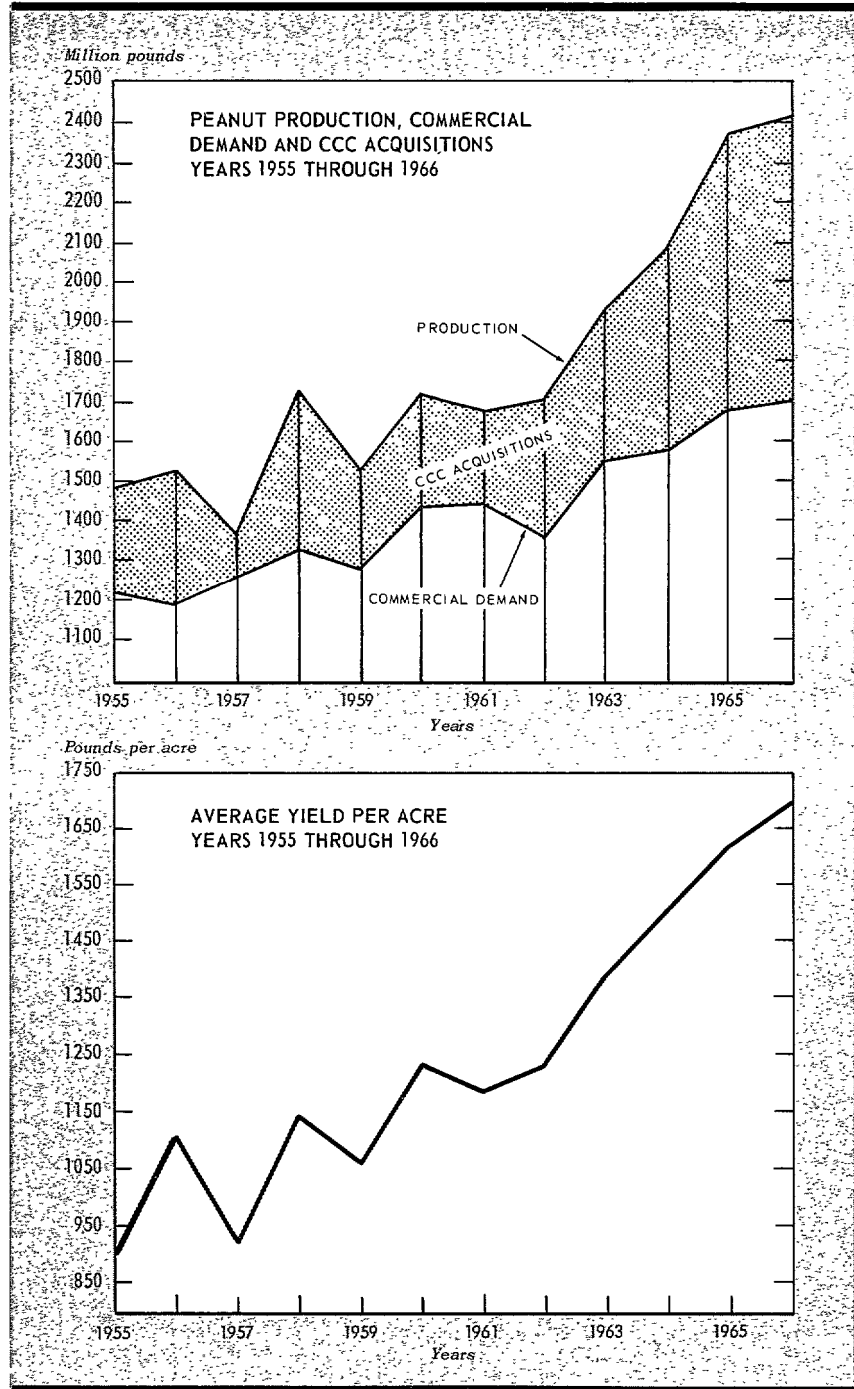
Opportunity to reduce costs by accelerating the disposal of unneeded storage structures, **B-114824**, May 13, 1968

Our review showed that improved administration by Agricultural Stabilization and Conservation Service (ASCS) headquarters is needed to assist the Service's State and county officials in expediting sales of unneeded grain storage structures owned by the Commodity Credit Corporation (CCC). We found that State and county officials generally were not attempting to dispose of many unused structures and that significant costs had been incurred for their retention.

The structures were acquired between 1939 and 1956 to alleviate shortages in the quantity of available commercial warehouse space to store Government-owned grain. Since 1962, the rate of utilization of these storage structures has gradually dropped. In 1964 CCC approved a policy which directed that those structures not currently in use nor expected to be used in the foreseeable future be disposed of on an orderly and rapid basis as possible.

We concluded that the progress of the disposal program had been hindered because ASCS headquarters officials did not formulate definite long-range plans or objectives for achievement of goals nor furnish local officials with adequate criteria for determining which structures should be sold.

In commenting on our findings CCC did not deal specifically with the need for long-range plans or adequate criteria for determining which structures should be sold. CCC did indicate that it did not intend to dispose of the storage structures at a substantially faster rate than that provided for by the established sales goals because it would have to accept unreasonably low prices from purchasers. A limited follow-up review showed that by October 1967 CCC had disposed of more storage structures than the national sales goal for 1967 and that prices received were generally higher than those received in previous years.





We recommended that, in order to expedite the disposal of unneeded storage structures and to achieve substantial reductions in program costs, the Secretary of Agriculture require departmental officials to establish long-range plans or objectives for carrying out the disposal program and to furnish State and county office officials with adequate criteria for determining which structures should be sold.

### *Farmers Home Administration*

Review of loans to grazing associations, **B-114873**, Jan. 4, 1968

Our review of the approval of loans amounting to about \$14.5 million to 21 grazing associations in the State of Colorado showed that the Farmers Home Administration (FHA) reduced its initially imposed loan requirements when associations were unable to meet these requirements. We found that FHA had made loans totaling \$12.8 million to 16 of the associations which had not met even the reduced requirements. Moreover, most of the associations receiving loans for 1965 and 1966 operations incurred net operating losses.

Inasmuch as the grazing association loan program is a relatively new undertaking of FHA, we reported this matter so that timely action could be taken to reduce the possibility of defaults and foreclosures on future loans. We recommended that FHA establish procedures to provide that once minimum requirements are established during the loan approval process, loans not be closed until these minimum requirements are met. FHA procedures were later revised in conformance with our recommendation.

### *Federal Crop Insurance Corporation*

Examination of financial statements for fiscal year 1967, **B-114834**, Feb. 1, 1968

As a result of our examination of the financial statements of the Federal Crop Insurance Corporation for fiscal year 1967, we expressed the opinion that the statements presented fairly the Corporation's financial position at June 30, 1967, and the results of its operations and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

The Corporation reported a net income of \$9.5 million from insurance operations for fiscal year 1967 (crop year 1966). Operating and administrative expenses totaled about \$12 million, of which \$8.7 million was financed from appropriated funds and \$3.3 million from premium income. The net result of operations was a loss of \$2.5 million.

During fiscal year 1967 the Corporation's capital impairment decreased from \$8.9 million to \$2.7 million. This decrease resulted primarily from a favorable crop year, during which insurance premiums exceeded indemnities by \$11.4 million.

### *Federal Extension Service and Cooperative State Research Service*

Substantial interest savings available if program funds are advanced to States only as needed, **B-162517**, Nov. 13, 1967

Based on our review of the Department of Agriculture's procedures for advancing Federal funds to the States under programs of the Federal Extension Service and the Cooperative State Research Service, we estimated that about \$790,000 in interest costs on Federal borrowings could have been saved during fiscal year 1966 if the Department had disbursed funds to the States as needed,

by use of a letter-of-credit procedure, instead of making advancements on a quarterly basis as required by law for 95 percent of the funds. Funds advanced from the U.S. Treasury before they are needed either unnecessarily increase borrowings or are not available to reduce previous borrowings and thereby increase interest costs.

In bringing our finding to the attention of the Department, we proposed that the Secretary of Agriculture, in cooperation with the Director, Bureau of the Budget, and the Secretary of the Treasury, submit a legislative proposal for consideration by the Congress for the amendment of the Smith-Lever Act and the Hatch Act to delete the requirement that funds authorized by these acts be made available to the States on a quarterly basis.

The Assistant Secretary of the Department of Agriculture advised us in July 1967 that, under existing law, the letter-of-credit procedure could be placed in effect as long as the States are given the right to draw down funds at their discretion. He stated that, on this basis, the States would be requested, but not required, to draw upon letters-of-credit only on the basis of need. This revision in procedures was made effective January 1, 1968.

### DEPARTMENT OF THE ARMY CORPS OF ENGINEERS (CIVIL FUNCTIONS)

In reviewing and testing selected activities of the civil functions of the Corps of Engineers during the year, we used time equivalent to that of about 15 staff members. We submitted four reports to the Congress and 12 reports to agency officials during the year.

As a result of our reviews, we found that the Corps could decrease the cost of its operations in the following matters. We found :

- A need for the Corps to establish agencywide procedures for review of work performed by architect-engineers.
- A need for the Corps to improve its policies and procedures for estimating contract costs, evaluating contract bids, and awarding contracts for dredging.
- A need for procedures to preclude more than just compensation in acquiring oil interests.
- A need to improve procedures for compensating municipalities for relocation of facilities necessitated by construction of Federal water resources projects.

These findings, and agency comments or actions taken on our suggestions and recommendations for improvement, are summarized in the digests of our reports to the Congress included at the end of this section.

In November 1967 we issued a report to the Chief of Engineers summarizing the results of our review of internal audit activities of the Corps. We reported that significant findings were not always included in final internal review reports, and improvement was needed in the preparation

of working papers. The Chief of Engineers concurred with our findings and informed us that revised regulations would be issued in accordance with our recommendations.

Ten of our reports to agency officials related to reviews we made to evaluate administrative procedures and controls applicable to the receipt and disbursement of funds by the Corps of Engineers. Another report covered our review of the Corps' accounts and accounting procedures used in connection with preparation of data for inclusion in the financial statements of the Columbia River Federal Power System.

Digests of the four reports submitted to the Congress follow.

Need for improved reviews of quantity estimates prepared by architect-engineers for solicitation of construction bids, **B-118634**, Aug. 3, 1967

Although the importance of accuracy in estimating quantities for use in the solicitation of bids for construction contracts is stressed in the Corps' regulations, the Chief of Engineers had not, at the time of our review, established Corps-wide procedures for the review of work performed by architect-engineers. The division and district offices we visited had issued, in varying degrees, written instructions for such reviews, but they had not issued instructions concerning the reviews to be made of quantity estimates. Nor had the Office of the Chief of Engineers made a review to determine how well the field offices had implemented the delegation of responsibility for the review of architect-engineers' work.

We found that the contract price of **\$15.4** million for the construction of the Summersville, W. Va., dam, dikes, and spillway was substantially increased primarily because the quantity estimate prepared by an architect-engineer firm was inaccurate and did not show the full scope and magnitude of the work to be performed. As a result, the Corps of Engineers increased the contract price by **\$8.2** million through negotiation, rather than through competitive bidding, and thereby lost the benefits normally attained through formal advertising.

We estimated that about **\$5.3** million of this increase in costs could have been subjected to competitive bidding. In addition, costs of about **\$348,500** were incurred which could have been avoided.

In order to minimize the necessity for negotiated contract modifications, we proposed that the Chief of Engineers issue guidelines requiring the districts to review the work of architect-engineers. In February 1967, the Chief of Engineers issued instructions to the field offices in accordance with our proposals.

Need for improving policies and procedures for estimating costs, evaluating bids, and awarding contracts for dredging, **B-161330**, Aug. 7, 1967

We believe there is need for the Corps of Engineers to improve its policies and procedures for estimating contract costs, evaluating contract bids, and awarding contracts for dredging. Our review indicated that some Corps dredging is not accomplished as economically as possible. Also, in our opinion, the Corps' practices in awarding contracts for dredging do not comply with the law and have resulted in some contracts being awarded at prices in excess of statutory limitations.

The law (**33 U.S.C.624**) stipulates that appropriated funds shall not be used to pay for any work done by contract if the contract price is more than **25** percent in excess of the estimated cost of the Government's doing the work with its own equipment and crews (in-house). Our review showed that the Corps generally does not prepare in-house estimates but, rather, awards contracts for dredging to the contractor whose bid price is low and is not more than

25 percent in excess of the Corps' estimate of fair and reasonable cost to a contractor, exclusive of profit.

We examined dredging costs incurred under 32 contracts for one large dredging project and compared these with our estimates of the costs that the Corps would have incurred if it had done the same work in-house. We believe that 11 of the contracts were awarded at prices which were about \$2.1 million in excess of the statutory limitation. We believe also that these contract prices were about \$4.4 million in excess of the costs that would have been incurred if the work had been done by the Corps itself.

We recommended that the Secretary of the Army direct the Chief of Engineers to revise the Corps' regulations to require that the Corps award future dredging contracts in compliance with the law. The Department of the Army disagreed with our findings and stated that present policies and practices of the Corps are in accordance with the policies and intentions of both the Congress and the Administration. We suggested that if the Congress should determine that the Corps' present policies and procedures applicable to its dredging operations are to be continued, consideration be given to revising or repealing 33 U.S.C. 624.

Need for procedures to preclude more than just compensation in acquiring oil interests, B-162106, Sept. 29, 1967

In acquiring land for two reservoir projects near Carlyle, Ill., and Tulsa, Okla., the Corps of Engineers agreed to pay the owners for the full amount of the estimated oil reserves in the ground. Subsequent to an appraisal of the reserves, the owners were permitted under the agreements to extract oil having a fair market in-ground value of about \$1.6 million, without an appropriate adjustment in the cost to the Government for acquiring the mineral interests.

We suggested to the Secretary of the Army that the Corps' policies and procedures be revised to prevent the owners of mineral interests from receiving more than just compensation. In accordance with our proposal, the Corps issued instructions to selected division and district offices which provided general guidelines for the purchase or subordination of subsurface interests.

Need to improve procedures for compensating municipalities for relocation of facilities necessitated by construction of Federal water resources projects, B-160628, Feb. 27, 1968

In compensating six municipalities for the relocation of municipal facilities, such as streets, sidewalks, and water and sewer systems, necessitated by the construction of Federal water resources projects, the Corps exceeded the Government's legal obligation for just compensation. We reported that for four of the municipalities, the Corps provided an average of 34 percent more facilities than those which we believed were required to fulfill the Government's legal obligation. This practice was followed to allow a contingency for such factors as future expansion and latitude in lot selection. As a result, the cost of these relocations was increased by \$367,000.

We expressed the belief that the municipal facilities constructed to serve the relocation areas at the two remaining municipalities, at a cost to the Government of about \$412,000, were not necessary. We expressed our opinion that for both relocations there was sufficient evidence available to the Corps, before it entered into the relocation contracts, to warrant determinations that the replacement facilities were not necessary and that the Government was liable for only nominal consideration for the acquisition of the municipal facilities.

We recommended that the Corps revise its regulations to eliminate the contingency factor, and consider and evaluate evidence that replacement facilities may not be needed. The Corps agreed with our recommendations and took corrective action.

## DEPARTMENT OF COMMERCE

During fiscal year 1968 we submitted seven reports to the Congress on our reviews of Department operations. Three of these reports were submitted to the Congress as a whole and four reports were submitted to its committees or Members. In addition, we issued 15 reports to Department or agency officials.

We used time equivalent to that of about 29 staff members during the year in reviewing and testing selected activities of seven major constituent agencies and offices of the Department with our effort divided about equally between economic development activities, scientific and technological activities, and Maritime activities.

As a result of our reviews, we found that the Department could improve the effectiveness of its operations or achieve economies by:

- Consolidating internal audit activities at the departmental level.
- Reducing the amount of funds advanced to the general agents who operate Government-owned vessels supporting military activities in Southeast Asia.

These and other findings resulting from our reviews, and agency comments or action taken on our suggestions and recommendations for improvement, are summarized in digests of reports to the Congress included at the end of this section. A digest of our report to the Congress on opportunities for American-flag ship operators to use U.S.-owned excess foreign currencies by purchasing them from the Treasury Department is included in Chapter Six, Audit of International Operations and Programs, on page 187.

Our reports to agency officials covered, principally, our examinations made for the purpose of settling the accounts of accountable officers.

We continued to increase our efforts in constructively assisting the Department to further improve its financial management systems. The Department has seven complete accounting systems subject to approval by the Comptroller General. Four of these systems have been approved; the others are to be submitted for approval by June 1969.

Audit work in process at June 30, 1968, included surveys and reviews of the administration of the Economic Development Administration's public works and development facility grant program, the utilization of oceanographic vessels by the Environmental Science Services Administration (ESSA), the utilization and management of laboratory equipment and the use of personal service contracts by the National Bureau of Standards and ESSA, and the general agency program of the Maritime Administration.

Digests of two reports submitted to the Congress as a whole during fiscal year 1968 follow.

Review and appraisal of efficiency and effectiveness of audit activities, **B-160759, July 12, 1967**

On the basis of our review and appraisal of the efficiency and effectiveness of the audit activities of the Department of Commerce we expressed the opinion that, with the exception of the external audit activities of the Maritime Administration, nine separate audit staffs of the Department should be consolidated into a single organization at the departmental level and should be made responsible, preferably, to the Secretary or Under Secretary.

In addition, we found that (1) greater emphasis was needed on audits of field activities, especially those of the highly decentralized agencies such as the Environmental Science Services and Maritime Administrations, (2) greater concentration of audit effort should be placed on the more important aspects of agency operations and activities, particularly with regard to the Maritime Administration and the National Bureau of Standards, and (3) greater stress should be placed on audits evaluating the programs of the Economic Development Administration.

In commenting on our findings, the Assistant Secretary for Administration concurred, in general, in our proposal for consolidation of the internal audit functions of the Department but advised us that the organization would be responsible to his office. The Assistant Secretary also concurred in our observations on the need to improve the scope of internal and external audits.

The Assistant Secretary expressed the view, however, that the responsibility for carrying out external audits for the Economic Development Administration should remain at the agency level. Because we believed that certain practical advantages would result from placing responsibility for these audits in the consolidated organization, we recommended that the Secretary reconsider the Department's position in this matter.

Effective September 30, 1967, the Department consolidated audit activities, including external audit activities relating to economic development programs but excluding all Maritime audit activities, in the Office of Audits reporting to the Assistant Secretary for Administration. In December 1967, Maritime internal audit activities also were transferred to the Department's Office of Audits.

Potential savings in financing operations of Government-owned vessels supporting military activities in Southeast Asia, **B-118779, July 27, 1967**

Our review showed that the Maritime Administration had advanced funds to general agents for the operation of Government-owned vessels in support of military operations in Southeast Asia in amounts sufficient to maintain a cash balance of not more than \$100,000 per vessel or \$500,000 per agent rather than in amounts sufficient to meet anticipated current needs. As a result, funds were being advanced in excess of current requirements contrary to Treasury Department policy which provides that cash advances be timed in accordance with actual cash requirements.

We estimated that annual savings in interest costs of about \$239,000 could be realized if Maritime would time its cash advances to meet the general agents' anticipated current needs rather than to maintain prescribed cash balances.

Maritime issued instructions requiring general agents to request cash advances only on the basis of current needs. The instructions provide that general agents are to request cash advances generally not more often than once a week and are to support each request by a schedule of anticipated disbursements.

## DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Our work in the Department of Health, Education, and Welfare (HEW) included reviews of selected areas and activities of the seven major constituent agencies and offices of the Department. Our reviews covered such matters as:

- Administration of contracts with fiscal intermediaries for reimbursing providers of medical services under the Medicare program.
- Controls over payments for physician services and the management of mental health care activities under the Medicaid program.
- Activities of State vocational rehabilitation agencies in determining recipients' eligibility and reporting individuals as successfully rehabilitated.
- Administration of programs for educationally and culturally deprived children.
- Selected aspects of Federal grants for hospital construction.

Reviews made at the request of congressional committees and individual Members of Congress included such matters as (1) tuition rates charged by a university's School of Public Health, (2) proposed consolidation of Public Health Service medical supply depots, (3) purchasing activities at an institution of higher education, and (4) the use of Federal funds by a local board of education.

Our work during fiscal year 1968 required time equivalent to that of about 126 staff members. Part of this time was devoted to the review of Work Experience and Training Programs in carrying out the requirements of section 201 of the Economic Opportunity Amendments of 1967 (see page 120). These programs, authorized by Title V of the Economic Opportunity Act of 1964, were being administered by the Department of Health, Education, and Welfare pursuant to delegation of authority from the Office of Economic Opportunity. At June 30, 1968, work of this nature was being performed at HEW headquarters and at 10 Work Experience and Training project sites in six States.

Other work under way at June 30, 1968, included surveys and reviews into selected aspects of the Medicare and Medicaid programs, elementary and secondary education activities, construction of higher education facilities, the air pollution control program, construction of health research facilities, and community mental health center programs.

During fiscal year 1968 we submitted 19 reports to the Congress on our reviews relating to Department operations. Four of these reports were submitted to the Congress as a whole and 15 reports were submitted

to committees or individual Members of Congress. In addition, we issued 23 reports to Department or agency officials.

In our reports to the Congress as a whole we pointed out opportunities for the Department to improve the effectiveness of its operations in several areas. We found a need for the Department to :

- Develop guidelines for use by States in determining amounts to be paid to nursing homes for the care of welfare recipients under federally aided public assistance programs.
- Improve controls over the State administration of such programs.
- Provide more specific guidelines concerning the conditions under which States may contract for administrative services under the programs.
- Provide for more effective review of use of health service grant funds by States.

These findings together with the Department's comments or actions taken with respect to our proposals or recommendations are summarized in digests of our reports included at the end of this section.

We reviewed the Department's accounting manual which prescribes the accounting policies, principles, and basic framework for use by the constituent agencies of the Department in the development of their individual accounting systems. We discussed with agency officials various suggestions for revision of the manual for clarification, improvement, and conformance with the principles prescribed by the Comptroller General. At the end of the year we were reviewing the accounting systems for the Office of the Secretary, the Bureau of Federal Credit Unions, and the Social and Rehabilitation Service, which had been submitted for the Comptroller General's approval. We plan to continue to cooperate with and constructively assist the agencies in the development and improvement of their accounting systems.

Digests of the reports submitted to the Congress follow.

#### *Social and Rehabilitation Service*

Need for more effective guidance to States in establishing rates of payment for nursing home care provided to welfare recipients, B-114836, Oct. 31, 1967

Our review of the policies and procedures of the Department of Health, Education, and Welfare relating to Federal financial participation in costs incurred by State governments for nursing home care under the federally aided public assistance programs disclosed a great diversity between the methods employed by the various States to establish payment rates for such care. In addition, our review of payment rates established by the State of Massachusetts for use in 1966 raised certain questions as to the soundness of the State's ratemaking process, the reasonableness of the rates themselves, and their application.



We found that the Department had not issued adequate guidelines to the States concerning appropriate or acceptable methods of establishing rates of payment for nursing home care. We also found that the Department had not required the States to incorporate in their State plans a description of the methods used to establish payment rates for such care, nor had it issued any directives to personnel responsible for reviewing State plans and administration relative to evaluating the reasonableness of the methods used by the States in establishing nursing home payment rates.

Department officials agreed that there was a need for Federal guidance to the States but pointed out that the completion of acceptable criteria had been delayed by the need for more data and experience with the various methods of establishing rates of payment.

Because of the substantial and steadily increasing amounts of Federal expenditures being made for nursing home care, we recommended that the Department expedite the formulation and issuance of appropriate criteria and requirements for the States' guidance. We recommended also that the Department (1) require that the State plans include a description of the methods and procedures to be used for establishing nursing home payment rates, and (2) institute effective policies and procedures for the review and evaluation of methods and procedures actually used by the States in determining payment rates.

In March 1968, the Department stated that further guidelines to the States for setting rates of payment for nursing home care would be issued as soon as possible and that Department auditors would examine into the State-administered program as part of its ongoing audit activities. The Department also stated, however, that it was reconsidering whether State plans should include a description of the methods and procedures to be used for establishing nursing home rates in light of changes made in the Social Security Act by Public Law 90-248, approved January 2, 1968.

Review of Federal financial participation in administrative costs of public assistance programs in certain counties of California, B-114836, Dec. 6, 1967

Our review of the Department's financial participation in administrative costs of public assistance programs in Los Angeles and San Diego counties in California revealed a need for improvement in controls over the State administration of federally aided public assistance programs. We estimated that payments of as much as \$1.5 million made by the Department to the State of California for the administration of such programs were questionable because (1) cases assigned to social workers were in excess of the workload standards established for each worker for qualifying their salaries for 75 percent Federal financial participation, (2) salaries and fees of certain medical consultants were claimed for 75 percent rather than 50 percent Federal financial participation, (3) ineligible recipients were included in the allocation of administrative costs that were charged to a federally aided public assistance program, and (4) an inequitable allocation of certain expenses was made to federally aided public assistance programs.

Department officials stated that the growing complexity of public assistance programs since 1962 made it necessary to consider the development of additional methods of Federal supervision and control, such as widening the scope of the Federal administrative reviews, and that, in line with our proposals, it would consider whether formal Federal reviews should begin soon after a program was expanded.

We recommended that the Secretary require that prompt attention be given to the development and implementation of the additional methods contemplated by the Department to assure itself that the public assistance programs are administered by the States in a proper and efficient manner. We recommended also that, in the development of such additional methods, the Department

give particular attention to the need for timely reviews of State and local operations of federally aided public assistance programs during the initial stages of such operations under new or substantially revised programs.

**Need for guidance to States on contracting for administrative services under federally aided public assistance programs, B-114836, Dec. 13, 1967**

On the basis of our review of certain aspects of the administration of the prescribed-medicine program for welfare recipients in the State of Florida, we believed that the administration of federally aided public assistance programs could be improved by the adoption of a more definite policy governing conditions under which States may contract for administrative services and be eligible to claim Federal financial participation in the costs incurred under such contracts. Also, in our opinion, excessive Federal financial participation of about \$107,000 in administrative costs was claimed by the State of Florida under its program for providing prescribed medicine for welfare recipients. We found also that the Department had not required the State to follow its instructions requiring the periodic validation of contract charges for administrative services in order to ensure that contracting for these services was the most economical method of administering the program.

We recommended that the Department's policy relating to contracting for administrative services be expanded to include specific guidelines concerning the conditions under which States may contract for these services and be eligible to claim Federal financial participation in the costs incurred under such contracts. In response, the Department stated that it was reexamining its policy in view of our concern.

We recommended also that the Department make the necessary reviews to help ensure that the States are complying with such guidelines. The Department concurred in this recommendation and stated that it intended to make such reviews.

In connection with those claims for Federal financial participation in administrative expenses made by the State of Florida in amounts which, in our opinion, were excessive, we recommended that the Department take action to recover the excess amounts from the State. The Department did not believe, however, that the State should be required to refund these amounts because the claims had been made in good faith and were expressly approved by the Department and the funds had been spent for program purposes.

### *Public Health Service*

**Review of financial administration of Federal grants for health services made to the State of Washington, B-114836, July 21, 1967**

Our review indicated a need for more effective financial administration of Federal grants made to the State of Washington for care of the chronically ill and aged in order to attain reasonable assurance that such funds fully served the purposes for which they were made available. Also, our review indicated a need to emphasize to the recipient States the requirement that Federal grants be used for expanded or improved health services, rather than merely for continuing existing services and substituting Federal for State or local financing. The State had been allowed to use about \$92,000 for what, in our opinion, was the continuation of certain projects at or below previously existing levels rather than for expanded or improved services. Also, costs totaling about \$91,000 were allocated to the program on the basis of amounts expected to be expended rather than on amounts actually expended for project expansions which, in certain instances, did not materialize.

We expressed our belief that HEW should have made more effective reviews of the State's plans for carrying out the health program and that the Department's audit staff should have employed more adequate tests to ascertain whether program requirements had been met.

## CIVIL OPERATIONS

We proposed to the Secretary, HEW, that controls be strengthened at the regional offices and that audit procedures be revised to require more adequate reviews. We were informed that certain new policies had been instituted at the regional offices to improve the review of State agency plans and budgets and that responsibilities of regional audit and program personnel had been clarified.

Procurement procedures employed in awarding a contract to the regents of the University of California, E-163367, Mar. 22, 1968

At the request of the chairman, Intergovernmental Relations Subcommittee, House Committee on Government Operations, we reviewed the procedures employed by the National Institutes of Health (NIH) in awarding a contract on a noncompetitive basis to an educational institution, even though seven commercial firms had responded to a published announcement requesting qualified sources to submit evidence of their competence and reliability for performing the required work.

In our report to the chairman we pointed out that, although we found no legal basis for questioning the validity of the contract, we believed that the handling of the transactions by NIH was deficient because adequate consideration was not given to the résumés submitted by the seven prospective contractors and responsible officials in NIH did not adequately coordinate their actions leading to the contract award. We made suggestions to the Director, NIH, for improving the surveillance and coordination of the contracting activities of NIH.

Subsequently, the chairman requested the Secretary of HEW to comment on the report and inform him of the steps that would be taken to remedy the problems discussed therein. Also, he requested the Secretary to investigate and inform him of the extent to which contracting situations of this type have occurred in NIH and in other parts of the Public Health Service.

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Our work in the Department of Housing and Urban Development (HUD) included reviews in various areas of HUD activity such as urban renewal, housing assistance, metropolitan development, mortgage credit, and agency and Department-wide financial administration. We used time equivalent to that of about 62 staff members during the year in making these reviews. Fourteen reports were submitted to the Congress during the year. Seven of these reports were submitted to the Congress as a whole and seven were submitted to its committees or Members. In addition, we issued five reports to agency officials.

As a result of our reviews, we found that the Department could improve the effectiveness of its operations or achieve economies in the following matters. We found :

- <sup>a</sup> The investor-sponsor cooperative housing program was not fully effective in serving the middle-income segment of the population for which it was intended because prospective purchasers of the cooperatives generally had to be among the higher income segment of the population. Also, about one-half of the 134 housing projects developed under this program had been in financial difficulty.

- Economies could accrue to the Government if educational institutions were required to make payments of principal and/or interest more frequently on loans received under the college housing loan program.
- Economies could be realized in the construction of low-rent public housing projects through the omission of facilities for metering electricity in individual dwelling units where such facilities are not economically justified.
- More effective Federal action **was** needed to meet urban renewal rehabilitation objectives in Cleveland, Ohio.

These and other findings resulting from our reviews, and agency comments or action taken on our suggestions and recommendations for improvement, are summarized in the digests of our reports to the Congress included at the end of this section.

We worked closely with the Department in developing its proposed accounting principles and standards. They were submitted to the Comptroller General for approval of January 25, 1968, and, after certain mutually agreeable revisions were made, were approved on April 5, 1968. We continued to work closely with the Department on revising and developing its accounting system to bring it into conformity with the approved accounting principles and standards.

We also worked closely with the Department on improving other aspects of its financial management such as revising and strengthening its accounting and auditing controls on urban planning assistance grant funds. We plan to continue our efforts in the financial management system area.

Audit work underway at June 30, 1968, included surveys and reviews of the administration of the workable program for community improvement requirements, the code enforcement grant program, the open space land programs, the multifamily housing mortgage insurance program for low- and moderate-income families, builders' cost certifications, the rent supplement program, the turnkey method of acquiring low-rent public housing, the leased housing program, and inspection practices and other activities in connection with the construction of low-rent housing projects.

Digests of the seven reports submitted to the Congress as a whole during fiscal year 1968 follow.

#### *Federal Housing Administration*

**Examination of financial statements for fiscal year 1966, B-114860, Feb. 12, 1968**

**We expressed our opinion that, except for errors in the accounting records which netted to a difference of about \$1.1 million and resulted in an over-**

statement in the net income, an understatement in liabilities, and an overstatement in insurance reserves, the financial statements of the Federal Housing Administration presented fairly its financial position at June 30, 1966, and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws. We did not express an opinion as to the adequacy of retained earnings (insurance reserves) which were available to meet losses that might be incurred in the FHA insurance operations because the amount that may be needed is dependent on future economic conditions.

Limited success of investor-sponsor cooperative housing program, **B-114860**, Apr. 11, 1968

Our review of the Federal Housing Administration's investor-sponsor program for insuring mortgages on multifamily cooperative housing projects showed that the program was not fully effective in serving the middle-income segment of the population for which it was intended. Our review showed that prospective purchasers of the cooperatives generally had to be among the higher income segment of the population. Our review showed also that the program was functioning with only limited financial success as about one-half of the housing projects developed under the program had been in financial difficulty. As of March 31, 1967, FHA had acquired title to the property and/or the mortgages for 51 of the 134 completed projects in settlement of claims under insured mortgages totaling about \$108 million. We cited in our report various factors which we believe contributed to the program's limited success.

Housing officials agreed that the investor-sponsor program has had only limited success, but stated that the program is conceptually sound and is needed.

We expressed the belief that, in view of the limited success of and the high element of risk in the investor-sponsor program, the Congress might wish to consider revising the program to reduce the risk to the Government.

Our report contained several recommendations for actions by FHA to provide assurance that the investor-sponsored program is directed primarily toward middle-income families desiring cooperative-type homeownership and to further strengthen the administration of the program.

### *Federal National Mortgage Association*

Examination of financial statements for fiscal year 1966, 3-114828, July 26, 1967

We expressed our opinion that, except for the presentation of interest on Government Mortgage Liquidation Trust participation certificates, the financial statements of the Federal National Mortgage Association (FNMA) presented fairly its financial position at June 30, 1966, and the results of its operations and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

We also expressed our opinion on the financial statements of FNMA as trustee for the Government Mortgage Liquidation Trust and the Small Business Obligations Trust. We noted that statements of operations of the trusts rather than statements of income and expense from trustee services would be more informative and would more completely and meaningfully present the trust operations. In our opinion, except as noted, the financial statements of the trusts presented fairly their financial position at June 30, 1966, and sources and application of funds for the year then ended, in conformity with applicable Federal laws.

The exceptions noted in our two opinions do not relate to the secondary market operations of FNMA in which the public has an investment.

*Housing Assistance Administration*

Savings available through more frequent payments on college housing loans, **B-162246**, Oct. 31, 1967

Our review showed that if the Housing Assistance Administration were to require educational institutions to make payments of principal and/or interest more frequently on loans received under the college housing loan program, economies could accrue to the Government.

For the \$300 million of college housing loans budgeted for fiscal year 1968, we estimated that the repayment of principal semiannually—the same frequency as interest payments are required under the program—rather than annually would, over the estimated average life of the loans, result in net interest savings to the Government of about \$1 million without, in our opinion, any significant increase in administrative cost or impairment of the program objectives. This calculation was intended to indicate the savings potential. The optimum frequency of payments would have to be determined by the Department on the basis of a more comprehensive study.

The Assistant Secretary for Renewal and Housing Assistance agreed that savings were possible and advised us that a task force then examining certain aspects of the college housing loan program was studying the matter of increasing the frequency of college housing payments and that our proposal would be considered upon the completion of the task force report.

Examination of financial statements, low-rent public housing program fund, for fiscal year 1967, **B-114863**, Feb. 5, 1968

Our examination of the financial statements of the low-rent public housing program fund, administered by the Housing Assistance Administration, for the fiscal year ended June 30, 1967, was made in accordance with generally accepted auditing standards and included such tests of accounting records and financial transactions and such other auditing procedures as we considered necessary in view of the nature and volume of the transactions and the effectiveness of the internal controls. We expressed our opinion that the financial statements presented fairly the financial position of the fund at June 30, 1967, and the results of its operations and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

Omission of facilities for metering electricity in individual dwelling units proposed to reduce construction costs of low-rent public housing projects, **B-118718**, Mar. 19, 1968

Our review showed that the installation of metering facilities for measuring and controlling electricity consumed in individual dwelling units in low-rent public housing projects was not warranted for the smaller units (efficiency and one- and two-bedroom units) because the average electrical consumption for such units generally was less than the Housing Assistance Administration's suggested consumption allowances for low-rent housing projects. Moreover, we found that, at many of the projects where such facilities had been installed, the facilities were not being used and there appeared to be no plans to use them.

We estimated that the installation of metering facilities for about 3,200 of the smaller dwelling units included in our review had resulted in increased construction and financing costs totaling about \$425,000, and that such costs would, for the most part, be borne by the Federal Government. We pointed out that the omission of metering facilities where their need is not justified in projects planned for future construction would result in substantial savings to the Government.

As a result of our disclosures, the Department issued instructions requiring specific regional office approval, supported by the fullest possible documentation, of all future proposals to install metering facilities for individual dwelling units.

We recommended that, to ensure effective implementation of the Department's instructions, the Secretary of Housing and Urban Development require that specific attention be given, during the Department's internal reviews of regional office operations, to determining whether regional office approvals of the installation of electrical metering facilities in low-rent housing projects are being properly justified. Appropriate action was subsequently taken in line with our recommendation.

*Renewal Assistance Administration*

More effective Federal action needed to meet urban renewal rehabilitation objectives in Cleveland, Ohio, B-118754, Jan. 9, 1968

We reviewed the rehabilitation activities in federally assisted urban renewal projects in Cleveland, Ohio, and primarily directed our attention to the University-Euclid Project No. 1 which represented one of the largest rehabilitation projects in the country. We expressed the belief that the Department of Housing and Urban Development needed to take more effective action if the voluntary rehabilitation component of the project was to meet the urban renewal objectives. Although the project had been in execution in excess of 5 years and the costs of administering the rehabilitation phase of the project had already amounted to more than twice the amount originally budgeted for that purpose, little had been accomplished in relation to the rehabilitation objectives of the program.

In our opinion, the factors contributing to the limited accomplishments in this project included (1) the lack of adequate feasibility studies to identify the economic problems of rehabilitation and to determine the capability and willingness of property owners to voluntarily rehabilitate their properties, (2) the failure to carry out an orderly plan to obtain voluntary rehabilitation, (3) the failure to meet on a timely basis city commitments to provide public improvements and to provide necessary city services, and (4) the lack of adequate housing codes and the lack of effective code enforcement on recalcitrant property owners.

Although we recognized that the Department was aware that the project was not meeting its objectives and had taken certain steps, we expressed the belief that the Department did not exercise on a timely basis sufficient leadership and leverage to encourage or persuade the city to perform in accordance with its commitments under the urban renewal plan. We pointed out that, in our opinion, there was a definite need for an orderly approach to identify and resolve the various basic and complex problems impeding the progress of the project.

One of the significant problems which needed to be resolved concerned the economics of voluntary rehabilitation. A factor impeding the progress of rehabilitation appeared to be the inability of many individuals purchasing properties to qualify for Federal loans and grants to rehabilitate their properties. Another factor appeared to be the lack of sufficient incentive for absentee owners of income-producing properties to spend the money needed for voluntary rehabilitation.

We recommended that the Department actively advise and guide the local public agency in identifying and resolving the problems present in the project, in developing realistic objectives for the area and a workable plan of action, and in preparing an amendatory application for the project. We recommended also that in view of past performance, the Department closely monitor and evaluate future performance and take action, unless the situation is promptly corrected, to allow Federal participation only with respect to expenditures associated with performance that adequately aided in the accomplishment of project objectives.

## DEPARTMENT OF THE INTERIOR

During fiscal year 1968 we submitted 10 reports to the Congress on our reviews of Department operations. Eight of these reports were submitted to the Congress as a whole and two of the reports were submitted to a Member of the Congress. In addition, we issued 19 reports to Department or agency officials.

We used time equivalent to that of about 80 staff members in reviewing and testing selected activities of 15 major constituent agencies and offices of the Department with about 50 percent of our effort being devoted to water and power activities of the Department.

As a result of our reviews, we found that the Department could improve the effectiveness of its operations or achieve economies in the following matters. We found :

- Need for more precise planning in the construction of housing for employees of the Bureau of Indian Affairs.
- Need for the Bureau of Indian Affairs to improve its system for managing capitalized equipment.
- Need for consistent application of procedures for determining irrigation benefits resulting from reclamation projects.
- Need for change in method of allocating Government's investment in power-generating facilities.
- Opportunities to reduce expenditures for map revision and accelerate mapping through changes in map revision practices of the Geological Survey.

These and other findings resulting from our reviews, and agency comments or actions taken on our suggestions and recommendations for improvement, are summarized in the digests of our reports to the Congress included at the end of this section.

We continued to increase our efforts in constructively assisting the Department to further improve its financial management systems. Considerable time was devoted to reviewing statements of accounting principles and standards for six bureaus and offices of the Department that were submitted to the Comptroller General for approval during the year. We plan to continue our efforts in the financial management systems area and our reviews of selected programs and operations which appear to need strengthening.

Audit work underway at June 30, 1968, included reviews of a wide range of activities. Among the activities under review were the coordination of mapping activities financed in part with Federal funds, land ac-



quisitions and grants to States under the Land and Water Conservation Fund, oil and gas and other mineral-producing leases on Federal lands and on the outer continental shelf, and policies and practices of Federal power-marketing agencies regarding rates paid and charged for transmitting energy. *Also*, we were reviewing the internal audit activities of the Office of the Director of Survey and Review.

Digests of the reports submitted to the Congress during the year follow,

*Bonneville Power Administration*

Examination of financial statements of the Columbia River Federal Power System, fiscal year **1967, B-114858, Jan. 22, 1968**

This report to the Secretary of the Interior on our examination of the financial statements of the Columbia River Federal Power System for fiscal year 1967 was included in the Bonneville Power Administration's report sent to the Congress in accordance with applicable law.

We expressed the opinion that, subject to the financial effects, not now fully determinable, of future adjustments for adoption of firm cost allocations and the resolution of other matters described in our report, the financial statements presented fairly the assets and liabilities of the Columbia River Federal Power System at June 30, 1967, the financial results of its power operations, and the source and application of its funds for the year then ended, in conformity with accounting principles and standards prescribed for executive agencies of the Federal Government by the Comptroller General of the United States, applied on a basis consistent with that of the preceding period.

*Bureau of Indian Affairs*

More precise planning initiated in employee housing construction program, **B-114868, Apr. 9, 1968**

On the basis of our examination into the Bureau's program for the construction of housing for its school employees, we concluded that there was a need for the Department and the Bureau to improve their administration of this program so that only necessary employee housing would be constructed. Our review showed that the construction of about 350 units costing about \$5 million had not been adequately justified or did not appear to have been needed or were excess to the Bureau's requirements.

This construction occurred primarily because the Bureau had not administered its employee housing construction program in accordance with the policies and standards established by the Bureau of the Budget for construction of Government-owned housing. Furthermore, uniform application of the standard established by the Bureau of Indian Affairs in 1957 for determining the number of quarters to be constructed at schools located in isolated areas where private housing was not available was not appropriate for determining housing needs at all such schools.

The Department, in commenting on our findings and proposals, advised us that the problem brought into focus by our report underscored a fundamental need for more precise planning in determining the Bureau's employee housing requirements and that action had been taken toward this end. We expressed the belief that the actions taken should improve the administration of the Bureau's employee housing program and should result in substantially decreasing construction costs. We stated, however, that it was incumbent upon the Commissioner of Indian Affairs to exercise surveillance over the program to ensure proper implementation of the newly adopted policy.

Need to improve system for managing capitalized equipment in the Bureau of Indian Affairs, **B-114868**, May 28, 1968

In our review of the system for the management of capitalized equipment in the Bureau of Indian Affairs, we found that certain items of equipment had received little or no use and that other items had been allowed to remain in an unservicable condition without action having been taken to redistribute, dispose of, or repair them.

We concluded that there was a need for the Bureau to improve its system for managing capitalized equipment by maintaining more complete records on usage, conducting periodic independent physical inventories, and improving reporting procedures. Therefore, we suggested specific corrective actions in line with these conclusions. We were advised that our recommendations had been or would be adopted.

However, we felt that additional steps should be taken to improve the management of school equipment. We recommended, therefore, that existing standards for equipping new schools be adjusted on the basis of operating experience and that the adjusted standards be used for evaluating requests for additional equipment. We also recommended that the improved reporting procedures be used in conjunction with the adjusted standards to assist in making informed judgments on the need to redistribute, dispose of, repair and procure school equipment.

*Bureau of Reclamation*

Review of application of revised procedures for determining irrigation benefits to the Almena unit, Missouri River Basin Project, **B-125042**, July 6, 1967

Our review showed that the Bureau of Reclamation had not established a policy requiring that revisions in procedures for determining irrigation benefits be applied consistently to all projects that have advanced to the same stage of development. In justifying requests for appropriations to construct the Almena unit, Missouri River Basin Project, the Bureau inconsistently applied procedural revisions which, in our opinion, materially affected the benefit-cost ratio for the unit and the amount of costs assigned to the irrigation features of the project.

The Commissioner of Reclamation advised us that the standards used in reevaluating reclamation projects had been determined on a project-by-project basis after consideration of the circumstances in each case. In our opinion, consistency is necessary in applying procedures so that data furnished to the Congress by the Bureau may be relied upon to objectively present the merits of proposed projects, and to properly disclose the effects of changes that occur during the various phases of project development.

We recommended that the Bureau's practices be revised to preclude the inconsistent application of revisions in procedures for determining irrigation benefits to projects being reevaluated. We further recommended that, if the Bureau can demonstrate that, in a particular case, there are compelling reasons for the inconsistent application of procedures, the Congress be fully informed of the circumstances necessitating the inconsistency and of the effects on the benefit-cost ratios and cost allocations of the projects involved.

In August 1967, the Department advised the Bureau of the Budget that they had adopted our recommendations.

Need for change in method of computing the cost of power sold for commercial purposes, Missouri River Basin Project, **E-125042**, Mar. 18, 1968

We noted that the Government's investment in generation facilities of the Missouri River Basin Project (MRBP) had been suballocated to non-interest-bearing irrigation investment on the basis of the ultimate use to be made of the power facilities. Current use of the power facilities, however, is signifi-

cantly less for irrigation and significantly more for commercial power than their expected use at ultimate development.

The Government's investment in commercial power facilities is repayable, with interest, by the users. As a consequence, costs assigned for repayment by commercial power customers had been substantially understated. We estimated that if the current-use method of suballocation had been used, the additional costs allocable to commercial power would have been about \$400 million more than shown in the Bureau of Reclamation's report on the financial position of the project.

We recommended the adoption of a consistent policy of suballocating power investment to irrigation on the basis of anticipated current use rather than ultimate use in future rate and repayment studies of MRBP and other projects. We recommended also that if special circumstances seem to warrant a departure from the recommended policy, the Secretary of the Interior advise the Congress of the justification for, and financial effects of, departing from this policy.

The Department advised us that it did not agree with our conclusions and proposal because it believed that the Congress and its committees had consciously and affirmatively accepted its report on the financial position of the MRBP in its entirety, including the formula for suballocating the power investment for rate and repayment purposes, as the plan authorized for the financial management of MRBP.

### *Geological Survey*

Opportunity to reduce expenditures for map revision and accelerate mapping through changes in map revision practices, B-118678, May 28, 1968

In making revisions to its topographic maps, the Geological Survey followed the practice of updating the topographic as well as the planimetric information. On the basis of our review, we concluded that it was unnecessary to update the topographic portion of a map every time the planimetric portion is revised because updated topographic information frequently is not needed by Federal agencies and States requesting map revisions. We estimated that this elimination would reduce the cost of revising a map by about 25 percent, or \$1,300, and would accelerate the mapping program.

During our review, the Geological Survey adopted an interim policy that eliminated several normal revision operations, including the elimination of the updating of topographic information, on metropolitan area maps, every other time that a map is revised. We recognized that the new policy was a step in the right direction and should substantially reduce map revision costs. We concluded, however, that the policy should be extended, to the extent possible to maps for nonmetropolitan areas, thus affording an opportunity for a further significant reduction in map revision costs.

In July 1967, the Department advised us that it concurred with the substance of our proposal but stated that the scheduling of nonmetropolitan area maps for revision in accordance with the new policy would depend upon the needs of the important map users. Subsequently, the Geological Survey advised us that some of the important map users had requested that the new policy be applied in the revision of certain of their maps, including maps for nonmetropolitan areas.

### *Office of Territories*

Examination of the financial statements of the Virgin Islands Corporation for fiscal year 1966, B-114822, July 26, 1967

The Virgin Islands Corporation, which was in the process of terminating its operations, had sold its electric power and salt water distillation facilities to the Government of the Virgin Islands. The original sales price was renegotiated

on the basis of comments by our Office and the chairman, Government Activities Subcommittee, House Committee on Appropriations, concerning the reasonableness of an appraisal made prior to the sale.

The Corporation's financial statements as of June 30, 1966, did not reflect the increase of \$2.2 million reflected in the revised sales price agreed to in January 1967. Also, the Corporation's financial statements included an estimated liability of \$1,047,590 to the Government of the Virgin Islands for back payments in lieu of taxes under the provisions of the Virgin Islands Corporation Act (48 U.S.C. 1401d). This amount was subject to adjustment upon determination of the actual liability.

We expressed the opinion that, subject to adjustments resulting from the revised sales price for the electric power and salt water distillation facilities and any revisions of the estimated liability for payments in lieu of taxes, the Corporation's financial statements presented fairly its financial position at June 30, 1966, and the results of its operations, the sale of its assets, and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

#### *Southeastern Power Administration*

Examination of financial statements of Southeastern Federal Power Program for fiscal year **1966, B-125032, Aug. 24, 1967**

We expressed the opinion that, subject to the financial effects, not now fully determinable, of adjustments for adoption of firm cost allocations, revisions of accrued depreciation, and resolution of other matters described in our report, the financial statements presented fairly the assets and liabilities of the Southeastern Federal Power Program at June 30, 1966, the financial results of its power operations, and the sources and application of its funds for the year then ended, in conformity with principles and standards of accounting prescribed for executive agencies of the Federal Government by the Comptroller General of the United States, applied on a basis consistent with that followed in prior financial statements—except for the changes, in which we concur, in the financial statement presentation and in recording depreciation as described in our report.

#### DEPARTMENT OF JUSTICE

During fiscal year 1968 we submitted four reports to the Congress on our reviews of operations of the Department of Justice. Two of these reports were submitted to the Congress as a whole, one was submitted to a committee, and one was submitted to a Member of the Congress. In addition, we issued 18 reports to departmental officials or to officials of constituent organizations. Time equivalent to that of about 16 staff members was used during the year in reviewing and testing selected activities at Department headquarters and at 11 field offices.

In a report to the Congress on our review of the Department's internal audit function we stated that, except for the Federal Bureau of Investigation, improvements were needed to increase the effectiveness and efficiency of operations. The Department's comments on our report and actions taken and to be taken on our suggestions and recommendations

for improvements are summarized in a digest of our report at the end of this section.

We also made an examination of the financial statements of the Federal Prison Industries, Inc., for the fiscal year 1967, as required by the Government Corporation Control Act. A digest of our report to the Congress on the results of this examination also appears at the end of this section.

At the request of a congressional committee we made a review of the rents charged by the Bureau of Prisons for employee housing. Also, we reported to a Member of Congress on Federal funds expended annually for the prevention and control of crime. Our reports to agency officials included a review of the Immigration and Naturalization Service's program for transporting Mexican aliens, a review of allowances to employees of the Service upon transferring between official duty stations, and reviews made for the purpose of settling the accounts of accountable officers.

Audit work underway at June 30, 1968, included surveys of selected functions of United States marshals, user charges, and the transportation of Federal prisoners.

We continued our efforts in constructively assisting the Department to improve its financial management systems. We reviewed various phases of the Department's management activities during the year and consulted with departmental officials on questions concerning their proposed accounting systems.

Digests of the two reports submitted to the Congress during fiscal year 1968 follow.

**Need to improve internal audit in the Department of Justice, B-160759, Dec. 26, 1967**

Our review disclosed a need to improve the internal audit function of the Department and its constituent organizations, with the exception of the Federal Bureau of Investigation, to increase the effectiveness and efficiency of their operations. In commenting on matters discussed in the report, the Department generally agreed with our findings and advised us of improvement actions taken or to be taken.

In order for the internal audit function to serve most effectively as an integral part of the Department's overall system of management control and to provide objective appraisals of financial and administrative controls over the Department's operations, we recommended that the central internal audit organization be made responsible to the Attorney General or to a principal subordinate official. We also recommended that the Federal Bureau of Investigation internal audit reports be available to the Attorney General and that the Attorney General issue policy guidance and cause such reviews of the Federal Bureau of Investigation's internal audit function to be made as he may deem necessary.

**Examination of the financial statements of Federal Prison Industries, Inc., for fiscal year 1967, B-114826, Jan. 8, 1968**

We expressed the opinion that the corporation's financial statements presented fairly its financial position at June 30, 1967, and the results of its operations and the sources and application of its funds for the year then ended, in con-

formity with generally accepted accounting principles applied on a basis consistent with that of the preceding year—after giving effect retroactively to the elimination of interindustry transactions resulting in reducing net income by \$275,000 for fiscal year 1966, which we approve—and with applicable Federal laws.

## DEPARTMENT OF LABOR

During fiscal year 1968 we submitted seven reports to the Congress on our reviews of Department operations and activities. Three of these reports were submitted to the Congress as a whole and four reports were submitted to individual Members of the Congress. In addition, we issued six reports to agency officials.

We used time equivalent to that of about 61 staff members during the year in reviewing and evaluating selected activities of six major offices and bureaus of the Department. Approximately 70 percent of our effort was devoted to reviews of activities of the Manpower Administration in administering the Federal-State employment security system, various institutional and on-the-job training programs under the Manpower Development and Training Act of 1962, and the Neighborhood Youth Corps, Concentrated Employment, and related programs under the Economic Opportunity Act of 1964.

The Economic Opportunity Act programs are administered by the Department of Labor under delegation of authority from the Office of Economic Opportunity. Considerable time was used in reviewing these programs pursuant to the requirements of section 201 of the Economic Opportunity Amendments of 1967, approved December 23, 1967 (see page 120).

In our reports to the Congress as a whole we pointed out that the Department could improve the effectiveness of its operations or achieve economies by :

- Strengthening controls over the payment of death benefits under the Federal Employees' Compensation Act to prevent dual payments.
- Increasing the effectiveness of the Neighborhood Youth Corps program for aiding students and unemployed youths in Cleveland, Ohio.
- Expanding and relocating the internal audit function in the Department of Labor.

These findings, and agency comments or action taken on our suggestions and recommendations for improvement, are summarized in digests of our reports included at the end of this section.

In August 1967 we issued a report to the Secretary of Labor concerning contracts awarded to two contractors for on-the-job training of transit operators in New York, N.Y., under the Manpower Development and Training Act of 1962. We stated our belief that the contract requirements concerning "maintenance of effort" had not been adhered to, with the result that both contractors received reimbursements to which they were not entitled. Subsequently, the Secretary ordered a study to be made with the objective of devising some alternative procedure that would protect the Government's interest in refraining from duplicative programs and yet not evoke the administrative difficulties encountered with the "maintenance of effort" provision. Also, we were informed that refunds totaling \$49,100 had been received from the contractors.

We continued to increase our efforts in constructively assisting the Department to further improve its financial management systems, particularly in the development of a statement of accounting policies, principles, and standards which was formally approved by the Comptroller General on March 1, 1968. The Department is developing a centralized, automated accounting system for the entire Department supported by four ancillary systems. Two segments of the system had been submitted for formal approval and were under review at the end of the fiscal year. The Department plans to have all segments of the system submitted for approval no later than June 30, 1969.

Audit work in process at June 30, 1968, included a continuation of reviews of manpower programs pursuant to the requirements of Title II of the Economic Opportunity Amendments of 1967. We also had underway reviews of departmental determinations of prevailing wage rates under the Davis-Bacon Act and related laws, Federal employees' death and disability compensation programs of the Bureau of Employees' Compensation, and certain Department-wide activities.

Digests of the reports submitted to the Congress follow.

*Bureau of Employees' Compensation*

Review of procedures for preventing the payment of dual benefits for the same disability or death, B-157593, July 5, 1967

Our review at four of the 10 district offices of the Bureau of Employees' Compensation disclosed a need for the Bureau to strengthen its procedures to prevent the payment of death benefits by both the Bureau and the Veterans Administration. Our review of 309 compensation awards made in four district offices revealed that dual payments of about \$90,000 were made in 45 cases from September 1960 through March 1967. In our opinion, dual payments are prohibited by section 7(a) of the Federal Employees' Compensation Act. We found no evidence of dual payment of disability compensation.

We believe that the primary reason for the payment of dual compensation benefits was that Bureau instructions issued in August 1961 improperly permitted the district offices to make payment of death compensation benefits concurrently with the payment of Veterans Administration benefits for the same

death. The Secretary of Labor agreed to take appropriate action substantially in line with our proposals for correcting the situation and for recovering the excess payments made.

### *Manpower Administration*

Need to increase effectiveness of the Neighborhood Youth Corps program for aiding students and unemployed youths in Cleveland, Ohio, **E-163096**, Mar. 15, 1968

This report was our first report on activities of the Neighborhood Youth Corps, administered by the Department of Labor pursuant to delegation of authority from the Office of Economic Opportunity. The activities reviewed were carried out primarily during calendar year 1966.

We found weaknesses in the administration of the Neighborhood Youth Corps program in Cleveland, Ohio, which was operated by several sponsors. For example, on the basis of our limited tests of youths enrolled in the program in Cleveland, we concluded that either the eligibility criteria of the Department of Labor had not been met by a substantial number of youths or their eligibility could not be readily ascertained because the files did not show that the sponsors had elicited from the youths sufficient information to make the determination.

We also found a need for the program sponsors to (1) have an effective counseling program for out-of-school enrollees, (2) promote participation of enrollees in remedial education courses, (3) acquire more information on enrollees terminated from out-of-school projects to further assist them and gain an information source for program evaluation, (4) make substantial improvements in the operation and control of payrolls, and (5) further train their administrative staffs and more frequently evaluate staff performance.

In addition, we found the need for more effective monitoring of sponsors' operations by the Department to improve program effectiveness and ensure compliance with work-training contracts.

The Secretary of Labor advised us that appropriate corrective actions were taken by the Department and sponsors on our findings and proposals. We recommended to the Secretary, however, that Department officials and sponsor organizations involved in the Neighborhood Youth Corps activities throughout the Nation be advised of the problems noted in Cleveland so that, if warranted, appropriate actions could be taken elsewhere.

### *Office of Assistant Secretary for Administration*

Need to expand and relocate internal audit function in the Department of Labor, **E-160759**, June 6, 1968

We found that the Department had made limited use of its internal audit staff as a management tool even though its programs have been expanding. We found, for example, that (1) only four auditors were assigned to its internal audit staff at the time this review was made, (2) only four reviews of Labor programs were made during fiscal year 1967 and these were of limited scope, and (3) all of the reviews were made in Washington, although the Department has over 200 field offices where 44 percent of its employees are stationed. We also found that the internal audit staff reports its findings to a Department official whose responsibilities include some of the activities being audited.

The Secretary of Labor agreed with our proposal to substantially increase the Department's internal audit activity commensurate with its needs but did not agree with our proposal to relocate the internal audit function at a higher level. He stated that objectivity could be achieved within their present organizational structure, although a procedural change, involving reporting, would be made to maintain objectivity.



We continued to believe that the internal audit organization should report to the highest practicable level, preferably the Secretary or Under Secretary, but at least to an official who reports directly to the Secretary. We recommended that, if the organization does not report directly to the Secretary, the Secretary establish adequate controls to ensure that the internal audit activity will be sufficiently independent to provide him with independent and impartial appraisals of all the Department's programs and activities.

Subsequently, the Secretary informed us that a new office would be established, the head of which would report to the Assistant Secretary for Administration, and that he was satisfied that this change would further assure the objectivity and impartiality of the internal auditing.

## POST OFFICE DEPARTMENT

During fiscal year 1968 we submitted seven reports to the Congress on our reviews of Post Office Department operations. Four of these reports were submitted to the Congress as a whole and three reports were submitted to its committees or Members in response to inquiries on specific subjects. In addition, we issued seven reports to the Postmaster General.

We used time equivalent to that of about 62 staff members during the year in reviewing and testing selected activities and in assisting the Department in improving its financial management systems. Our reviews covered varied activities, such as construction and lease of postal facilities, procurement of supplies and equipment, transportation and delivery of mail, manpower utilization and staffing of postal facilities, and internal auditing.

On the basis of our reviews, we believe that the Department could improve the effectiveness of its operations or achieve economies in a number of areas. We found that:

- Substantial economies and improvements in service could be achieved by consolidating, into about 550 large post offices, the processing of mail and the administrative and financial functions presently being performed at about 33,000 independent post offices.
- If permitted by law, the Department would be able to achieve significant savings by furnishing Government-owned vehicles to certain rural mail carriers instead of paying them an equipment maintenance allowance for using their own vehicles.
- Revised legislation was needed to provide the Department with an effective and orderly means for financing site acquisitions and to eliminate any incentive for premature or hasty actions to obligate funds at the end of a fiscal year.
- Numerous improvements were needed in the Department's management controls over programs for selecting and obtaining sites for new postal facilities.

- The Department's internal audit program was adequate to provide management with independent, objective, and constructive appraisals of the effectiveness and efficiency of the financial and operating activities, although there was need for some improvement in the procedures for follow-up on recommendations contained in internal audit reports.

The foregoing findings, and agency comments or action taken on our suggestions and recommendations for improvements, are summarized in the digests of our reports to the Congress included at the end of this section.

In our reports to the Postmaster General, we pointed out that:

- Improvements were needed in controls over planning for space to be provided in small and medium size post offices.
- Specific criteria needed to be established regarding the circumstances under which city delivery carriers serving residential routes may report for duty prior to 6 a.m. to avoid unnecessary payments of extra compensation (night differential).
- The Department could achieve savings in operating costs and assist in the abatement of air pollution through conversion of heating plants at certain post offices from coal to other fuels.
- Transportation costs could be reduced by adhering more closely to the Department's policy that lightweight nylon pouches be used to transport first-class mail by air.

We continued to provide assistance to the Department in developing its accounting system and in improving overall financial management of its operations. During the year, we approved two segments of the Department's accounting system. In addition, we held numerous discussions with officials of the Department's Bureau of Finance and Administration regarding several other segments which had been furnished informally for our advance consideration and, in some cases, we submitted written comments to the Department on matters that appeared to require correction or revision.

The Department has established tentative target dates for submitting the remaining segments of its accounting system to the Comptroller General for approval. We plan to continue our efforts in the financial management system area in addition to making reviews of selected activities which appear to need improvement.

Our audit work underway at June 30, 1968, included surveys and reviews of such matters as the assessment and collection of second-class mail

revenues, the maintenance of post office buildings and equipment, the planning for large mechanized mail-handling facilities, the Department's cost ascertainment system, and the domestic money order system.

Following are digests of the four reports submitted to the Congress as a whole during fiscal year 1968.

Potential economies and improvements in service through modernization of the postal field service, **B-114874, Dec. 7, 1967**

Our review of the organization and operation of the postal field service indicated an urgent need for modernization of the basic concepts of operation of post offices, in the interests of economy of operations and improved mail service. We found that about 33,000 independent post offices, with few exceptions, processed their own incoming and outgoing mail and were responsible for their own administrative and financial functions. This fragmented operation precluded the Department from realizing the full benefits of mechanization processes which require large volumes of mail for economical operation. We expressed the opinion that this problem would become more acute in future years as new uses are developed for electronics in the automation of postal facilities.

We recommended that the Postmaster General establish plans and procedures for implementing the consolidation of mail-processing operations and the centralization of administrative and financial functions of post offices into about 550 existing sectional center offices. We also recommended the elimination of city and community names from postmarks to obviate the need for routing each piece of mail through one of the 33,000 independent post offices for postmarking before going to one of the 550 sectional center offices for sorting and dispatch.

The Deputy Postmaster General informed us that, a few years earlier, the Department had considered implementing an operating concept similar to that recommended but that, because of problems that might be encountered if the change were made at that time, the matter had been held in abeyance. The Department disagreed with the proposal to eliminate city and community names from postmarks.

We recommended also that the Congress consider amending present statutes to eliminate certain restrictions against the consolidation of post offices and to provide that the primary criteria for the establishment, discontinuance, or consolidation of post offices be the efficiency of the service and economy of operations.

Significant savings possible if rural mail carriers use Government instead of personal vehicles, **B-161392, Jan. 4, 1968**

On the basis of a review of about 5,100 rural routes operating within or near metropolitan areas, we estimated that the Department could achieve a cost reduction of at least \$4.2 million a year without adversely affecting postal service if certain of the rural mail carriers were furnished with Government-owned vehicles rather than paid an equipment maintenance allowance for using their own vehicles. We expressed the belief that further savings could be achieved if the changeover were made throughout the country.

Because rural mail carriers are required by law to furnish their own vehicles, we recommended that the Congress consider enacting legislation to authorize the Postmaster General to furnish Government-owned or leased vehicles to rural carriers rather than pay them the equipment maintenance allowance when he determines that such action would be more economical and in the best interest of the Government.

The Department and the General Services Administration agreed with our views that the Postmaster General should have such authority.

Review of internal auditing and related activities, **B-160759**, Apr. 12, 1968

On the basis of our review of the internal audit, audit inspection, and financial examination activities of the Department, we were of the opinion that the policies, directives, and responsibilities for the Department's internal audit program were adequate to provide management with independent, objective, and constructive appraisals of the effectiveness and efficiency with which the financial and operating responsibilities of the Department were being performed. We found, however, that the Department's procedures for follow-up action on recommendations contained in internal audit reports needed improvement. We therefore proposed that the Department issue instructions to provide for periodic reporting to top management on the status of corrective action to be taken on recommendations contained in internal audit reports.

In line with our proposal, the Department issued, in September 1967, a revised Headquarters Circular to establish the necessary controls over the follow-up action to be taken on internal audit reports.

Revised practices needed for acquiring control of sites for leased postal facilities, **B-153129**, May 1, 1968

On the basis of our review, we concluded that, to provide the Department with an effective and orderly means for financing acquisitions of sites and planning of postal facilities and to eliminate any incentive for premature or hasty actions to obligate funds, legislation relative to the financing of site acquisition transactions needed to be revised to eliminate the provision that funds not obligated at the end of a fiscal year lapse and must be covered into the Treasury as miscellaneous receipts. We concluded also that congressional control over the Department's site acquisition activities would be strengthened if the Department were required to report annually to the Congress on such activities.

Before hearings were commenced on the Department's appropriations for fiscal year 1969, we furnished copies of our draft report to the House and Senate Committees on Appropriations. Subsequently, these committees directed the Department to (1) transfer the site acquisition fund from the Building Occupancy account to the Postal Public Buildings account, which has a no-year limitation, and (2) utilize the site acquisition fund in the future only after complete justification, by line item project, had been made available to the Committees on Appropriations.

In addition, we concluded that, to ensure implementation of its policy of constructing postal facilities on sites which adequately meet operational needs at the lowest possible costs, the Department needed to make certain improvements in the management controls over its program for selecting and obtaining control of sites for new postal facilities.

In commenting on our draft report, the Deputy Postmaster General stated that the Department agreed with our conclusion that site requirements should be publicized before site control proceedings were commenced, and he said that the Department's manuals and other instructions would be revised accordingly. He stated also that, pursuant to our recommendations, the Department would (1) review its instructions and requirements for making appraisals and preparing appraisal reports and attempt to make them more specific and (2) take action to develop guidelines for management reviews of real estate files.

The Deputy Postmaster General advised us that the Department did not fully agree with our other recommendations to the Postmaster General. These recommendations were that :

- Guidelines be established as to when studies should be made of the feasibility and costs of acquiring and operating facilities on alternative sites, and specific criteria be established regarding the factors to be taken into consideration in making and using such studies.

## CIVIL OPERATIONS

- The Department's policies and procedures be revised to provide, among other things, for:
  - (a) obtaining fully documented appraisals of potential facility sites before selecting the sites to be used or attempting to negotiate purchase options on the properties involved,
  - (b) assigning the functions of making appraisals and negotiating purchase options to different individuals, and
  - (c) obtaining a second, independent appraisal of property values under certain circumstances.

## DEPARTMENT OF TRANSPORTATION

During fiscal year 1968 we submitted 16 reports to the Congress on our reviews of Department operations. Seven of these reports were submitted to the Congress as a whole and nine were submitted to committees or Members. In addition, we issued 34 reports to Department or agency officials.

We used time equivalent to that of about 59 staff members during the year in reviewing and testing selected activities of the five major constituent agencies and offices of the Department. Approximately 60 percent of our effort was devoted to operations in the Federal aviation and Federal highway program areas, with an additional 20 percent of our effort being spent on financial management activities, including the Department's accounting systems.

As a result of our reviews we found that the Department could improve the effectiveness of its operations or achieve economies in the following matters. We found :

- A need to strengthen controls over Federal participation in airport projects where the eligibility and value of donated land affects the amount of such participation.
- An opportunity for savings if the Federal Aviation Administration purchased common test equipment directly from manufacturers.
- An opportunity for increasing airport development, without a corresponding increase in Federal funds, by limiting Federal participation in cases where the requirement for an approach light system does not result in increased land acquisition costs.
- Indications that the timely and economical completion of the interstate highway system may be hindered by unresolved route location and design problems for segments in metropolitan areas.
- A need for improved controls over appraisal reports supporting prices paid to acquire land for highway purposes under the Federal-aid highway program.

- An opportunity for better utilization of Government-owned land through a systematic review by the United States Coast Guard of its landholdings.

These and other findings resulting from our reviews, and agency comments or actions taken on our suggestions and recommendations for improvement, are summarized in the digests of our reports to the Congress included at the end of this section.

We continued our efforts in constructively assisting the Department to further improve its financial management systems. Our major emphasis in this area during the year was on assisting the Federal Aviation Administration to develop the detailed accounting procedures necessary to implement an accounting system based on the statement of principles and standards approved by the Comptroller General in January 1967. In addition, we completed a review of internal audit activities in the Federal Aviation Administration and issued a report thereon to the Congress shortly after the close of the year.

Audit work in process at June 30, 1968, included surveys and reviews of the Alaska Railroad; automation of the National Airspace System; certification of aircraft, airmen, and airports; highway beautification; urban transportation planning; national highway safety; and construction of U.S. Coast Guard shore facilities.

Digests of the reports submitted to the Congress follow.

#### *Federal Aviation Administration*

Review of Federal participation in the cost of airport projects involving donated land, **E-133127**, Aug. 30, 1967

We found that values claimed by airport sponsors for donated land, affecting the amount of Federal participation, were accepted by the Federal Aviation Administration although not supported by adequate appraisal reports, as required. In addition, we found that the Federal share of one project's cost was based on a donation which was, in our opinion, not bona fide and thus could not serve as an acceptable base for a matching Federal contribution.

In our opinion, these deficiencies were caused by the failure of FAA to adequately verify representations by airport sponsors of the eligibility and values of donated land. Because some of these representations were patently questionable, we believe that they should have been thoroughly analyzed by FAA officials prior to acceptance.

In commenting on our review, the FAA Administrator concurred in our findings and stated that the procedures governing approval of applications for projects involving donated land had been revised and strengthened.

Review of reports relating to the economic feasibility of the supersonic commercial transport, **E-159141**, Jan. 15, 1968

At the request of the chairman, Committee on Interstate and Foreign Commerce, House of Representatives, we reviewed certain reports on the economic feasibility of the supersonic commercial transport. We reported on the major differences between a report issued by the Federal Aviation Administration and the supporting research reports prepared by consultant organizations, and the

assumptions made by FAA and the consultant organizations in analyzing the economic feasibility of the supersonic transport.

We found that for certain aspects of the program analyzed by the consultants which it engaged, FAA decided against using certain of the data presented in the consultants' reports. Two significant differences related to estimates of development and production costs and to estimates of aircraft demand. We expressed the view that, on a near-term basis, the reasonableness of FAA's judgment regarding development and production costs was particularly critical because these costs and their related effects are so important to the success of the supersonic commercial transport.

Opportunity for savings by direct procurement of test equipment, **B-133127, Apr. 10, 1968**

In our review of the Federal Aviation Administration's procurement of electronic test equipment used to service its air navigation and air traffic control systems, we found that the agency generally had purchased this equipment as part of its contracts for basic systems. We believe, however, that FAA could achieve savings by purchasing the test equipment directly from manufacturers. In two contracts that we reviewed in detail, FAA paid a total of about \$539,000 for test equipment which basic systems suppliers purchased for about \$419,000.

We suggested that FAA clarify its procurement instructions which appeared to require procurement of common test equipment indirectly through basic systems suppliers. FAA then issued two new policy directives dealing with procurement in general and was revising a third policy directive dealing specifically with the procurement of test equipment.

We believe that the two new directives should contribute generally toward more economical procurement and that the proposed revision of the third directive should eliminate the apparent requirement that common test equipment be procured indirectly through basic systems suppliers. However, because the revised draft did not delineate the factors that need to be considered in deciding whether test equipment is to be procured separately or as part of basic equipment systems, we concluded that it was still possible that common test equipment might again be procured indirectly at higher costs to the Government. We recommended therefore that the revised order be adjusted accordingly.

Federal participation in the cost of airport land used for installation of runway approach light systems, **B-158072, June 27, 1968**

We found that the Federal Aviation Administration was participating in the cost of land required for approach light systems at the maximum rate of 75 percent of the cost even though most of the approach light system was installed on land within a runway clear zone area. Federal participation in the cost of clear zone area land would be at 50 percent instead of 75 percent if the land were not also to be used for the installation of lights. Use of the land for installation of lights in no way increases the sponsor's cost when clear zone area land is acquired in fee.

We believe that consideration should be given to limiting Federal participation in the sponsor's cost of purchasing clear zone area land to 50 percent when the requirement for an approach light system does not increase the sponsor's land acquisition cost. We therefore suggested that the Congress consider limiting Federal participation at the 75 percent rate to those cases where the requirement for an approach light system results in increased acquisition costs.

We found also that FAA had amended certain grant agreements with airport sponsors to increase the rate of Federal participation from 50 to 75 percent. Although FAA stated that its policy under which the amendments were made was consistent with the purpose of the law, we concluded that such amendments were prohibited by the law. Consequently, we recommended that action be taken to recover the increases from the airport sponsors.

*Federal Highway Administration*

Problems associated with location and design of segments of the Interstate Highway System in major metropolitan areas, **B-118653**, Aug. 24, 1967

Our continuous review of the various aspects of the Federal-aid highway program, administered by the Bureau of Public Roads—an agency of the Federal Highway Administration—indicated that the timely and economical completion of the Interstate Highway System may be hindered by unresolved route location and design problems for segments in major metropolitan areas. The problems stem basically from inability of the parties concerned—Federal, State, and local—to reach agreement on suitable specific route locations or design features.

The Bureau, in commenting on these matters, advised that these unresolved segments were not vital links in the interstate system, but rather were vital links only in metropolitan transportation systems, and failure to complete these segments would not prevent the completion of an integrated and complete interstate system.

The Bureau stated also that the route location problems could be resolved by deleting route segments entirely from the interstate system and substituting other interstate connections. The Bureau pointed out that this approach had been used in San Francisco without any adverse effects on the unified national network of interstate highways. In this case, the Bureau, in March 1966, deleted two interstate segments from the system and rerouted a third interstate segment because no progress was being made toward gaining local approval of route location. Inasmuch as the deleted segments or substitutes will eventually have to be constructed and since the Bureau indicated that it might redesignate portions of the deleted segments as part of the interstate system, it appeared to us that the Bureau's approach was an expedient solution.

Since, in our opinion, the Bureau's solution to these problems carries with it such consequences, we suggested that the Congress might wish to examine the approach in detail in its continuous review of the Federal-aid highway program.

Need for improved controls over appraisal reports supporting prices paid to acquire land for highways in the States of South Carolina and Tennessee, **B-118653**, Feb. 2, 1968

In past years we have issued numerous reports to the Congress pointing out deficiencies in appraisal, documentation, and review procedures for acquiring land for highway purposes in various States. Because prior reviews disclosed significant weaknesses in acquisition practices in South Carolina and Tennessee, a follow-up review was undertaken in these States to assess the adequacy of corrective action taken or preventive control implemented by the States and by the Federal Highway Administration's Bureau of Public Roads.

In our February 1968 report on our follow-up review we stated that many of the problems and weaknesses which we previously reported still existed and that the Bureau had continued to approve appraisal reports which, in our opinion, were either incomplete or inadequate to support the appraisal valuations that were being used as the basis for the States' settlements with property owners and for Federal participation in the cost of such settlements.

The continued acceptance of inadequately supported appraisal reports was caused by Federal highway officials not requiring States to closely adhere to Federal policies and procedures regarding the adequacy of appraisal support and documentation and not formally advising the States that Federal participation in the costs of acquired lands would be withheld if appraisals were not properly supported.

We recommended that the Secretary of Transportation request the Federal Highway Administrator to (1) define for responsible State and Bureau officials those appraisal elements which are to be considered as requirements for an appraisal to be adequately supported as a basis for Federal participation in the costs of



properties acquired by the States, and (2) direct Bureau officials to closely survey State right-of-way practices and procedures and to advise the States, in instances where appraisal deficiencies are noted, that Federal participation in the costs of acquired lands will be withheld if appropriate corrective action is not taken. The Administration subsequently advised us that appropriate action was being taken to put our recommendations into effect.

Review of the **1968** cost estimate for completing the National System of Interstate and Defense Highways, **B-133833**, May **31, 1968**

At the request of the chairman, Senate Committee on Public Works, we examined into the reasonableness of the estimate of the cost of completing the National System of Interstate and Defense Highways submitted to the Congress by the Secretary of Transportation on January 12, **1968**, in accordance with existing legislation. The total cost of constructing the System was estimated at **\$56.5** billion, an increase of **\$9.7** billion over the previous cost estimate in **1965**.

We found that, subject to certain exceptions, the estimates, prepared by the State highway departments and approved and consolidated by the Federal Highway Administration, were made in accordance with the Administration's instructions which provided reasonable criteria for developing such estimates. We expressed concern, however, as to (1) the reliability of the estimated cost of right-of-way to be acquired, due to weaknesses in supporting documentation, and (2) the quality of information available for making reliable cost estimates for the construction of interstate system highways in urban areas and for additional safety features to be provided on highway segments already open to traffic.

**We commented also on the fact that the Secretary, in formulating the estimate,** established a criterion of including only "definitely foreseeable costs." In our opinion, bearing in mind the upward trend in previous estimates of cost and increases in Construction prices and certain location and design problems in urban areas, a more appropriate criterion would have been "reasonably foreseeable costs." The Secretary's report stated that in addition to funds already authorized, Federal funds of **\$8.34** billion would need to be authorized to meet the increased cost of constructing the System. This amount did not include "reasonably foreseeable costs" which we estimated to be about **\$4.3** billion for the increase in construction prices alone. In addition, we pointed out that, on the basis of our review and in consideration of the problems to be resolved in urban areas, an orderly and economical completion of the System could not be accomplished by **1972**.

We expressed the opinion that in acting upon Federal highway legislation proposed by the Secretary, the committee might wish to discuss with the Secretary the advisability of adjusting the **1968** estimate to the extent practicable in consideration of matters contained in our report. We stated that such a discussion could serve as a vehicle for considering whether the revised apportionment factors and increased funding authorizations proposed by the Secretary would permit the orderly achievement of the extended statutory completion date of **1974** which the Secretary had proposed.

#### *Saint Lawrence Seaway Development Corporation*

Examination of financial statements, calendar year **1966**, **B-125007**, May **6, 1968**

Upon the completion of our examination, we expressed the opinion that the financial statements of the Saint Lawrence Seaway Development Corporation, together with the information contained in the following paragraph, presented fairly the financial position of the Corporation at December **31, 1966**, and the results of its operations and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting prin-

ciples applied on a basis consistent with that of the preceding year and with applicable Federal laws.

During calendar year 1967 it was determined that deterioration which had occurred in the Eisenhower and Snell lock structures and in a vehicular tunnel would occasion extraordinary rehabilitation costs estimated at \$13.1 million.

### *United States Coast Guard*

Need for systematic review by the Coast Guard of its landholdings, **B-118650**, Jan. **15, 1968**

We reported that the Coast Guard was retaining land which seemed to be excess to its existing or planned needs because, in our opinion, the Coast Guard had not developed a program for systematically reviewing its landholdings.

The Commandant of the Coast Guard agreed that definitive instructions were needed to bring about a systematic evaluation of the Coast Guard's landholdings and, in February 1968, guidelines for implementing such a program were issued by Coast Guard Headquarters.

## TREASURY DEPARTMENT

In our work at the Treasury Department, we reviewed selected programs and activities of the Office of the Secretary, the Bureau of Customs, the Bureau of Engraving and Printing, the Bureau of the Mint, the Internal Revenue Service, and the Office of the Treasurer of the United States. We issued one report to the Congress, four reports to committees of the Congress on reviews made at their request, and 28 reports to agency officials. We used time equivalent to that of about 45 staff members during the year in reviewing the selected programs and activities.

Our audit of Internal Revenue Service activities during the year included reviews of (1) the controls in effect to insure that taxpayers are reporting as taxable income State tax refunds received by taxpayers for which Federal tax benefits had been received in prior years, (2) delays in processing claims for income tax refunds, (3) procurement of an automatic mail processing system, (4) interest payments on certain Federal income tax refunds, (5) activities of the Data Center, Detroit, Mich., and (6) internal audit activities.

As required by Public Law 89-427, we continued our reviews of the cancellation and destruction of, and the accounting for, currency unfit for circulation. Also, as required by law, we examined and settled the accounts of the Department's disbursing, collecting, and other accountable officers, the accounts of disbursing officers of the Department of State, and the accounts of approximately 300 disbursing officers of various other agencies.

We continued our efforts to constructively assist the Department to further improve its accounting systems. During the year we approved the

administrative accounting systems of the Bureau of the Public Debt and the Office of the Treasurer. In addition, we furnished the Department with our views on improvements that should be made in the administrative accounting systems of two bureaus and in the principles and standards for accounting in a third bureau. We also furnished views to Office of the Secretary officials on their draft of a statement of principles and standards for application to all Treasury administrative accounting systems. At the end of the fiscal year our staff was reviewing four systems which the Department had submitted to the Comptroller General for approval.

A digest of our report to the Congress follows.

Examination of financial statements of the Bureau of Engraving and Printing Fund, fiscal years 196667, B-114801, Feb. 12, 1968

We expressed the opinion that the financial statements presented fairly the financial position of the Bureau of Engraving and Printing Fund at June 30, 1966 and 1967, and the results of its operations and the sources and application of its funds for the fiscal years then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States applied on a basis consistent with that of preceding years.

#### ATOMIC ENERGY COMMISSION

Our work in the Atomic Energy Commission (AEC) during the year, which required time equivalent to that of about 44 staff members, was performed at AEC Headquarters, 15 AEC field offices, 32 AEC contractor-operated facilities, and three suppliers' plants. It included reviews of leasing arrangements for land and office space, acquisition of and need for certain automatic data processing equipment, AEC internal audit functions, and certain other selected activities. Our work also included reviews undertaken at the request of the Joint Committee on Atomic Energy with respect to (1) accountability controls over special nuclear materials, (2) selected construction projects, (3) the financial impact on the United States Government of a proposed transfer of plutonium to the European Atomic Energy Community, and (4) AEC's proposed unit charge for uranium enrichment services.

During the year we submitted seven reports to the Joint Committee on Atomic Energy and five reports to agency Headquarters officials and managers of AEC field offices. Digests of three reports to the Joint Committee on Atomic Energy are included at the end of this section.

In a report to AEC, we concluded that AEC's Grand Junction Office had not clearly demonstrated that the benefits to be derived from purchasing certain automatic data processing equipment, at a cost of about \$420,000, would justify the cost of acquiring such equipment. AEC subsequently advised us that, in accordance with our proposal, it had

decided not to purchase the equipment but was considering using a direct wire hookup to an existing computer instead.

In a report to the AEC Chairman on our review of the organization and operation of AEC's internal audit function, we expressed the opinion that, within the resources available for the activity, the internal audit function **was** being carried out in a generally effective manner.

We approved AEC's accounting system on March 8, 1963. We plan to continue to consider the effectiveness of AEC's financial management system, including the adequacy of cost and other financial data for management purposes, during our reviews of specific program operations.

Digests of the reports submitted to the Joint Committee on Atomic Energy follow.

Review of proposed unit charge for uranium enrichment services, **B-159687**, Sept. 25, **1967**

At the request of the Joint Committee on Atomic Energy, we reviewed the bases used to establish the amount to be charged by the Atomic Energy Commission (AEC) for uranium enrichment services. We expressed the opinion that, on the basis of our selective review of AEC studies, the charge per unit of separative work for uranium enrichment services was adequate to permit recovery of applicable costs projected over a number of years and was consistent with AEC's published criteria. Also, we reported that since the charge provided a margin for contingencies, we did not see a basis for asserting that a subsidy was being provided to domestic or foreign nuclear industries.

Estimated financial impact on the U.S. Government of a proposed transfer of plutonium to the European Atomic Energy Community, **B-131115**, Oct. 20, **1967**

At the request of the Joint Committee on Atomic Energy, we examined into the potential financial impact on the **U.S.** Government of the Atomic Energy Commission's proposal to amend the European Atomic Energy Community (EURATOM) Cooperation Act of 1958 (42 U.S.C. 2291) to authorize transfer of an additional 1,000 kilograms of plutonium to EURATOM. AEC had proposed to allow EURATOM to obtain up to 50 percent of its plutonium requirements from private reactor operators and to obtain the remainder from AEC at a weighted average price to be determined from the cost to AEC for all portions of plutonium available to the civil programs. In the past, plutonium produced in the United States had been furnished to EURATOM only by AEC at a price related to its cost of production. We also examined into the potential financial impact of various alternative methods of supplying EURATOM's requirements.

In a supplementary report dated October 24, 1967, we pointed out that AEC's proposal, involving the sale of 500 kilograms of plutonium at a weighted average price, could result in a loss of revenue to the Government of about \$2.2 million, compared with the revenues that would result if AEC sold the plutonium to EURATOM at the current established price related to its cost of production. We pointed out also that, under the AEC proposal, EURATOM's average cost for the total plutonium purchased from both AEC and the private reactor operators would, in all likelihood, be lower than the average cost at which plutonium would be available to the Government's civil programs.

In its report on the legislation authorizing the transfer of the additional 1,000 kilograms of plutonium to EURATOM, the Joint Committee stated that, in light of our report, it believed that the AEC plan to charge EURATOM a weighted average price for plutonium sold pursuant to the new authorization did not adequately recognize the various uncertainties and equities involved, would set a poor precedent, and would be difficult to administer. Accordingly,

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the Committee recommended that sale be made at the AEC price in effect at the time of delivery of the material.

The Committee stated that AEC was agreeable to the modification of its original proposal and that the effect of the modification would be to increase revenues to the Government by approximately \$2.2 million, compared with the revenues that would result from AEC's suggested policy. The Congress subsequently enacted legislation authorizing the transfer of the additional 1,000 kilograms of plutonium to EURATOM in the manner suggested by the Joint Committee.

### Review of selected construction projects, B-159687, Feb. 19, 1968

At the request of the Joint Committee on Atomic Energy, we reviewed selected AEC construction projects where time delays, cost overruns and other administrative difficulties had occurred. Our report was submitted to the President of the Senate and the Speaker of the House of Representatives as well as the Joint Committee.

The report contained our observations concerning (1) the need for AEC, in presenting construction projects for authorization, to disclose information as to related research and development costs to be financed with operating funds, (2) the need for AEC to modify its existing reporting procedures to the Joint Committee to disclose information concerning delays being encountered in completing authorized projects, and (3) the need for the AEC management control system to provide necessary criteria to permit an objective evaluation as to the merits of proposed scope changes. AEC subsequently revised its procedures in accordance with our observations.

## CIVIL SERVICE COMMISSION

Our audit work in the Civil Service Commission during fiscal year 1968 consisted principally of reviews of selected aspects of the investigations revolving fund and of the Federal employees' retirement and disability, group life insurance, and health benefits programs. We used time equivalent to that of about 12 staff members in this work. Approximately 62 percent of our effort was spent on the Federal employees' programs.

During the fiscal year we submitted one report to the Congress, one report to a Member of the Congress, and eight reports to agency officials. In our report to the Congress we proposed that the Congress consider amending the law to provide that amounts equivalent to the annuities paid to retired employees reemployed by Federal agencies, which are deducted from the employees' salaries, be transferred to the Civil Service Retirement and Disability Fund.

In our reports to agency officials, we pointed out :

- A need for certain revisions in accounting for reimbursable costs of personnel investigations.
- Opportunities to improve administration and effect economies in the Federal employees' group life insurance program.
- An opportunity for improvement in the management of cash funds on deposit with one of the insurance carriers of the Federal employees' health benefits program.

At June 30, 1968, we were preparing a report on the Federal employees' group life insurance program, were reviewing the Federal employees' health benefits program, and were making a survey of selected aspects of the Commission's recruiting and examining activities.

At the end of the year our staff was reviewing the accounting systems for the Federal employees' retirement, group life insurance, and health benefits programs, and a proposed statement of accounting principles and standards which the Commission had submitted for the approval of the Comptroller General. We will continue to assist the Commission's accounting officials during the preparation of the accounting manual containing the procedures implementing the proposed principles and standards.

A digest of our report to the Congress on the financing of the salary costs of reemployed annuitants follows.

Proposed revision of law governing financing of salary costs of retired civil service annuitants reemployed by Federal agencies, **B-130150, May 28, 1968**

In our review of pertinent provisions of the civil service retirement law and applicable regulations, we noted that the annuities of retired employees reemployed by Federal agencies and of Members of the Congress employed on an intermittent basis continued to be paid from the Civil Service Retirement and Disability Fund and that their salaries were reduced by amounts equal to the annuities they received. The retirement fund is reimbursed, however, only for the amounts deducted from the salaries of Members of the Congress.

The effect of reducing the salaries of reemployed employees by the amounts of the annuities received, without reimbursing the retirement fund, is that a portion of the payroll costs of such employees, equivalent to the amounts of the annuities paid, is financed by the retirement fund rather than by the funds of the employing agencies. We estimated that this amount could total about \$7 million annually.

We proposed that the Congress consider amending the provision of the civil service retirement law, relating to the payment of annuities and salaries to reemployed retired employees (5 U.S.C. 8344), to provide that amounts equivalent to the annuities allocable to the period of actual employment, which are deducted from reemployed retired employees' salaries, be transferred by the employing Federal agencies to the Civil Service Commission for deposit in the Treasury of the United States to the credit of the Civil Service Retirement and Disability Fund.

#### DISTRICT OF COLUMBIA GOVERNMENT

During fiscal year 1968 we reviewed selected matters of District operations related to highway construction, building construction and maintenance, welfare activities, taxes and the tax structure, and the statement of principles and standards of the District of Columbia for development of an improved accounting system. We submitted one report to the Congress, two reports to a congressional committee and a Member of Congress on matters of interest to them, and one report to the Commissioner, District of Columbia.

Our reviews and examinations in 12 major departments or offices of the District of Columbia Government used the time of about 20 staff members. Nearly 20 percent of this time was spent on matters related to improvement of the financial management system.

In the course of our review of the District Government's statement of basic accounting concepts, principles, and standards we held numerous discussions with agency personnel, but a number of important policy issues remained unresolved. The central problem related to how the financial management improvement and accounting systems development work was to be organized and responsibility established.

In February 1968 we reported to the Commissioner of the District of Columbia that the agency's internal audit efforts were applied in a manner that resulted in individual audits being limited in scope and consisting mainly of verification and compliance-type audits. We expressed the belief that internal audits would be more effective and of greater assistance to top management if reviews were more comprehensive and if increased emphasis were placed on evaluations of operating efficiency and economy. To achieve this objective, we believe the Internal Audit Office needed clearer authority and greater independence of action than it had as an organization within the Department of General Administration.

We recommended that the Internal Audit Office be established as a separate staff group responsible directly to the Commissioner or the Assistant to the Commissioner and that it have clear authority to make comprehensive reviews. This recommendation, however, had not been put into effect as of June 30, 1968.

Digests of our report to the Congress and a report to the Committee on Appropriations, U.S. Senate, follow.

Review of withheld reimbursements of right-of-way costs of the Federal-aid highway program, **B-161519**, July 10, 1967

Reimbursements of Federal-aid highway right-of-way costs totaling about \$1.4 million were withheld from the District of Columbia Government by the Bureau of Public Roads, Department of Transportation, during the period from 1962 through 1966 because the District did not observe prescribed Bureau requirements in the acquisition of certain highway rights-of-way and in contracting for clearing highway rights-of-way. We expressed our belief that the withholding of Federal reimbursements and the delay in recovering the withheld amounts were attributable mainly to uncoordinated relationships between the three District organizational units responsible for highway right-of-way acquisitions and to inadequate follow-up control procedures. In commenting on our findings, the President, Board of Commissioners, said that he recognized the need for the District to develop improved procedures in certain departments and offices and cited corrective actions which had been or would be taken.

Review of selected programs and expenditures of the United Planning Organization in the District of Columbia, **B-158523**, Dec. 14, 1967

Our review, made at the request of the chairman of the Senate Committee on Appropriations, was concerned principally with the community action programs operated by the Washington Welfare Association under contract with

the United Planning Organization, the official local agency in the District of Columbia for implementing the various programs under the Economic Opportunity Act of 1964. We found that in the community organization program component little emphasis had been given to education and employment—two of the four root causes of poverty recognized by the United Planning Organization—that relatively few persons were contacted, and that few of the persons contacted were referred to other component programs and/or community agencies established to alleviate poverty.

Our review also showed that the Washington Welfare Association had requested reimbursement from the United Planning Organization for certain costs that had not been incurred, for insurance premiums that had been overpaid, and for merchandise that had not been received.

We expressed the belief that certain improvements were needed in program management, administrative records, and financial controls to ensure more effective program administration. The records and data were, in our opinion, insufficiently comprehensive and reliable for measuring the extent that the operations, conducted in Southeast Washington, achieved their objectives.

### GENERAL SERVICES ADMINISTRATION

During fiscal year 1968, we submitted 11 reports to the Congress on our reviews of General Services Administration (GSA) operations. Six of the reports were submitted to the Congress as a whole and five reports were submitted to its committees or Members. Also, we issued 14 reports to the Administrator of General Services and other agency officials.

We used time equivalent to that of about 37 staff members during the year in reviewing and testing selected activities in four of GSA's five constituent services and in its Office of Administration. Approximately 47 percent of our effort was devoted to the supply activities and approximately 21 percent to construction and design contracts. Significant effort was also devoted to the management and utilization of automobiles in the interagency motor pool system and the management of the Government's communications system within and between the Federal civilian departments and agencies.

During our reviews, we found that GSA could improve the effectiveness of its operations or achieve economies in the following matters. We found that:

- Substantial savings could be obtained through the use of formal advertising procedures in contracting for selected light bulbs and tubes.
- Opportunities existed for reducing the cost of providing Federal agencies with certain common-use items by utilizing sources other than warehouse stocks.
- There was a need to develop more refined cost information for use in determining the most advantageous methods of meeting the supply requirements of Federal agencies.



- There was a need to establish procedures and to assign responsibility for reviewing construction plans to assure that Federal buildings are designed to be functionally efficient.
- Opportunities existed for savings by adopting the manufacturers' recommended preventive maintenance programs for interagency motor pool vehicles.
- Vehicle management could be improved if time-of-use criteria, as well as mileage criteria, were used in evaluating vehicle needs.

These and other findings resulting from our reviews, and agency comments or action taken on our suggestions and recommendations for improvement, are summarized in the following digests of the six reports we submitted to the Congress as a whole during fiscal year 1968.

GSA's accounting system was approved by the Comptroller General on June 30, 1965. Our staff will continue to be available for consultation with GSA on planned refinements of its accounting system and improvements in other financial management areas.

Digests of the reports submitted to the Congress follow.

#### *Federal Supply Service*

Substantial savings available through use of formal advertising procedures in contracting for light bulbs and tubes, **B-163349**, Mar. 20, 1968

In this report, we expressed a belief that GSA's use of negotiated contracts for light bulb and tube requirements did not result in maximum price competition and was not in the best interests of the Government. We concluded that GSA should use formally advertised contracts for the bulk of the Government's lamp requirements because all the essential elements are present for successful formal advertising. We estimated that the Government might realize annual savings of \$1½ million to \$2 million by purchasing selected light bulbs through formal advertising. In response to our recommendation, the Administrator of General Services advised us that contracts for lamps covered by Federal specifications would be formally advertised.

Opportunities for reducing the cost of providing Federal agencies with certain supplies, **B-114807**, May 24, 1968

We estimated that GSA could reduce its variable costs of procurement, warehouse handling, and transportation by about \$1 million annually by limiting agencies' purchases of certain items from warehouse stocks to those situations where that method of supply is necessary and advantageous. Our review of the methods used by GSA to supply the needs of Federal agencies for certain common-use items such as fire extinguishers, light bulbs, spark plugs, step ladders, and office furniture showed (1) that GSA replenished warehouse stocks for 377 items through the Federal Supply Schedule contracts and (2) that a large percentage of agencies' purchases of these items from warehouse stocks (about \$14.2 million during fiscal year 1967) could have been obtained through the Federal Supply Schedule contracts. We stated our belief that there was no significant advantage for GSA to act as a secondary distributor for the bulk of the Government's needs for these items since agencies could place their orders direct with the Schedule contractors, subject to the same terms, conditions, and prices as GSA.

In response to our proposals, GSA advised us that it would determine the most economical method of supplying the agencies' requirements and would take

appropriate action to ensure that the agencies meet their needs for these supplies through the most advantageous source of supply.

Need to improve the cost-information system to achieve more economical supply programs, **B-114807**, June **26, 1968**

We expressed the belief that there was a need for GSA to develop refined cost information for use in determining the most advantageous methods of meeting the supply requirements of Federal agencies. We expressed the belief also that such cost information would serve as a basis for effecting improvements in such areas as (1) establishing optimum inventory operating levels, (2) determining appropriate stocking patterns, and (3) deciding which items should be eliminated from the warehouse stocks. Our review showed that GSA was making supply management decisions on the basis of overall average cost information which we believe, in many cases, is inadequate because of the disparities in the costs associated with the wide range of items available through the GSA supply programs.

The Administrator of General Services advised us that a cost-benefit study had been initiated and that GSA would implement a refined cost data system for use in determining the appropriate method of supply.

#### *Public Buildings Service*

Need for improving reviews of designs of Federal buildings to achieve better utilization of space, **B-156512**, May **28, 1969**

During a review of public buildings under construction in the Washington, D.C., area, we noted that the General Services Administration incurred costs of about \$224,300 to reposition certain overhead ductwork, lighting fixtures, and fire protection sprinklers in the Washington National Records Center to increase the storage capacity by about 75,000 cubic feet. We also found that the placement of ventilating fans and related ductwork precluded the use of 94,000 cubic feet of additional storage space.

We found that although it is a stated policy of GSA that Federal buildings shall be so designed as to be functionally efficient, GSA did not have procedures for implementing the policy and, in practice, reviews of designs did not include appropriate attention to the intent of the policy. We expressed a belief that, had such a review been made, the adverse features of the original design probably would have been recognized and appropriate changes probably would have been made prior to construction.

We recommended that the Administrator of General Services establish procedures and assign responsibility for implementing GSA's stated policy that Federal buildings be so designed as to be functionally efficient. The Acting Administrator agreed that our report demonstrated the need for better surveillance over the functional efficiency of designs and stated that it will assist GSA in the more careful surveillance of designs which, he said, will be observed in practice as well as in policy.

#### *Transportation and Communications Service*

Opportunity for savings by adopting manufacturers' recommended preventive maintenance programs for interagency motor pool vehicles, **B-161340**, Oct. **12, 1967**

We found that savings could be obtained by adopting specific programs of preventive maintenance developed by automobile manufacturers for their vehicles, instead of following existing GSA requirements which provide generally for more frequent preventive maintenance. We estimated that GSA could have saved about \$26,600 during fiscal year 1966 in the cost of preventive maintenance in one region by adopting the manufacturers' programs for certain vehicles. We estimated also that, if these potential savings were typical of the savings that may have been available in GSA's other nine regions, a total of

## CIVIL OPERATIONS

about \$250,000 could have been saved during the fiscal year. Also, similar opportunities for savings may have been available to other Government agencies.

GSA issued a revised guide for preventive maintenance in April 1967. We expressed a belief, however, that it would not achieve the full savings discussed in our report because the guide retained uniform service intervals for some preventive maintenance items. In addition, the revised guide was applicable only to 1966 and later models of vehicles. We estimated that, if the manufacturers' recommended programs for 1963 through 1965 vehicle models were to be adopted promptly, savings of about \$350,000 could be realized on these vehicles during their remaining life.

We were informed in January 1968 that the 1967 guide would be made applicable, where feasible, to 1965 and earlier model vehicles and that GSA would work with the manufacturers on any significant changes in preventive maintenance requirements. Subsequently, GSA advised us that it was requesting agency comments on a proposed regulation setting minimum standards for a preventive maintenance program to meet their specific requirements.

Actions taken to improve the Government's methods for evaluating vehicle use and for estimating vehicle needs, **B-i58712, Mar. 12, 1968**

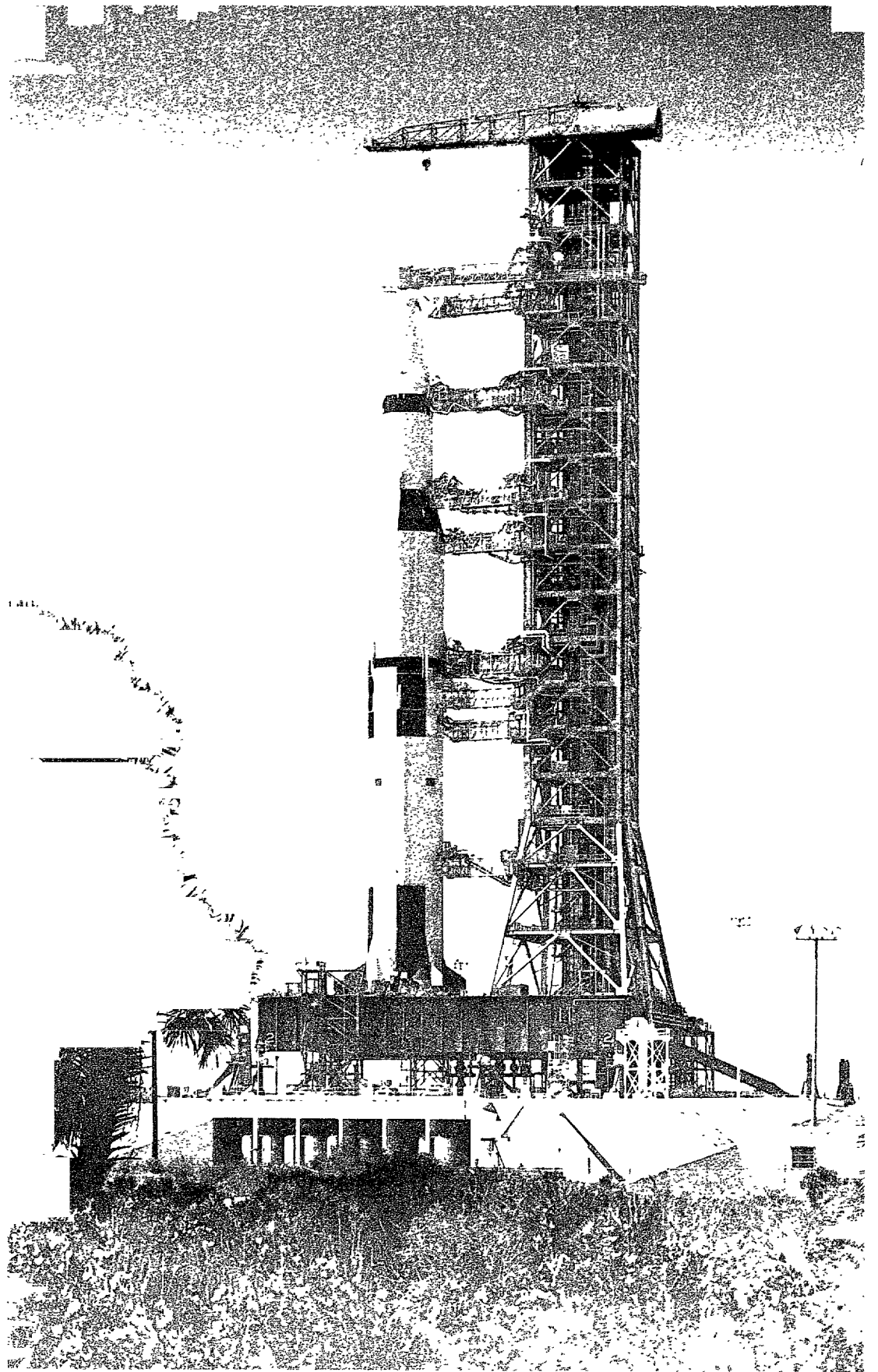
We learned that, in gauging vehicle needs, GSA's motor pool managers generally relied on the average mileage traveled by the vehicles. We found, based on our observations of parked vehicles on motor pool lots in 25 cities throughout the United States, that there was poor correlation between average mileage traveled and the number of vehicles needed. We found also that a substantial number of vehicles which were assigned to the exclusive use of individual Government agencies were not moved during the period of our observations and many more were idle much of the time.

We concluded that, generally, the transportation requirements for which the vehicles were assigned could have been satisfied with greater economy to the Government through the use of dispatch vehicles based at the same location. We concluded that vehicle management could be improved if use in terms of time were considered. From its own study, completed in May 1967, GSA reached conclusions consistent with ours.

Actions were subsequently taken by GSA to include time-of-use data in evaluating the use of vehicles and in forecasting vehicle needs. Action was also taken to provide that the continuing need for assigning vehicles for the exclusive use of agencies be questioned routinely so as to gain the return of underutilized vehicles to the dispatch fleet.

## NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Our work in the National Aeronautics and Space Administration (NASA) during fiscal year 1968 was performed at NASA headquarters, at eight major field installations, and at a number of contractors' plants. Our reviews were concerned principally with the adequacy of management controls over space research and development programs, contracting and procurement, and various administrative activities. We continued to emphasize reviews of various aspects of the Apollo program, as this program, which has as its objective a manned lunar landing in this decade, involves the largest part of NASA's appropriations.



We submitted six reports to the Congress—one to the Congress as a whole and five to committees or Members. In addition, we issued eight reports to agency officials. Three of these reports, submitted to the House Committee on Science and Astronautics, dealt with matters of specific interest to the committee. In general, the other reports pointed out areas of the agency's operations believed to require correction and improvement and suggested the means of effecting the needed action.

In our report to the Congress we commented on the award of a contract by a prime contractor, with NASA approval, for the procurement of lunar module radars without specific competition among qualified suppliers.

During fiscal year 1968, we continued our efforts to assist the Space Administration in resolving certain problems concerned primarily with the reporting and recording of Government-owned, contractor-held space hardware such as engines and launch vehicles. NASA revised the reporting procedures and changed its accounting system accordingly. At the close of the fiscal year, these revisions were being reviewed by our staff.

Reviews were being completed at the close of the fiscal year on financial and physical controls over property, logistics support for tracking and data acquisition activities, and the advantages of contracting directly for certain support services rather than through a prime contractor. *Also*, reviews were under way on various aspects of the Apollo program—including the use of incentive contracts, quality assurance activities, and contractor materials management procedures—on the procedures for awarding competitive negotiated contracts, and on the adequacy with which target costs on incentive contracts were established.

A digest of our report to the Congress on the procurement of lunar module radars follows. A digest of our report on an opportunity for savings by consolidating photographic operations at the John F. Kennedy Space Center and the Air Force Eastern Test Range is included in the section of this report on "Multiagency Activities" (see page 134).

Review of procurement of lunar module radars, E-158390, Apr. 17, 1968

Our report concerned the approval by the National Aeronautics and Space Administration of a proposal of Grumman Aircraft Engineering Corporation (Grumman) to award, without specific competition, the procurement of lunar module radars for the Apollo spacecraft to the Radio Corporation of America (RCA).

The radars discussed in the report—the landing radar and the rendezvous radar—are components of the lunar module primary guidance and navigation system which provides all guidance, navigation, autopilot stabilization, and control computations necessary to complete the lunar module mission.

Grumman, as prime contractor for the lunar module, had procurement responsibility for the landing and rendezvous radars and purchased these units, with the Space Administration's approval, under a subcontract with RCA. The

subcontract for the lunar module radars was awarded on a cost-plus-fixed-fee basis at an estimated cost of about \$23.4 million.

We expressed the opinion that the Space Administration granted approval without an adequate evaluation as to whether Grumman's proposal would provide the Government with the benefits of efficiency and economy in procurement that are generally obtained through the use of free and open competition among qualified suppliers. It was our view that the Space Administration should have required the holding of a specific competition in connection with the procurement of the lunar module radars. The Space Administration, Grumman, and RCA, in commenting on the matters discussed in this report, expressed disagreement with our conclusions.

After giving consideration to the specific comments of NASA and the contractors, we concluded that although the NASA procurement plan for the lunar module contract provided for NASA control over subcontract awards to ensure the benefits of competition, these procedures were not effectively implemented in this case. Appropriate implementation of the NASA procurement plan would have provided a basis for an efficient and economical procurement and NASA apparently appropriately implemented the plan for certain subsystems for which Grumman had proposed RCA as the subcontractor. We expressed the belief, however, that information on the case should be disseminated to NASA contracting officials to assist them in the performance of their functions.

### NATIONAL SCIENCE FOUNDATION

About 9 man-years of staff time were used in our work at the National Science Foundation (NSF) during fiscal year 1968. Three reports were submitted to the Congress and one report was issued to agency officials during the year.

Two of the reports to the Congress were concerned with NSF's administration of its contracts for the operation of two national research centers. In these reports we pointed out opportunities for improvement in such areas as (1) negotiation and use of management fees, (2) financing of construction activities, (3) administration of contract patent provisions, (4) contractor procurement policies, and (5) NSF's audits of contractor operations. Our third report to the Congress was in regard to Project Mohole, a project discontinued by action of the Congress. In this report we suggested an alternative approach for the Foundation to follow in conducting future major research and development projects.

These findings and other findings resulting from our reviews, and agency comments or action taken on our suggestions and recommendations for improvements, are summarized in digests of our reports to the Congress included at the end of this section.

In the area of financial management, we assisted NSF in developing a statement of principles and standards for the Foundation's accounting system. This statement was submitted to the Comptroller General for approval in May 1968.

Our audit work underway within the Foundation at June 30, 1968, included a review of grants and contracts for research in oceanography and a review of the Foundation's internal audit activities.

Digests of the reports to the Congress follow.

Opportunities for improvement in administration of the contract for operation of the National Center for Atmospheric Research, Boulder, Colo., B-133338, Sept. 29, 1967

We found that certain aspects of contract administration could be improved by the Foundation. Specifically, the Foundation did not require the contractor to obtain prior approval before using funds budgeted for program operations for construction activities; a need existed for a more extensive review of available financial data in negotiating the management fee allowed the contractor for operation of the Center; and the contract provided a management fee of \$700,000 for a 5-year period based on the needs of the corporation whereas it was our view that the negotiation of an annual fee would provide more assurance that the fee would approximate the contractor's expenses intended to be funded.

Other matters discussed in the report were the need to evaluate the justification for continuing to require the Government to bear the entire cost of contractor group insurance plans, the lack of timely action to install the Federal Telecommunications System at the Center, and the need for periodic audits by the Foundation's internal audit office of the activities at the Center to provide management with meaningful independent appraisals of the manner in which the Center's activities are being administered.

Appropriate corrective action was taken on four of our proposals and the Foundation agreed to give further consideration to the other two.

Opportunities for improvement in administration of the contract for operation of the Kitt Peak National Observatory, Tucson, Ariz., B-133338, Dec. 14, 1967

We found that the contractor's corporate reserve, accumulated from management fees paid by the Foundation, amounted to about \$377,000 as of June 30, 1966, or more than four times the corporate expenses incurred during the year, although the Foundation intends that such capital accumulation not exceed 2 years of corporate expenses. We also found that the contractor had used about \$166,000 of the corporate reserve to purchase land, in its own name, to provide for anticipated future expansion of the Government-owned observatory facilities.

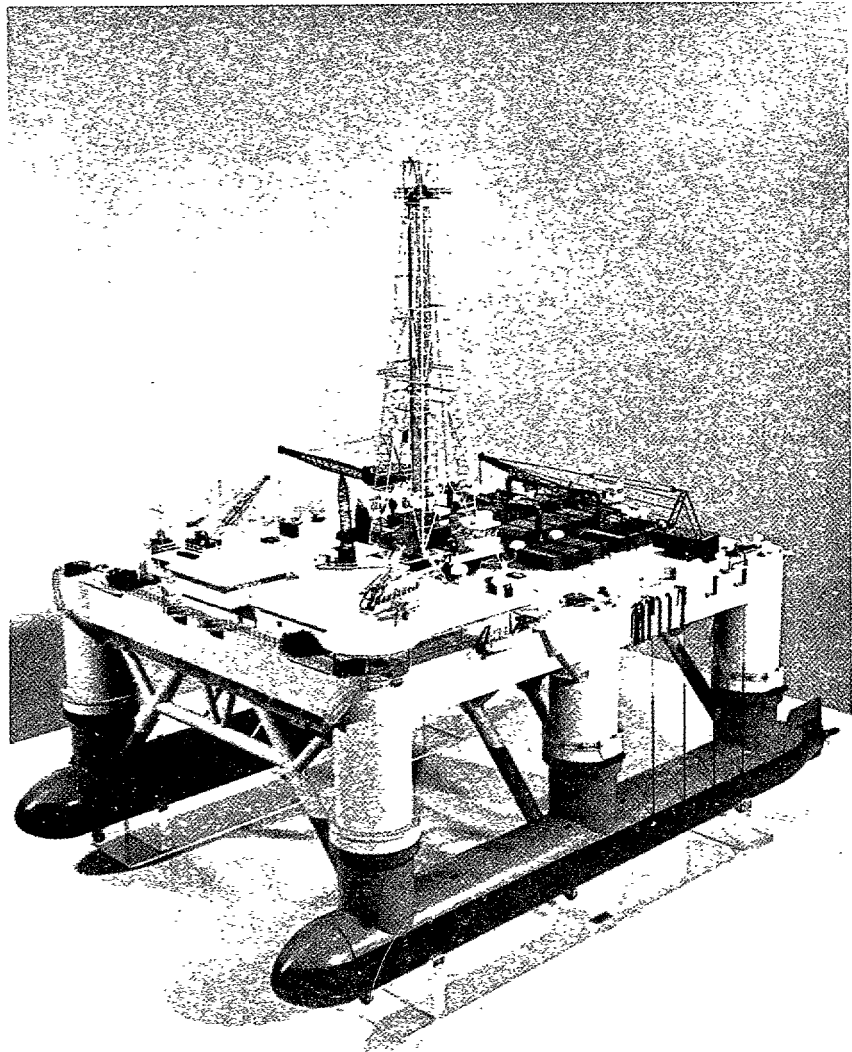
Pursuant to our recommendation, the Foundation agreed to consider the accumulated corporate reserve in establishing the fee for the next contract period. The Foundation also agreed to review the land purchases and initiate any action deemed appropriate, after we had recommended that the Foundation acquire title to the land from the contractor to the extent justified by the related circumstances.

Other actions promised or taken by the Foundation pursuant to our proposals included (1) strengthening of procedures for administering patent provisions of the contract, (2) making a review of observatory equipment to assure its effective use, (3) reviewing procurement practices at all national research centers to ensure that such practices are acceptable, (4) developing a schedule for shifting to a Government-owned fleet of vehicles which should result in economies to the Government, and (5) instituting plans for more frequent reviews of research center operations by the Foundation's internal audit office.

Administration of Project Mohole by the National Science Foundation, B-148565, Apr. 23, 1968

Among the underlying factors which led the Congress to discontinue funding Project Mohole (a project to penetrate the mantle of the earth) was the steady escalation of the estimated cost and time to complete the project. These esti-

## Model of Project Mohole Drilling Platform



mates increased from \$46.7 million to \$127.1 million and from 5 to 8½ years. The report contains an analysis of the reasons for these increases and points out that under the approach followed, the Foundation was not in a position to determine adequately that the project objectives were worth the money and resources that were necessary to attain them. Yet it was totally committed to the project.

We suggested an alternative approach to be used by the Foundation in future major research and development projects involving totally new or exploratory concepts, calling for the projects to be conducted in a number of sequential phases. Each phase would represent a specific limited agency commitment



whereby it would determine the feasibility of the project objectives, the means to attain these objectives, and whether the objectives would be worth the costs involved before a contractual commitment was made.

We recommended that the Foundation establish written guidelines to accomplish future research and development projects of a complex and exploratory nature in appropriate sequential phases. The Foundation informed us that a review would be made of its instructions relating to accomplishment of large research projects and that written guidelines would be prepared where appropriate.

### OFFICE OF ECONOMIC OPPORTUNITY

During fiscal year 1968, we used time equivalent to that of 122 staff members in reviewing and testing programs and activities of the Office of Economic Opportunity (OEO). Most of this work was associated with the requirements of section 201 of the Economic Opportunity Amendments of 1967, approved December 23, 1967 (81 Stat. 727). Under this section the Comptroller General is required to make an investigation in sufficient depth of programs and activities financed in whole or in part under the Economic Opportunity Act of 1964, to determine the efficiency of the administration of such programs and activities by OEO and by local public and private agencies and the extent to which such programs and activities achieve the objectives set forth in the Act. The Comptroller General's final report on this investigation is to be submitted to the Congress by December 1, 1968.

At June 30, 1968, review work in connection with the requirements of section 201 was underway covering the operations of OEO headquarters and regional offices, 14 Community Action agencies, including selected antipoverty programs being carried out by them, nine Job Corps centers, two VISTA regional training centers, and selected VISTA projects.

We engaged two contractors during the year to assist in the overall evaluations required by section 201. The general subject matter of this contract work involves (1) criteria and methods for evaluating programs, (2) statistical and economic evaluation of programs, and (3) evaluation of management information pertaining to management and coordination of programs. These specialized analyses and studies are intended to supplement the extensive field investigations and examinations being performed by our staff.

During the year we completed reviews, initiated prior to the enactment of section 201, of activities related to three Community Action programs, three Job Corps centers, and 13 Upward Bound programs. We submitted 20 reports to the Congress during the year, including six reports to the Congress as a whole and 14 to its committees or Members. In

addition, we issued two reports to agency officials. Seven reports were in process at the close of the year.

Three of the reports to the Congress were issued as a result of our reviews of Community Action programs. The purpose of these programs is to provide stimulation and incentive for urban and rural communities to mobilize their resources to combat poverty. The other three reports to the Congress were issued as a result of our reviews of selected activities at Job Corps centers. The Economic Opportunity Act of 1964 established the Job Corps within OEO to prepare young men and women for the responsibilities of citizenship and to increase their employability by providing them with education, vocational training, and useful work experiences.

In these six reports, we pointed out that we had found in one or more cases that the Office of Economic Opportunity could improve the efficiency and effectiveness of program operations or achieve economies in the following matters :

- A need existed to develop more refined criteria for determining eligibility for assistance under the Community Action Program.
- More effective procedures were needed to ensure that claims by grantees and delegate agencies for credit toward their share of program costs (non-Federal share, or matching funds) are proper and are adequately documented.
- Lack of coordination, duplication of programs, and competition for participants existed in the Community Action Program because delegate agencies were permitted to formulate their own projects.
- Statistical information on Community Action Program participation was inaccurate and misleading.
- Problems existed with respect to grantees' financial reporting and accounting procedures and accounting systems of delegate agencies.
- Training costs at Job Corps centers were significantly higher than originally estimated.
- A policy for imposing penalties for unsatisfactory conduct and attendance at Job Corps centers was needed.
- A need existed to determine what a reasonable daily training schedule at men's centers should be.
- Closer surveillance was needed over the screening and recruiting of prospective corpswomen to reduce the number leaving prior to completion of training.
- An orderly system of training for specific vocations was needed.

These and other findings resulting from our reviews of the Community Action Program at the three locations and activities at the three Job

Corps centers, and our suggestions and recommendations for improvement, are summarized in digests of our reports to the Congress included at the end of this section.

We continued to assist the Office of Economic Opportunity in its development of a Statement of financial policies and standards as a guideline for the improvement of its accounting and financial management system. OEO expects to formally submit this statement for the Comptroller General's approval early in fiscal year 1969. We plan to meet from time to time with responsible officials to keep abreast of developments in the agency's accounting and financial management system and make ourselves available to provide consultative assistance.

Digests of the reports to the Congress follow.

Review of the Community Action Program in the Los Angeles area under the Economic Opportunity Act, **B-162865**, Mar. 11, 1968

**Our** report on this review was our first report on the Community Action Program operated through grants by the Office of Economic Opportunity under the Economic Opportunity Act of 1964.

The areas of administration which were the subjects of our report were eligibility criteria for participants in the Community Action Program; indirect costs claimed by the grantee; reporting of non-Federal share; salary levels and policies of the grantee and major delegate agencies; and financial management functions, such as budgets, cash advances, property accounting, reporting, audits of delegate agencies, and control of timekeeping. These areas constitute the basic framework within which the program is administered; and the policies, procedures, and practices in these areas exert a decisive influence on the manner in which grant funds are administered.

In certain of these areas, we found conditions that were faulty or in need of improvement or clarification, most of which were attributed by the grantee and the OEO regional office to the "crash" circumstances attending the initiation of the program and to the new and complex nature of the program as a Federal undertaking. Action to correct most of these conditions was taken or initiated after we brought them to the attention of the responsible management officials. As to other conditions, we proposed steps that we believed appropriate. On all matters which we took up with officials of the Economic and Youth Opportunities Agency, the principal Community Action agency in the Los Angeles area during the period covered by our review, and the OEO regional office, we found them receptive to our suggestions and seemingly concerned with strengthening the administration of the program.

Among our findings was that eligibility requirements for assistance under the program had not been sufficiently refined to ensure that those persons most in need were being helped. We expressed the belief that efforts should be made to develop refined techniques for identifying the most needy.

Also, we found that actual or potential overpayments of \$612,600 for the use of school facilities and excessive allowances of \$132,000 for the non-Federal share of program costs occurred because of the basis on which claims for indirect costs were computed. Subsequently, reimbursements were received and steps were taken to prevent future overpayments in this case.

We recommended that for all future grants the bases of claims for indirect costs be approved in advance and that all OEO regional offices be instructed to carefully consider the reasonableness and propriety of the bases on which indirect costs are reimbursed or allowed. We were subsequently advised that OEO planned to make a special study to determine what additional guidance was needed.

Review of Community Action Program in Detroit, Mich., **B-163237**, Apr. 10, 1968

The Community Action Program in Detroit was administered, at the time of our review, by the Mayor's Committee for Human Resources Development (MCHRD). The objective of our review was to identify areas in which improvements could be made at the local and national level to contribute to more efficient, effective, and economical management of the programs by OEO and the Community Action grantees, including MCHRD and its delegate agencies. Our review covered the period from the date of the initial grant in November 1964 to June 30, 1966, and was supplemented by pertinent information developed thereafter.

Among our findings were:

- Delegate agencies were permitted to formulate their own projects, resulting in lack of coordination, duplication of programs, and competition for participants.
- The grantee's contribution toward project costs, based on donated classroom space, included, in the absence of appropriate guidelines, charges for days when the space was not used or reserved.
- Statistical information on program participation was inaccurate and misleading.
- Problems existed with respect to the grantee's financial reporting to OEO, its accounting procedures, and the accounting systems of the delegate agencies.

Actions to remedy certain conditions which we believed were hampering the successful execution of the program had been taken or reportedly were under study at the completion of our review. However, we recommended that all claims based on donated classroom space be revalued because, in our opinion, OEO had not taken sufficient action to resolve certain questionable aspects of the claims. After receipt of our report, OEO informed us that our recommendation would be studied.

Review of the Community Action Program in Chicago, Ill., **B-163595**, May 20, 1968

Our review of the Community Action Program in Chicago was directed primarily to the financial and management control aspects of the program, including such areas as planning and managing program operations, non-Federal contributions, statistical reporting, and financial management functions such as budgeting, accounting, and auditing. Our review pertained mainly to grants made to the Chicago Committee on Urban Opportunity (CCUO) during fiscal year 1965 and to certain grants received during fiscal year 1966.

The principal findings which we reported on are described below:

- An adult employment program recognized by CCUO, the grantee, as needed was not established at the outset of the program and, as a result, was not available in designated poverty areas until 2 to 6 months after CCUO opened its neighborhood centers. Subsequent events indicated that some applicants for employment could not then be located.
- Assignment and utilization of program representatives were not adequately monitored, and consequently they were assigned to nonproductive make-work projects or otherwise not used for the purposes for which they were employed.
- Neighborhood centers and delegate agencies operating in the same neighborhoods, although required to, did not bring job applicants and job openings together and did not appear to have an effective cross-referral system.
- CCUO did not adequately evaluate the program performance of delegate agencies for the period from early 1965 to March 31, 1966, for which period the delegate agencies reported expenditures of \$3.2 million and were requesting \$6.1 million for the 9 months beginning April 1, 1966. The CCUO executive committee took note of this situation and conditioned its approval upon the taking of certain actions by CCUO.

## CIVIL OPERATIONS

- Greater assurance was needed of the propriety of claims for non-Federal contributions to program costs.
- Statistical reports on persons participating in program activities were deficient.
- Although the system of financial management—budgeting, accounting, funding, reporting, and auditing—as conceived in the organization of CCUO was fundamentally sound, certain functional areas of the system were not implemented and others were not given appropriate attention, particularly during the initial 12 to 18 months.

Some defective situations relating to planning and managing program operations and determining the propriety of claims for non-Federal contributions toward program costs which we noted in our review were corrected ; as to others, OEO concurred in our findings and advised us that it had initiated or planned to initiate steps to remedy them. We recommended that OEO pursue these actions to completion and, thereafter, through its audit and program review operations, give specific attention to evaluating their implementation by the Community Action grantees.

We also made several recommendations for improving financial management. In commenting on these recommendations, OEO advised us in November 1967 of its concurrence in all major aspects and recited actions taken or planned. Concerning our recommendation for broadening the scope of its audits, OEO expressed agreement in principle but referred to its lack of the auditing manpower necessary to accomplish the expanded audits.

Review of selected program activities at the Parks Job Corps Center, B-161076, Nov. 8, 1967

The Parks Job Corps Center, Pleasanton, Calif., was one of the first centers opened under the Job Corps program authorized by the Economic Opportunity Act of 1964. Our review of selected activities of the center, operated under contract with private industry, was our first review of a men's Job Corps center, and covered essentially the period of the initial contract which ran from January 20, 1965, through December 31, 1966.

At the Parks center we found that some corpsmen completed courses and some apparently obtained satisfactory employment. On the other hand, certain problems diminished the success which the center might have obtained, and costs were significantly more than were originally estimated.

In certain of the areas covered by our review, we identified situations which we believe detracted from the effectiveness and economy of the program at the center. Most of these situations had previously been brought to the attention of the Office of Economic Opportunity in field surveys by the agency's representatives and outside consultants.

The Office of Economic Opportunity and the contractor, commenting on our review, stated that they had moved to remedy these situations subsequent to the completion of our review and that substantial improvement had been accomplished. However, our follow-up review in August 1967 indicated that the remedial action in certain situations was not as effective as had been reported to us.

We recommended, therefore, that the Office of Economic Opportunity consider:

- Adopting a policy whereby an appropriate reduction in the corpsman's monthly salary and readjustment allowances are made in those instances where the corpsman's conduct and attendance are not satisfactory.
- Making a study to determine what a reasonable daily schedule of educational and/or vocational training should be and, on the basis of this study, instituting a uniform time schedule for all men's centers.
- Reviewing the implementation of the center's "correction system" to ensure that the system is providing reasonably complete data in the counseling area.

- Thoroughly examining the cost-benefit relationship and the suitability of proposed purchases of certain training material and equipment prior to approval.

The Director of the Job Corps informed us by letter dated December 7, 1967, of various actions that had been taken in response to our recommendations which, if properly implemented, should, in our opinion, alleviate many of the problems identified in our review.

Review of the establishment and operation of St. Petersburg Job Corps Center for Women, St. Petersburg, Fla., B-130515, Feb. 5, 1968

The St. Petersburg Job Corps Center for Women, St. Petersburg, Fla., was operated by the Pinellas County Board of Public Instruction, Pinellas County, Fla., under a cost-reimbursable contract with OEO. This center was the first women's center opened under the Job Corps program. Operations began in April 1965 but were terminated in July 1966.

The primary objectives of our review were to identify the significant areas of program and administrative activities in the establishment and operation of the center and to ascertain by selective examination how these activities were being managed in terms of their effectiveness and cost toward accomplishing the Job Corps mission. Some areas of center operations which we reviewed did not indicate a need for improvement. In other areas, we found certain conditions which, we believed, had increased costs unnecessarily and had hampered the effectiveness of operations.

During the first year, 41 percent of the enrolled corpswomen left the center without completing their prescribed training. This high percentage may have been attributable in part to the assignment to the center of corpswomen who apparently had problems which the center was not geared to solve. Generally, center employees considered the terminations to be the result of deficiencies in the basic criteria used in selecting corpswomen. Inasmuch as these conditions may have existed at other centers, we suggested that there be closer surveillance over the screening and recruiting of prospective corpswomen.

The Director of the Job Corps informed us that action had been taken to improve screening and recruiting of applicants. We expressed the opinion that the stated actions should help strengthen the program. However, opinions of educational experts and others who visited Job Corps centers in April and May 1967 were that recruiting and screening had not been improved to an acceptable level.

We also found that the center was leased without the benefit of an independent appraisal. A subsequent appraisal indicated that the rental may have been excessive by about \$44,000. After examining into the leases for seven other women's center sites, we found that, in two cases, appraisals had not been obtained prior to signing the leases although OEO had stated that its policies then in effect required the use of independent appraisals. Since facilities rental is a significant cost, we proposed that the Director, OEO, emphasize to Job Corps officials the importance of the use of independent appraisals.

Review of activities of the Job Corps Men's Center, Tongue Point, Oreg., B-130515, May 3, 1968

Our review of activities at the Job Corps Men's Center, Tongue Point, Oreg., was devoted primarily to those aspects of the center's operations involving vocational, educational, and administrative activities conducted from inception of the center in December 1964 through December 1966. Our review disclosed that execution of the program was characterized by certain factors that we believe had an unfavorable influence on the degree to which the goals of the Job Corps program were achieved.

In view of the primary mission of the Job Corps, that of qualifying young men and women for productive employment, essentially the same types of enrollees at all centers, and more than 2 years of operations, we expressed the belief that an orderly system of training for specific vocations was not only feasible

but also important to the accomplishment of program goals at minimum cost. Therefore, we proposed that OEO:

- Establish a required level of academic training for entry into all vocational courses.
- Develop and administer tests to all enrollees to assess their capabilities and require appropriate evaluations of enrollees' progress.
- Approve contractor deviations from the established academic and vocational curricula.
- Reassign to other centers or programs enrollees who manifest no interest in or aptitude for the vocational training offered at the assigned center.
- Provide more effective monitoring of center operations.

We were advised that the basic principle that had been applied to the Tongue Point center was that maximum flexibility in program operations would be allowed. According to OEO, that concept has now changed and important steps in developing some form of standardization in curriculum, reporting, discipline, and placement have been taken. OEO stated that, in the main, they concurred with our proposals and that implementing actions had been taken.

Our review also disclosed that the rental rates for Government-owned housing at Tongue Point had not been established in accordance with Bureau of the Budget Circular No. A-45 and that, if average rental rates for private housing were used at the center, rental income would increase by approximately \$10,000 a month, or \$120,000 a year. OEO did not agree, however, that the Circular is applicable to Government-owned housing located at centers operated by contractors.

Inasmuch as, in our opinion, the Circular is applicable, we recommended that OEO adjust the rates at Tongue Point. In view of the possibility that incorrectly established rental rates might also exist at other Job Corps centers, we also recommended that OEO evaluate the propriety of rental rates charged at other centers. The Bureau of the Budget subsequently concurred in our opinion that the Circular is applicable.

## PANAMA CANAL COMPANY AND CANAL ZONE GOVERNMENT

During fiscal year 1968 we submitted one report to the Congress on our reviews of the Panama Canal Company's operations. In addition, we issued one report to the Secretary of the Army. We used time equivalent to that of about three staff members during the year in reviewing and testing selected activities of the Company.

As a result of our reviews, we reported that the Company needed to consider a change in its depreciation or amortization policy under any new treaty arrangements. Our report to the Congress, which is summarized at the end of this section, also contained our opinion on the Company's financial statements.

Our report to the Secretary of the Army, issued in January 1968, concerned our review of the activities of the internal audit organization of the Panama Canal Company, which is responsible for making financial and operational audits of the Company. We concluded that the organization is generally effective in providing reliable information to assist management in improving the adequacy of controls over operations.

We expressed reservations, however, about having the internal auditors organizationally responsible to the Comptroller who is responsible also for certain major activities which are subject to review by the internal audit organization.

We stated our belief that the degree of independence and effectiveness of the organization would depend on whether top management would be concerned with and apprised of the internal audit planning, programming, execution, and reporting functions. In response to our report, the Acting Secretary of the Army stated that although the present organization appeared to be adequate, the organizational aspects would be reviewed to determine whether any changes would strengthen the administration and control of the fiscal affairs of the Company.

Our audit work in process at June 30, 1968, included a review of the Company's management controls over accounting for the use of properties.

The Panama Canal Zone Government's accounting system was approved by the Comptroller General on June 26, 1964. The agency has no plans at this time to significantly revise the system.

A digest of the report to the Congress follows.

Examination of financial statements of the Panama Canal Company, fiscal years 1967 and 1966, B-114839, Feb. 6, 1968

We expressed our opinion that, subject to certain comments regarding (1) the need to consider a change in the Company's depreciation or amortization policy under any new treaty arrangements and (2) the status of accounts receivable due from the Republic of Panama, the Company's financial statements presented fairly its financial position at June 30, 1967 and 1966, and the results of operations and the sources and application of its funds for the fiscal years then ended, in conformity with the principles and standards of accounting prescribed for executive agencies by the Comptroller General which, after giving retroactive effect to the recording of certain liabilities in which we concur, were applied on a consistent basis.

#### RAILROAD RETIREMENT BOARD

We used time equivalent to that of about five staff members during the year in reviewing and testing selected activities of the Board relative to its railroad retirement and unemployment insurance programs. Three reports were submitted to the Board—two on our reviews of operations and one on our review of selected administrative activities for the purpose of settling the accounts of certifying officers.

In one report we expressed the opinion that summaries of the rationale supporting disability decisions would aid the Board's professional staff in evaluating the issues involved in such decisions and would provide a control device for noting issues needing later attention. We also noted that, as a result of delays in obtaining current information, annuity



payments had been continued to certain disabled children for extended periods after they obtained employment. Subsequently, the Board took action to institute the use of summaries and to achieve more prompt reporting concerning the disability and employment status of disabled children.

In another report we pointed out certain procedural improvements essential to proper accounting for, and timely collection of, annuity or benefit overpayments. We were later informed that steps were being taken to institute corrective action.

Our audit work underway at June 30, 1968, included reviews of problem areas in implementing amendatory legislation affecting railroad retirement annuities, the effectiveness of the Board's internal audit system, and selected aspects of the Board's administration of the Medicare program under the law and delegation of authority from the Social Security Administration.

We continued our review of the Board's accounting system. During the year we approved the Board's statement of accounting principles and standards as basic guidelines for the system, which was scheduled to be completed and fully implemented by November 30, 1968.

#### SELECTIVE SERVICE SYSTEM

We used time equivalent to that of about three staff members during the year in examining into selected aspects of the operations of the Selective Service System (SSS). We submitted one report to the Congress and nine reports to agency officials, including *six* reports on settlement of accounts of certifying officers.

In our report to the Congress, we expressed the belief that SSS could realize savings if local draft boards sent registrants to the nearest Armed Forces Examining and Entrance Station for preinduction examination or induction into the Armed Forces. Further comments on this matter are presented in a digest of our report appearing at the end of this section. In our reports to agency officials we stated that savings could be realized if local draft boards were consolidated and if improvements were made in records management.

As of June 30, 1968, we were preparing a report on our review of the potential for greater use of charter buses by SSS.

We continued our efforts in constructively assisting the SSS to further improve its financial management system. During the year we suggested certain changes to provide for better cost reporting to management and for use of the accrual basis of accounting. SSS subsequently revised its system to provide for accrual accounting.

The following is a digest of the report submitted to the Congress.

Possible savings available by sending men to the nearest Armed Forces Examining and Entrance Station, **B-162111, Dec. 26, 1967**

We found that not all local draft boards sent Selective Service System registrants to the nearest Armed Forces Examining and Entrance Station for preinduction examinations or induction into military service. Our review of data relating to 2,089 local boards in 24 States showed that 196 of these boards were not sending registrants to the nearest station. A detailed review of registrant travel in 42 of the 196 boards indicated that savings of about \$67,000 could have been realized if 26 of the 42 boards had sent registrants to the nearest station. We estimated that, if the conditions at these boards were typical of those at other boards, the SSS could have saved about \$600,000 nationwide in fiscal year 1966 if registrants had been sent to the nearest station.

The Director of the Selective Service System, in commenting on our findings and proposals, stated that he would have reviews made of the movement of men to examining stations and that changes would be made where appropriate. We noted that, as a result of our review, local boards in two States mentioned in our report began sending registrants to the nearest station. Agency consideration and action on our recommendation as it applied to other States had not been completed at **June 30, 1968**.

### SMALL BUSINESS ADMINISTRATION

During fiscal year 1968 we submitted five reports to the Congress on our review of Small Business Administration activities. One of these reports was submitted to the Congress as a whole and four were submitted to Members of the Congress. We issued one report to the Administration. Time equivalent to that of about 17 staff members was used during the year in reviewing and testing selected activities of the Administration.

As a result of our reviews, we reported that the Administration needed to improve its examination of small business investment companies to provide it with information essential to adequately carry out its regulatory responsibilities and to protect the Government's financial interests in the companies.

We continued our efforts in assisting the Administration to improve its financial management systems. The Administration submitted its accounting system for our review in June 1967. We returned the system after review because it was not completely developed and it was uncertain as to when it would be implemented. During the latter part of the year the Administration submitted a draft of its statement of accounting principles and standards for our informal review. The Administration plans to submit the statement for formal review and approval after appropriate revisions are made.

Our audit work in process at **June 30, 1968**, included surveys and reviews of the business, disaster, economic opportunity, and displaced business loan programs.

The following is a digest of the report submitted to the Congress.

Review of the examination function of the small business investment company program, B-149685, Sept. 29, 1967

We concluded that examinations by the Small Business Administration (SBA) of small business investment companies were not sufficiently comprehensive to provide SBA with data essential to adequately carry out its regulatory responsibilities and to protect the Government's financial interests in the companies.

We proposed to the Administrator, SBA, that to provide for effective examinations, SBA require the small business investment companies to maintain essential data regarding the financial condition and operations of the small business concerns to which they have made loans or in which they have made a capital investment. We proposed also that SBA issue comprehensive examination guidelines setting forth specific criteria to be followed in evaluating the small business investment companies' lending and investment policies and practices and financial condition, and that it increase its supervision over the conduct of the examinations.

The Administrator, SBA, informed us that a procedural release had been issued which sets forth steps to be taken by the small business investment companies to ensure sound lending practices, including the obtaining of current, complete, and accurate data of a financial and nonfinancial nature in respect to their loans and investments in small business concerns; that examination procedures and standards had been established for evaluating the financial position of the small business investment companies; and that various other measures had been taken to strengthen the examination function.

## VETERANS ADMINISTRATION

At the Veterans Administration (VA) during fiscal year 1968 we reviewed selected phases of the medical, compensation and pension, loan guaranty, insurance, facilities construction, and supply management programs. We used time equivalent to that of about 50 staff members during the year in examining into VA activities. Eleven reports were submitted to the Congress. Six of these were submitted to the Congress as a whole and five were submitted to its committees or Members. In addition, we issued 36 reports to agency officials.

As a result of our reviews, we found that the VA could improve the effectiveness of its operations or achieve economies in the following areas:

- Improve procedures for determining the continued eligibility of pensioners to receive non-service-connected disability and death pensions.
- Realize savings, without adversely affecting program management, if certain policies were changed regarding audits of accountings received from guardians of minors and certain other beneficiaries, and regarding performance of field investigations.
- Improve procedures to provide better assurance that materials and workmanship placed in hospital buildings are of the quality required by the construction contracts.

- Achieve economies by the assessment of late charges on delinquent loan payments.

These and other findings resulting from our reviews, and agency comments or actions taken on our suggestions and recommendations for improvement, are summarized in digests of our reports to the Congress included at the end of this section.

We continued our efforts in constructively assisting the VA to further improve its financial management systems. During the year we suggested certain improvements in the centralized payroll system and the medical care cost accounting system, and at June 30, 1968, we had a report in process on our review of the medical care cost accounting and financial management system. As of June 30, 1968, six of VA's nine accounting systems had been approved by the Comptroller General, one was under review by our staff, and two were scheduled for submission to the Comptroller General for review and approval during fiscal year 1969.

Audit work underway at June 30, 1968, included reviews of VA's internal audit activities and selected aspects of its automatic data processing system. Reports were being prepared on our reviews of counseling services provided under the Educational Assistance Program and on the VA's reviews of drawings and specifications prepared by architect-engineers in connection with the hospital construction program.

Digests of the six reports submitted to the Congress as a whole during fiscal year 1968 follow.

Need for improved procedures to minimize overpayments of non-service-connected disability and death pensions, **B-114859, Dec. 28, 1967**

We reported that significant savings could be realized if the Veterans Administration would improve its procedures for determining the continued eligibility of pensioners to receive non-service-connected disability and death pensions. On the basis of our random-sample examination of pensioners' income reports, we estimated that about 490 of the 32,728 pensioners on the rolls of the St. Louis VA regional office had understated their incomes reported for the year reviewed by amounts sufficient to have required either reductions in or terminations of their pensions. We estimated that the undetected overpayments resulting from these understatements totaled \$172,000. Because our review was limited to the St. Louis region, we did not estimate the extent of undetected overpayments which may have occurred at VA's other 56 regional offices.

We recommended that the VA take appropriate action to provide pensioners with more precise instructions for preparing their annual income questionnaires, and provide adjudicators with more effective criteria and procedures for obtaining, reviewing, and verifying financial data reported on such questionnaires.

The VA informed us that since the period of our review several improvements were made to facilitate auditing of income questionnaires and that it expected to install a redesigned computer system which would provide the potential for a more refined audit of annual income information.

Opportunity for economies under guardianship program, B-114859, Jan. 11, 1968

We expressed the belief that the VA could realize savings in audit costs of up to \$450,000 annually by auditing accountings received from guardians of minors and certain other beneficiaries at 3-year intervals rather than annually and could save up to \$440,000 a year by discontinuing certain field investigations in cases involving minor beneficiaries under parental custody. We also expressed the belief that cases involving certain incompetent beneficiaries warrant personal contacts more frequently than every 3 years.

As a result of our review, action was taken to decrease certain field investigations in cases involving minor beneficiaries and to increase personal contacts in certain cases involving incompetent beneficiaries. With respect to auditing guardian accountings at 3-year intervals, the VA informed us that if it did not audit the accountings at intervals prescribed by State laws, the State courts might react by requiring the VA to meticulously adhere to all requirements of State statutes, court rules, and local practices, thus increasing the cost of administration.

Because the VA is not legally required to audit accountings annually and because substantial economies could be achieved by reducing the frequency of audits without adversely affecting its management of the guardianship program, we recommended that the VA examine into the feasibility of arranging with appropriate court officials for workable plans for reducing the frequency of VA audits of guardian accountings.

Review of administration of contract for construction of veterans hospital in the District of Columbia, B-153672, Mar. 21, 1968

Our findings indicated that the VA did not have adequate assurance that certain material and workmanship in the hospital was of the quality required by the contract. We expressed the belief that the risk of structural deterioration was increased and that future maintenance and repair costs might be higher than normally expected. Moreover, poor design and workmanship were apparently responsible for VA's incurring additional costs of about \$41,600 to reconstruct a large portion of the hospital roadways which deteriorated shortly after the hospital was completed.

We recommended that action be taken to ensure that major building materials and specifications are investigated, tested, and evaluated for their durability and acceptability before approving them for use in hospitals and that a directive be issued to construction officials emphasizing the necessity for timely interpretation and enforcement of contract requirements. Subsequently the VA informed us that action was being taken in accordance with our recommendations.

Need to improve contractors' compliance with contract specifications in the construction of hospital buildings, B-133044, May 22, 1968

Our review of VA's practices in requiring compliance with contract specifications showed that, in several regards, the construction materials and workmanship used in the construction of new hospital buildings in Memphis, Tenn., and Long Beach, Calif., did not conform fully with the approved contract drawings and specifications. Although our review did not reveal any adverse effects as a result of the deviations from specifications, we expressed the belief that if such effects do occur, they may not appear until many years after completion of the construction work.

The VA advised us that it was in general agreement with our findings and stated the belief that our proposals would materially assist it in improving the construction program. We were advised also that certain actions would be taken to achieve full compliance with contract specifications and that the VA would continue its practices of reviewing the construction standards and master specifications that are used as guides in the preparation of contract specifications. However, in view of the apparent difficulties encountered by VA in enforcing certain contract specifications, as shown by our review, we expressed concern with the effectiveness of the review of these documents.

We recommended that, as soon as practicable, VA review the standards and master specifications and eliminate or revise, where appropriate, those requirements that may be unnecessary or overly restrictive, and strengthen the procedure for updating the standards and specifications to ensure that revisions are made on the basis of experience gained during the construction of hospital buildings. The agency subsequently indicated that it agreed with our recommendation and had taken action in conformance therewith.

Need for revision in policy regarding assessment of late charges on delinquent loan repayments, **B-118660, Apr. 3, 1968**

We found that the VA does not assess late charges for delinquent payments on loans that it makes to veterans but permits the assessment of late charges on VA-guaranteed loans that private lenders make to veterans. We expressed the belief that, if late charges were assessed on VA direct loans, borrowers would be encouraged to make payments on time. As a result, loan-servicing costs associated with delinquent accounts would then be reduced, and the revenues could be used to offset the cost of servicing delinquent accounts. In addition, veterans would receive equal treatment regardless of whether they had obtained their loans from VA or from private lenders under the loan guaranty program.

We estimated, on the basis of the incidence of delinquent loan payments noted in five regional offices, that VA would have received about \$414,000 if a 4-percent late charge had been assessed and collected during calendar year 1966 on these payments. We believe that the revenues which could have been derived from late charges on a nationwide basis would have been substantial.

In commenting on our findings, VA informed us that Congress enacted legislation extending the VA loan guaranty and direct loan programs with complete awareness of the fact that late charges were not levied on loans in the VA portfolio. We found no evidence, however, that Congress specifically considered the effects of VA's policy on this matter and therefore recommended that VA revise its policy to require assessment of a late charge on loan repayments which are received more than 15 days after they are due.

Examination of financial statements of Veterans Canteen Service for fiscal year 1967, **B-114818, Dec. 22, 1967**

We expressed our opinion that the financial statements of the Veterans Canteen Service presented fairly its financial position at June 30, 1967, and the results of its operations and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceeding year and with applicable Federal laws.

## MULTIAGENCY ACTIVITIES

Where appropriate, we made concurrent and coordinated reviews of selected aspects of related activities carried on by more than one department or agency. During fiscal year 1968 we submitted reports to the Congress on 11 such reviews involving civil departments and agencies. Five reports were submitted to the Congress as a whole and six were submitted to committees of the Congress on reviews made at their request.

A list of the 11 reports appears on pages 289 and 290 of Appendix C-2. Digests of the five reports submitted to the Congress as a whole follow.

## CIVIL OPERATIONS

### Review of policies and practices for rebuilding used motor vehicle tires by selected civil agencies, **B-161415**, July 31, 1967

On the basis of our review of the policies and practices for rebuilding used motor vehicle tires by the Soil Conservation Service, Department of Agriculture; the National Park Service, Department of the Interior; the Post Office Department; and the General Services Administration, we estimated that savings of about \$500,000 would have been realized by these four agencies during fiscal year 1965 through more extensive rebuilding of used tires. We found that policies and practices varied within and between the agencies and that, with the exception of the Post Office Department, these inconsistencies existed because of the lack of specific criteria for removing and rebuilding tires and of conclusive determinations as to the reliability of rebuilt tires.

Information obtained from tire manufacturers, tire rebuilders, users of rebuilt tires, and various organizations representing the tire industry indicated that, when tires are rebuilt according to recommended criteria, they are safe, serviceable, and more economical than new tires. Our review disclosed, however, that no adequate tests or studies had been made and that available evidence was not sufficiently decisive to permit a conclusive judgment as to the reliability of rebuilt tires under all driving conditions. We expressed our belief that, to the extent they are safe, they should be used by all agencies to achieve maximum savings.

GSA is responsible for prescribing policies and procedures, in respect to rebuilt tires, for implementation by the executive agencies. We proposed that GSA keep in close touch with the program of the National Traffic Safety Agency for tire research, testing, and development so that it may be in a position to promulgate standards for the use of rebuilt tires on Government vehicles on the basis of the standards established for the driving public, pursuant to the requirements of the National Traffic and Motor Vehicle Safety Act of 1966 (Public Law 89-562). We proposed also that GSA provide specific guidance for the removal and processing of used tires to prevent excessive wear and damage that would make them unsuitable for rebuilding.

GSA agreed with our proposal to keep in close touch with the National Traffic Safety Agency's program and advised us of its own plans for testing rebuilt tires and for issuing revised specifications for new tires which will preclude carcass damage from excess tread wear. We believe that the actions taken and proposed by GSA are adequate, pending developments from the program of the National Traffic Safety Agency.

The Post Office Department, whose practice is to rebuild all tires that have sound casings, agreed with our proposals. The Soil Conservation Service and the National Park Service indicated, however, that they would continue to discourage the use of rebuilt tires.

### Opportunity for savings by consolidating photographic operations at the John F. Kennedy Space Center and the Air Force Eastern Test Range, **B-162902**, Jan. 10, 1968

We noted that an opportunity for savings was available to the Government by consolidating photographic operations at the John F. Kennedy Space Center and the Air Force Eastern Test Range, and that the Space Center was substantially expanding its photographic capability even though the test range appeared to have adequate capability to accommodate the Center's photographic requirements. We noted also that, under a 1963 agreement, provision was made for coordinated photographic coverage and reproduction at these locations in order to avoid and minimize the duplication of facilities.

We expressed the belief that the photographic capability established by the Center duplicated, to a great extent, existing test range capability and stated that significant savings could be realized if the Center's photographic capabilities and the test range capability were consolidated. Analysis showed that each support contractor was staffed and equipped to accommodate peak photographic workload periods specified separately by each of the two installations.

As a result, during normal operating periods and during periods between launchings, personnel and facilities at both locations were not fully utilized. Even during peak workload periods, there was considerable unused capability. We expressed the view that operations on a consolidated basis by a single contractor would increase the utilization of personnel and equipment.

We therefore proposed that the Administrator, National Aeronautics and Space Administration, and the Secretary of Defense appoint a special group to review the photographic requirements and capabilities of both installations. Both agencies agreed to initiate the joint review.

We were subsequently informed that, on the basis of work done by the joint study team, a proposed consolidation plan was formulated that will reduce costs of operations by \$1.4 million annually, decrease the current staff levels at the two locations by 80 people, and reduce the equipment level at these installations by \$1.6 million. A phaseover to a single contractor operation is scheduled to be in full effect by January 1, 1969.

**Administration by civil agencies of allowances authorized for Federal employees upon permanent change of official duty station, B-160026, Apr. 30, 1968**

Public Law 89-516, enacted July 21, 1966, provided for reimbursement of certain moving expenses of Federal employees upon permanent change of official duty station. Allowances under the act are governed by conditions prescribed in Bureau of the Budget Circular No. A-56, Revised, dated October 12, 1966.

We reviewed the administration by the Immigration and Naturalization Service, Department of Justice; the Federal Aviation Administration, Department of Transportation; the National Aeronautics and Space Administration; and the Veterans Administration of (1) reimbursements of expenses incurred by employees in the sale and purchase of real estate and the settlement of unexpired leases and (2) allowances for miscellaneous expenses associated with change of residence.

We found that expenses incurred in the sale and purchase of real estate were the most important from a cost standpoint and the most troublesome administratively. About 8 percent of the dollar amount of real estate claims examined, totaling about \$416,000, were found to be either ineligible for reimbursement under the requirements of Circular No. A-56 or of questionable eligibility because of inadequate documentation. We concluded that effort should be made to strengthen and simplify the administrative machinery for processing such claims and that there was a need for agency personnel to more thoroughly examine them and obtain adequate supporting documentation.

We recommended that the Bureau of the Budget, as the central agency in the executive branch for direction in carrying out the provisions of Public Law 89-516 and Circular No. A-56, take appropriate action to improve the administration of the law and regulations and study means by which the processing of claims in respect to real estate may be simplified. The Bureau indicated favorable reaction to our recommendations and informed us that our report would be of assistance in a scheduled review of Circular No. A-56.

**Need for Government-wide standardization of allowances under Federal fellowship and traineeship grant programs, B-163713, May 24, 1968**

Our review included selected fellowship and traineeship grant programs of the National Aeronautics and Space Administration, the National Science Foundation, and three constituent agencies of the Department of Health, Education, and Welfare—namely, the National Institutes of Health, the National Institute of Mental Health, and the Office of Education. The grant programs included in our review account for the majority of all fellowships and traineeships awarded by Federal agencies and the grants under these programs totaled about \$422 million in fiscal year 1967.

We found that there were varying bases and criteria and considerable variances in amounts allowed for stipends, dependents, and travel, for which there was no adequate justification from an overall Government viewpoint.



## CIVIL OPERATIONS

We recommended that the Director, Bureau of the Budget, take appropriate action to standardize on a Government-wide basis, to the extent considered feasible and desirable, the allowances paid for stipends, dependents, and travel under Federal fellowship and traineeship programs, taking into consideration our views and comments as expressed in the report. The Bureau of the Budget and the agencies whose programs we reviewed, in commenting on our findings, generally agreed that there was a need for greater standardization of fellowship and traineeship stipends and allowances.

Cost reductions available to civil agencies by purchasing rather than leasing two-way radio equipment, **B-160410, May 27, 1968**

As of May 31, 1966, 11 civil agencies were leasing two-way radio equipment from two manufacturers at an annual cost of about \$744,000. We estimated that, had these agencies purchased rather than leased the equipment, reductions in costs ranging from 8 percent for portable radios to 46 percent for mobile radios could have been realized by the Government over a 5-year period, the minimum estimated useful life of the equipment. We found in many instances that equipment was leased rather than purchased because of the lack of adequate cost studies by agency personnel prior to entering into leasing agreements.

In February 1966 the General Services Administration issued lease/purchase guidelines applicable to the acquisition of equipment such as two-way radios. In August 1967, Bureau of the Budget Circular No. A-76 was revised to require that agencies apply the principles set forth therein when making lease/purchase judgments. We concluded that, if these guidelines were properly observed, two-way radio equipment would be acquired in the future by the most economical method.

Subsequent to the revision of Circular No. A-76, the Post Office Department furnished cost data to us in support of its conclusion that it would be more economical for the Post Office Department to lease rather than purchase two-way radio equipment. Inasmuch as our evaluation of the cost data indicated that the costs associated with purchasing appeared to be substantially overstated, we recommended that the Postmaster General reevaluate the Department's practice of leasing two-way radio equipment.

We also recommended that the Secretary of the Interior require that the Bureau of Reclamation and the National Park Service reevaluate their practice of leasing two-way radio equipment where in-house maintenance is not warranted. Both agencies had cited the lack of in-house maintenance capability as justification for leasing in certain cases. We expressed the belief that alternative sources of obtaining maintenance should be considered in making lease/purchase decisions.

## REGULATORY AGENCIES

Our reviews at seven Federal regulatory agencies (Civil Aeronautics Board, Federal Communications Commission, Federal Maritime Commission, Federal Power Commission, Federal Trade Commission, Interstate Commerce Commission, Securities and Exchange Commission) included a review of fees charged by the agencies for granting operating authorities and other benefits to recipients. This review was nearing completion at the end of the year. We also reviewed selected administrative and financial operations.

Pursuant to congressional requests we reviewed (1) a budget prepared by the Securities and Exchange Commission for a proposed study

of the impact of institutional-type investors on the securities exchanges and securities markets, and (2) certain radio license application procedures and the status of internal auditing at the Federal Communications Commission. Reports were issued during the year to the chairman of a congressional committee and to a Member of the Congress on these reviews, and three reports were issued to agency officials on our audits of civilian pay.

We completed reviews of the accounting principles, methods, and systems applied and placed in use at the Civil Aeronautics Board and the Interstate Commerce Commission. In this connection, we reviewed agency accounting manuals and controls, account structures, and methods of recording financial data to assure ourselves that the systems met the requirements of law and the principles prescribed by the Comptroller General and were capable of providing agency management with the data needed for effective administration. Upon completion of our reviews the accounting systems of the Civil Aeronautics Board and the Interstate Commerce Commission were approved by the Comptroller General.

The Securities and Exchange Commission had submitted for approval its statement of accounting principles and standards as a step toward accounting systems improvement. The statement furnished a basis for discussions between our staff and SEC representatives which led to refinements in the statement and its approval by the Comptroller General in June 1968.

#### OTHER CIVIL DEPARTMENTS AND AGENCIES

Our audit work in certain civil agencies of the Federal Government consisted primarily of examinations of the financial statements of these agencies. Where not appearing elsewhere, digests of our reports to the Congress on these examinations appear **below**.

Audit of Civil War Centennial Commission for the period Sept. 7, 1957, through May 1, 1966, B-136051, July 18, 1967

We made an audit of the Civil War Centennial Commission for the period of its existence, September 7, 1957, through May 1, 1966, when the Commission terminated its operations. We reported that the Commission, with minor exceptions, properly accounted for the funds under its control.

Also, we expressed the opinion that the financial statement, which we prepared from the accounting records, presented fairly the receipts and expenditures of the Commission for the period from its inception through January 31, 1967, in conformity with the principles and standards of accounting prescribed by the Comptroller General of the United States.

Audit of Farm Credit Administration and certain banks of the Farm Credit System, fiscal year 1967, B-114806, Jan. 16, 1968

We expressed the opinion that (1) the financial statement of the Farm Credit Administration (FCA) presented fairly **the** available funds and obligations

## CIVIL OPERATIONS

incurred during fiscal year **1967** and the unobligated balance at June **30, 1967**, (2) the financial statements of the **12** Federal intermediate credit banks supervised by FCA presented fairly their financial positions at June **30, 1967**, and the results of their operations and the sources and application of their funds for the year then ended, and (3) the financial statements of the nine banks for cooperatives supervised by FCA which were subject to audit by the General Accounting Office, and of the Banks for Cooperatives Investment Fund administered by FCA, presented fairly their financial positions at June **30, 1967**, and the results of their operations for the year then ended.

### Audit of Federal Deposit Insurance Corporation for the year ended June **30, 1966**, **B-114831**, July **18, 1967**

We were unable to fully discharge our audit responsibilities under the Federal Deposit Insurance Act, which requires that the Comptroller General submit an annual audit report to the Congress, because the Corporation did not give us unrestricted access to examination reports, files, and other records maintained by the Corporation relative to the banks which it insures. This restriction made it impossible for us to evaluate the contingent adverse effect upon the financial condition of the Corporation of specific situations which may have been identified at insured banks.

The importance of an early clarification of the responsibility of the General Accounting Office in this area is highlighted by the increase in the number of banks which the Corporation has classified as problem banks. Between July **1, 1963**, and June **30, 1966**, the number of problem banks, as determined by the Corporation, increased from **151** to **220**.

The Corporation does not disclose in its financial statements the potential effect insured problem banks may have on the Corporation's financial position. Because we did not have unrestricted access to examination reports and related records, we were unable to independently ascertain (1) the number of insured problem banks that had been identified at the date of the financial statements, (2) the significance of any potential adverse effect of identified problem banks on the financial position of the Corporation, and (3) whether the bank examinations which had been made could be relied upon to identify serious problems at all insured banks.

For these reasons and because the adequacy of the Corporation's deposit insurance fund to meet future losses is dependent on future economic conditions, we could not express an overall opinion on the financial statements presented by the Corporation. However, we expressed the opinion that, subject to the foregoing comments relating to the adequacy of the deposit insurance fund, the individual amounts that were shown in the financial statements were fairly stated as at June **30, 1966**, and for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

### Examination of financial statements of Federal home loan banks supervised by the Federal Home Loan Bank Board for the year ended Dec. **31, 1966**, **E-114827**, July **10, 1967**

We expressed the opinion that the financial statements of the **12** Federal home loan banks presented fairly their financial position at December **31, 1966**, and the results of their operations and the sources and application of their funds for the year then ended. In conformity with generally accepted accounting principles applied on a basis consistent with that of the previous year and with applicable Federal laws.

### Examination of financial statements of the Federal Home Loan Bank Board for the year ended Dec. **31, 1966**, **B-114827**, Aug. **25, 1967**

We expressed the opinion that the financial statements of the Federal Home Loan Bank Board presented fairly the Board's financial position at December **31, 1966**, and its income and expenses for the year then ended in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States applied on a basis consistent with that of the preceding year.

**Examination of financial statements of the Tennessee Valley Authority for fiscal year 1967, B-114850, Jan. 29, 1968**

The report included in our opinion that the financial statements presented fairly the corporation's financial position at June 30, 1967, and the results of its operations and the source and disposition of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

## LEGISLATIVE AND JUDICIAL BRANCHES

### Legislative Branch

Our audit work in the legislative branch included examinations at the site of operations of the following activities:

The Senate :

- Senate recording studio revolving fund
- Senate employees barber shop
- Senate office beauty shop

The House of Representatives:

- House finance office
- House recording studio revolving fund
- House stationery revolving fund
- House beauty shop
- Property and equipment repair service
- Office equipment service

Architect of the Capitol:

- U.S. Senate Restaurants
- House of Representatives Restaurants
- Financial activities
- Capitol Guide Force
- Government Printing Office

The salaries, mileage, and expense allowances of Senators, salaries of officers and employees of the Senate, clerk hire of Senators, and other expenses of the Senate are examined on the basis of documents submitted to our Office.

We prepared 17 reports during fiscal year 1968 on our audits of activities in the legislative branch. These reports include two sent to the Congress, seven to the Clerk of the House, three to the Sergeant at Arms, U.S. Senate, and four to the Architect of the Capitol.

Our reports to the Congress covered our review of the management of and control over expendable supplies and materials by the Architect of the Capitol and our examination of the financial statements of the Government Printing Office for fiscal year 1966.

## 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

## ORGANIZATIONS OUTSIDE THE FEDERAL GOVERNMENT

Pursuant to the act of May 7, 1928 (22 U.S.C. 278a), we make an annual examination of the financial statements of the Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated—a private domestic nonstock corporation. Also, pursuant to the request of its Board of Trustees, we make an annual audit of Government Services, Inc., and its Employee Retirement and Benefit Trust Fund and Supplemental Pension Plan. Digests of reports issued during fiscal year 1968 on this work follow.

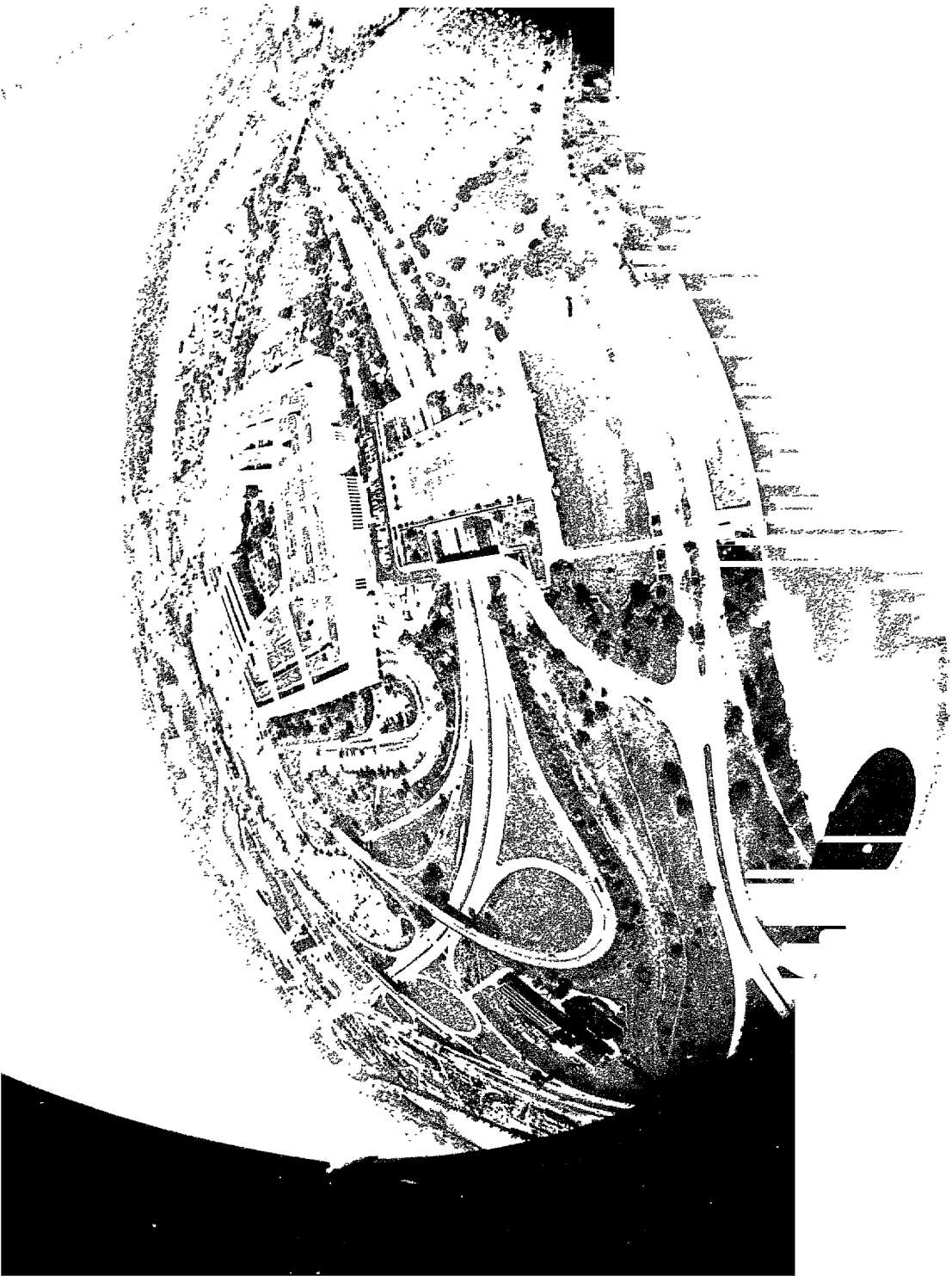
Examination of financial statements of Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated, fiscal year 1967, B-114867, Dec. 27, 1967

In this report—addressed to the Board of Directors of the Institute and included in the Institute's annual report to the Congress—we expressed the opinion that the financial statements of the Institute presented fairly its assets and liabilities at June 30, 1967, and the contributions and other income and expenditures for the year then ended, in conformity with accounting practices followed by similar-type nonprofit organizations applied on a basis consistent with that of the preceding year.

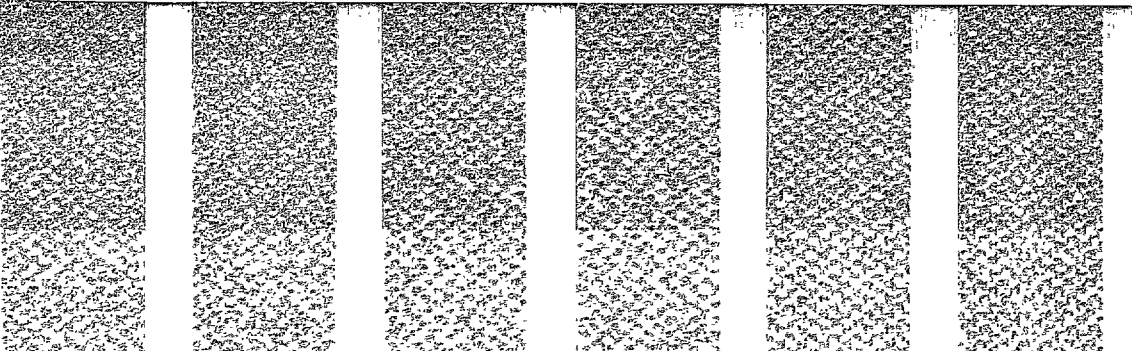
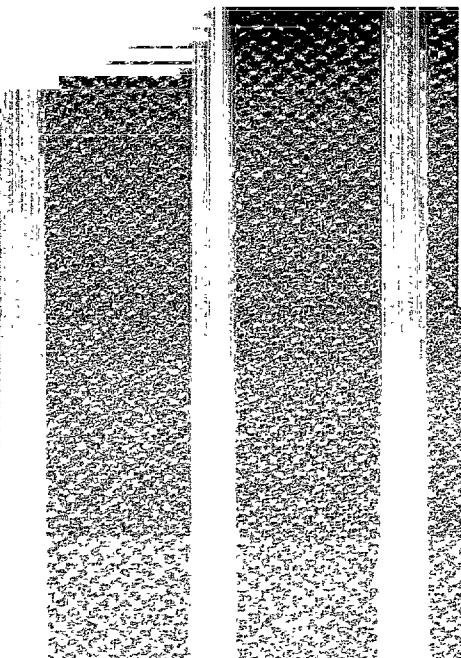
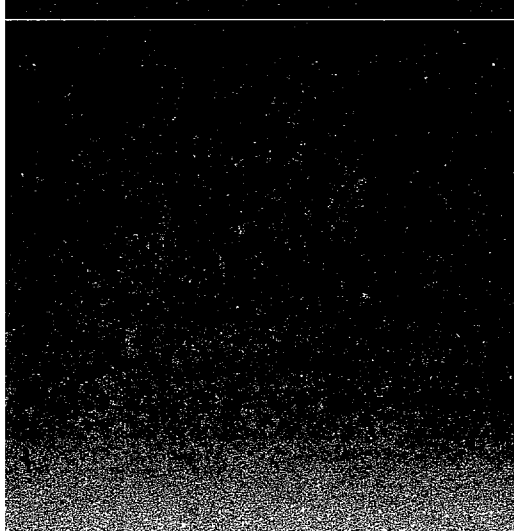
Audits of Government Services, Inc., and of its Employee Retirement and Benefit Trust Fund and Supplemental Pension Plan for the year ended Dec. 31, 1967, B-114820, Apr. 10, 1968

In our report, addressed to the Board of Trustees, Government Services, Inc., with copies to the Speaker of the House of Representatives and the President of the Senate, we expressed our opinion that the financial statements included in the report presented fairly the financial positions of Government Services, Inc., the corporation's Employee Retirement and Benefit Trust Fund and the Supplemental Pension Plan at December 31, 1967, and the results of the corporation's operations and the changes in the retirement and pension funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

## Chapter Five



U.S. Army  
of Defense  
Operations and Program





# Defense Operations

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## NATURE OF AUDIT WORK PERFORMED

Our audit efforts in the Department of Defense continued to be directed toward aiding in the improvement of management and operating controls and financial administration of the complex operations of the Department. 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 regular audits and reviews completed during the year or in progress at the close of the year related to programs and operations in such functional areas as (1) management control systems, (2) supply management, (3) procurement (including negotiation of contract prices and administration of contract terms and conditions), (4) manpower (including administration of military and civilian pay and allowances), (5) support services, (6) research and development, and (7) facilities and construction.

In addition to these reviews, we made a number of special audits, investigations, and surveys at the request of various committees of the Congress and individual Members of the Congress. This special work related principally to (1) administration of major programs such as the procurement of F-111 aircraft, the acquisition and installation of new automatic data processing equipment for use in computerized management systems, the Medical Education for National Defense program, the planning and programming of hospital construction projects, and the civilianization program (substitution of civilian employees for military personnel in certain positions), (2) contracting policies and practices in determining reasonableness of pension fund costs and executive and professional compensation costs charged to Government contracts, in the use of contractor-furnished personnel in Government functions, and in the control of Government-owned property in possession of contractors, (3)

allegations of waste, extravagance, or other improper practices by the military departments in various areas of their operations, and (4) procurement practices and administration of specific contracts.

## APPROACH TO AUDIT

### *General*

Because our manpower resources are limited in relation to the magnitude and complexity of the operations of the Department of Defense, it is essential that our audit efforts be directed to selected areas where our findings and recommendations can be of most assistance in bringing about needed improvements in management and control and be most responsive to congressional interest in the operations. Therefore, we subject our audit and system review procedures and practices to continuous reevaluation in the light of our experience and the expressed interest of the Congress and make such revisions as are deemed necessary or desirable. In keeping with this concept we have redirected our audit efforts in the area of procurement.

### *Procurement*

During the past 10 years a major part of our audit effort in the area of procurement has been applied to the pricing of negotiated contracts. Our interest in the pricing of negotiated contracts will continue. However, with the increased responsibility and effectiveness of the Defense Contract Audit Agency (DCAA) in the postaward reviews of contract prices, we are able to give greater attention to other important aspects of procurement.

The DCAA was established by the Secretary of Defense as of July 1, 1965, by consolidation, under his direction, authority, and control, of the contract audit functions then being performed by the individual military departments and the Defense Supply Agency. It is responsible for all contract audit work within the Department of Defense.

Our work in the audit of contracts and the work of the DCAA are complementary rather than duplicative in that as the DCAA—a comparatively new organization—increases its effectiveness, our emphasis on audit of individual contracts is shifted to broader areas of procurement and contract administration. For example, we are now giving greater attention to such other important aspects of procurement as (1) acquisition of weapon systems, (2) procurement systems for other items, (3) planning and scheduling of production, and (4) contract administration.

## AUDIT REPORTS ISSUED

We submitted 118 congressional reports on our audits and investigations: 39 to the Congress and 79 to committees or Members of the Congress on special investigations made at their request. In addition, we transmitted 411 reports to officials of the Department of Defense. Of these 411 reports, 51 were directed to the secretarial level and dealt principally with contract matters and other phases of procurement; 360 were directed to lower level officials and dealt principally with matters relating to settlement of disbursing officers' accounts and matters relating to local policies, procedures, and practices disclosed in our site examinations of civilian payrolls and related records. A list of the audit reports issued is presented on pages 291 to 306 in Appendix C-2 of this report.

## SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Our reviews of the policies, procedures, and practices followed by the Department of Defense and the military departments in the management of various areas of their operations frequently result in findings which indicate need for improvement in management controls. In our reports on such findings we include recommendations for improvement.

The replies of the Department of Defense officials to our reports in which administrative actions 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. During the fiscal year 1968, such actions on our findings and recommendations resulted in collections and other measurable savings of \$188,603,000 (see pages 339 through 345 of Appendix G of this report). Of this amount, \$33,557,000 represents savings resulting from reviews of Defense international activities.

We have received numerous replies which advise that new directives and instructions have either been issued or are intended to be issued. To ensure that the revised directives and newly announced policies are being carried out, we are stressing the need for independent reviews at higher echelons within the Department and by internal audit organizations.

The principal areas where our findings showed a need for improvement in management controls involved management of supplies, management of procurement programs, administration of military and civilian pay and allowances and utilization of manpower, administration of transportation matters, and administration of certain other programs. Our findings in these areas were reported to the Congress or, where appropriate, to Department of Defense officials.

**Management Control Systems**

That portion of the work which relates to our assistance in the improvement of financial management in the Department of Defense, including our cooperation in the development of accounting systems and our review and approval of such systems, is discussed in Chapter Three, Assistance in Improving Agency Management Practices, beginning on page 45.

During the course of our work in the area of management control systems, we identified matters which required corrective action and were deserving of the attention of the Congress. These involved the inventory accounting systems for aeronautical equipment of the Navy and the financial management system of the Army Tank-Automotive Command. Further, we made a review of the internal audit activities of the Department of Defense on the basis of a request from the chairman of the Government Activities Subcommittee of the House Committee on Government Operations. Also, in accordance with the provisions of section 640(b) of the Department of Defense Appropriation Act, 1968, we evaluated the accounting system for operations proposed for implementation by the Department of Defense in fiscal year 1969. Digests of our reports to the Congress on these matters follow.

**Inventory accounting systems for aeronautical equipment, Department of the Navy, B-133118, Sept. 29, 1967**

We found that the systems did not provide management with the information necessary for efficient and economical operations and management of its resources. The Navy is implementing a plan for improvement.

Generally the causes of the conditions we found were (1) failure of operating personnel to follow written instructions and procedures, (2) lack of necessary controls in the systems, and (3) lack of effective identification and reporting to top management of matters requiring attention.

The Navy concurred, in general, with our findings, acknowledged the need to improve accuracy of inventory data, and stated that we would be kept fully informed of its progress in making improvements.

**Actions to improve the financial management system of the U.S. Army Tank-Automotive Command, Warren, Mich., Department of the Army, B-146772, Oct. 31, 1967**

The financial management system was not providing timely, complete, and reliable financial data to the various levels of management for use in controlling programs and performing assigned missions. We found a lack of (1) controls within the system, including effective reconciliation of accounting records, (2) written procedures to ensure proper system documentation, (3) effective review and analysis of financial data, (4) proper flow of documents through the system, and (5) effective personnel training and management.

After we brought these matters to its attention, the Army took action to effect improvements and has submitted to us periodic reports on the progress.

**Internal audit activities in the Department of Defense, B-132900, Mar. 8, 1968**

We found that the organization, audit policies, directives, plans, and operations of the internal audit organizations in the Department of Defense complied

substantially with requirements for an effective internal audit system. We found also that the Department's internal audit policies, directives, and plans were being implemented in a generally satisfactory manner. Our review was primarily directed to obtaining current information on the adequacy of the auditing activities of the Department's five formally designated internal audit organizations.

In view of the existence of numerous separate internal review and surveillance organizations in the Department performing management reviews, we also gave consideration to the need for coordination of review work in order to avoid omissions and duplications and to direct the total effort so as to maximize results. Because of our lack of knowledge of the management review activities of the Inspectors General of the military departments, which stems from constraints on making the related records available for our review, we indicated that we were unable to ascertain whether the activities of the designated audit organizations and the Inspectors General are effectively coordinated so as to avoid duplication and obtain the best results from the total review effort.

We made a number of proposals for consideration in the performance of future internal audit activities. The Department of Defense concurred except with respect to our proposal that a study be made of the work of the numerous organizations and activities conducting management reviews, with a view to strengthening overall control, direction, and coordination of such efforts. The Department doubted whether such a study would be productive but proposed to consider the matter further.

Opinion on the accounting system for operations proposed for implementation July 1, 1968, in accordance with section 640(b) of the Department of Defense Appropriation Act, 1968, Department of Defense, B-159797, Apr. 12, 1968

We expressed the opinion that the proposed system is designed to (1) meet the requirements of all applicable laws governing budgeting, accounting, and the administration of public funds and the standards and procedures established pursuant thereto, (2) provide for uniform application to the extent practicable throughout the Department of Defense, and (3) prevent violations of the antideficiency statute (Rev. Stat. 3679; 31 U.S.C. 665).

### **Supply Management**

Our findings in the area of supply management indicate a need for improvement in (1) stock records and controls, (2) determination of requirements, (3) interservice coordination, and (4) other practices. These and other findings resulting from our reviews, and agency comments or action taken on our suggestions and recommendations for improvement, are summarized in the following digests of our reports to the Congress.

#### *Stock Records and Controls*

Our findings indicated need for improvement in stock records and controls to

- Reduce the large volume of back-ordered requisitions in the Air Force;

- Avoid the substantial differences between recorded and actual quantities of supplies in the Department of Defense ;
- Provide more accurate and more informative reports on nonexpendable equipment in the Air Force;
- Ensure the return of unserviceable spare parts for repair and reissue in the Army;
- Avoid the manufacture of excessive aeronautical spare parts in the Navy; and
- Provide more efficient response to combat needs of the Army in Vietnam.

Validity of and controls over the large volume of unfilled orders for Air Force materiel, Department of the Air Force, **B-162152**, Oct. 31, 1967

We found that supply effectiveness in the Air Force could be improved and the volume of assets on back order could be significantly reduced (1) by establishing procedures at the base level to ensure prompt cancellation of back orders for items no longer required and (2) by taking prompt physical inventories at supply depots of items which must be back ordered. Invalid back orders can result in (1) unnecessary or uneconomical procurement of stock or repair of unserviceable stock, (2) unnecessary redistribution of stock, and (3) denial of stock to installations where actually needed.

Our statistical sampling of back-ordered items at nine Air Force bases representing five Air Force commands showed that about \$1.2 million or 22 percent of the back orders were for requisitions that were not valid. Base officials canceled about \$730,000 of the invalid back orders in response to our findings. On the basis of a projection of our findings to the total back orders, we estimated that about \$103 million of the \$471 million of back orders at the five Air Force commands represented by the bases we visited could have been canceled. (The back orders at all Air Force commands at May 31, 1966, were about \$875 million.)

The invalid back orders included (1) requisitions for stock in excess of needs, (2) requisitions for stock already on hand but not reflected in stock records and therefore not known to be on hand, (3) requisitions which should have been reduced or canceled when requirements for the stock were subsequently revised, and (4) requisitions which duplicated earlier requisitions.

We recommended that the Air Force establish a uniform system of records at the base using-activity level to adequately control outstanding requisitions. In response to our recommendation, the Air Force expressed its belief that the existing system, based on maintenance of records on a computer at a central location, is the most cost effective and can provide the information necessary for effective management at the using-activity level. The Air Force stated that it recognized the need for better training at the using-activity level in the use of information available and that such training would be provided.

Improved inventory controls needed for the Departments of the Army, Navy, and Air Force and the Defense Supply Agency, **B-146828**, Nov. 14, 1967

In our review of controls over depot inventories within the Department of Defense, we found that substantial differences existed between stock record balances and the actual quantities of items in inventories throughout the depot supply systems. During fiscal years 1965 and 1966, stock records of selected depot inventories—averaging in value about \$10.4 billion—had to be adjusted up or down an average of \$2.4 billion annually in order to bring them into agreement with the physical inventory quantities.

We pointed out that these inaccuracies in the inventory stock records resulted from inadequate control over documentation affecting inventory records as well as inadequate control over the physical assets and that increased management attention was needed at all levels.

Department of Defense officials advised us that each of the military services and the Defense Supply Agency had initiated specific programs to eliminate the problems discussed in our report and were installing new procedures designed to provide more accurate inventory controls.

Need for improvement in the system for managing nonexpendable equipment, Department of the Air Force, **B-133361, Dec. 5, 1967**

Our follow-up review showed that, although the Air Force had, since our earlier review (report to the Congress, **B-133361, June 1961**), significantly improved its procedures for the management of nonexpendable equipment, there was a need for further improvement in management controls over the two major elements of the equipment management system—the validity of authorizations and the accuracy of reported inventories of in-use assets.

We found that incomplete inventory information was reported and used in the fiscal year 1966 requirements computations. Our review showed that equipment valued at about \$44 million was neither reported for use in computing requirements nor otherwise accounted for. We also found that the practices followed at the base level in taking physical inventories did not provide the necessary controls to ensure that all assets would be counted and that the same assets would not be counted twice.

Our review of the data used in computing fiscal year 1966 procurement requirements showed that over \$8 million of the \$65 million of computed requirements was not needed, and about \$20 million of the remaining \$57 million was questionable. We discussed this with Air Force officials and, as a result, the requirements for several high-cost items were recomputed and about \$3 million of planned procurement was canceled.

The Air Force generally concurred in our findings and proposals for improvements in the equipment management system. We were advised of actions either taken or planned to ensure closer adherence to prescribed procedures for forecasting and controlling equipment authorizations. We were also advised that the Air Force intended to study the feasibility of incorporating additional data into its computer programs for managing nonexpendable equipment to provide a basis for periodic verification and reconciliation of reported inventories of in-use equipment.

Need for improvements in the Army's supply system to ensure the recovery of repairable spare parts, **B-146874, Jan. 23, 1968**

Our review of about 12,000 issues of spare parts at seven military installations that should have resulted in the return of a like quantity of unserviceable parts showed that some 70 percent of these parts were not returned to maintenance activities for repair and reissue. The principal reasons were (1) incorrect and inconsistent recoverability coding in publications issued by the National Inventory Control Points and (2) inaction by supply activities to obtain the return of repairable items.

The Department of the Army concurred in our findings and took action to improve its management of repairable spare parts.

Need to improve the management of aeronautical repair parts manufactured at naval air stations, Department of the Navy, **B-133396, May 21, 1968**

We reviewed the Navy's management of the manufacture of nonstandard aeronautical repair parts at four naval air stations. We found that as much as 80 percent of the dollar value of these items on hand at the four stations was excess. The excess stock on hand amounted to about \$3.7 million. In addition, we found that these four stations had disposed of about \$2.2 million worth of excess quantities of such stock in the period July 1, 1963, to March 31, 1966.

We proposed that the Navy review its management of nonstandard aeronautical repair parts and develop realistic criteria to govern manufacturing and stock-



ing and that periodic follow-up reviews be made to ensure adherence to these criteria. The Navy agreed and advised us of specific actions that would be taken to improve management.

**Need to improve management of Army supplies in Vietnam, Department of the Army, B-160763, June 21, 1968**

We reviewed certain aspects of the Army's management of supplies in the Republic of Vietnam. In our opinion, the Army supply system had been responsive to the combat needs of the military units in Vietnam despite adverse conditions. The high level of support had been achieved, however, through costly and inefficient supply procedures.

The Army had recognized many of its supply management problems and initiated certain corrective actions prior to the time of our review. We noted, however, areas which, in our opinion, warranted additional management attention as follows:

- The development of accurate data relating to stocks on hand and consumed in order to facilitate determinations of supply requirements and preclude imbalances of stock.
- The identification and redistribution of the large quantities of excess material now in Vietnam.
- The development of programs which will ensure the prompt return of repairable components to the supply system.
- The institution of procedures designed to increase both intraservice and interservice utilization of available supplies.
- The enforcement of greater supply discipline in order to reduce to a minimum the costly shipment of supplies under high-priority requisitions.

Although the Army agreed with our findings, it did not agree with certain of our proposals for improved procedures. We recognized that the management emphasis being applied by the Army would tend to improve supply discipline and help to correct the problems. We believed, however, that such emphasis by itself was not sufficient. Therefore, we recommended to the Secretary of the Army that certain of our proposals for improved procedures be reconsidered. As of June 30, 1968, the Secretary had not yet commented on this recommendation.

#### *Determination of Requirements*

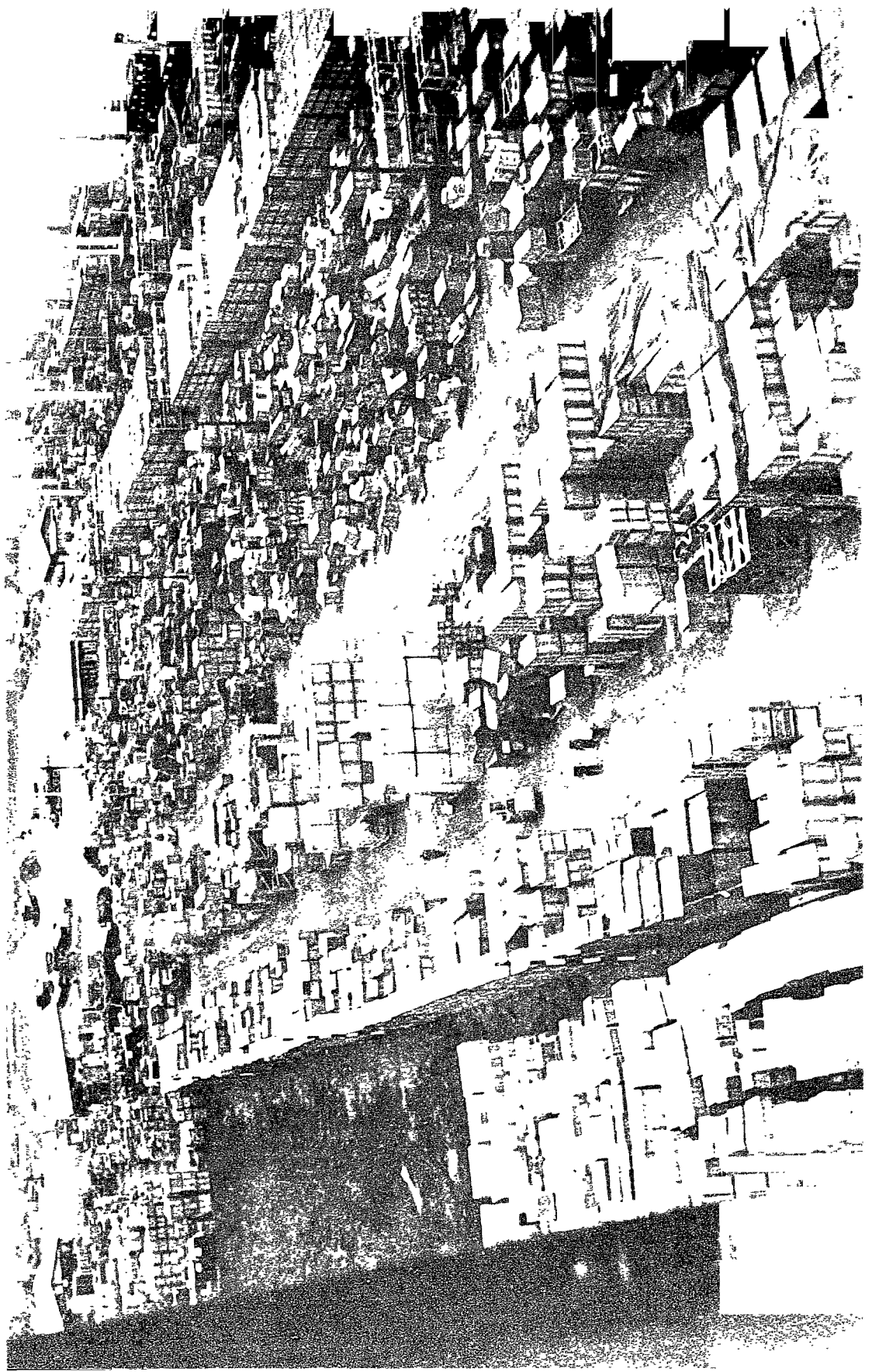
Our findings indicated need for improvement in determination of requirements to

- Avoid unnecessary procurement of aircraft ground support equipment in the Navy and the Air Force; and
- Avoid unnecessary procurement of combat weapons and missile repair parts in the Army.

Determination of requirements for aircraft ground support equipment shows need for management improvement, Departments of the Navy and the Air Force, **B-152600, Nov. 13, 1967**

As part of the production contracts for the **F-4** aircraft, the Navy and the Air Force procured about 2,500 items of ground support equipment (items required to inspect, service, repair, safeguard, transport, or otherwise maintain the aircraft in operational status). Our review of the utilization of **562** of the items showed that the authorized allowances for 129 of them (23 percent) were questionable.

Had the Navy and the Air Force made detailed reviews of actual needs for the equipment and had they coordinated such needs effectively, procurement



costs could have been reduced by about \$1.2 million. Also, costs amounting to as much as \$12.5 million could have been avoided, or deferred, had the Navy and the Air Force properly considered the equipment already on hand in relation to the number of aircraft to be supported.

The Department of Defense informed us of improved procedures and management techniques established or planned in the Department of Defense. These measures should improve the interservice and intraservice determinations of needs for ground support equipment. We plan to evaluate the effectiveness of these measures as part of our continuing review of supply management.

Need for improved communication between Army commands to avoid procurement of unneeded combat weapons systems, Department of the Army, B-146802, Apr. 24, 1968

Army procedures did not, in our opinion, provide a systematic method for the communication and consideration of recommended changes in plans that affect equipment requirements. We found that, had Army officials given timely consideration to recommendations that usage of the M-132 flamethrowers be more limited than had been originally planned, the flamethrowers might not have been purchased in excess quantities.

The contracts for the excess quantities were subsequently terminated at an estimated loss to the Government of about \$2.7 million (termination and related costs of about \$4 million less value of usable components of \$1.3 million).

We advised the Secretary of Defense that there was a need for systematic procedures to accomplish two things: first, to ensure formal consideration of recommendations affecting procurement by top levels of command; second, to ensure timely follow-up action by subordinate commands to determine whether their recommendations had been accepted or rejected. Accordingly, we suggested that the Army establish appropriate procedures to accomplish this. The Army concurred in our suggestions and advised us of procedural changes that had been recently completed or were near completion.

Need to improve requirements computations for expensive missile repair parts, Department of the Army, B-163706, May 27, 1968

Our review of requirements computations for expensive missile repair parts by the Army Missile Command showed a number of problem areas. These areas related primarily to (1) inadequacy of asset and demand data received from user activities, (2) failure of inventory managers to accurately compile, review, and use historical supply data, and (3) inconsistency in the implementation of supply management procedures and guidelines. These problem areas contributed to imbalances in the supply system. In some instances underprocurements were made which could lead to supply shortages. In other instances overprocurements were made which could lead to excess material.

The Army agreed generally with our findings and conclusions and initiated several corrective actions.

### *Interservice Coordination*

Our findings indicated need for improvement in interservice coordination in **supply** matters by

- Establishing closer logistical coordination between the Army and the Marine Corps; and

- Increasing the effectiveness of the centralized system for screening supply requirements against supplies available in the Department of Defense.

Transfer of excess materials between the Army and the Marine Corps expedited by improved procedures, **B-146772, July 31, 1967**

The Marine Corps had significant quantities of excess tank-automotive repair parts and other material which the Army could have used to meet high-priority requirements including those of Vietnam. However, there were no procedures for the regular exchange of information on such excesses and requirements. Notification by the Marine Corps that it had about \$9 million worth of such excesses received no review by the Army; notification by the Army of its critical need for such items received no review by the Marine Corps. When we brought these matters to the attention of the Army and the Marine Corps, about \$1.9 million worth of excess material was transferred to the Army.

The Department of Defense informed us that closer logistical coordination has been established between the Army and the Marine Corps and that internal audit coverage of the supply system would be increased.

Need for improvement in utilization of available material in the Department of Defense, **B-163478, May 14, 1968**

We examined into the effectiveness of the automated centralized screening system, maintained by the Department of Defense, for matching material available at various of its locations with the material needs of other locations. The system includes a master screening file of information on the needs and the availability of material, maintained by the Defense Logistics Services Center, on the basis of periodic reports submitted by inventory control points.

Although this system has greatly benefited the Department of Defense, we found that certain improvements could make the system more effective.

As operated at the time of our examination, the system depended on the voluntary cooperation of the organizations involved. We found many instances where inventory control points had not reported the necessary information or had reported information which was not accurate and not current. It appeared to us that there was a need for an organization vested with the responsibility for ensuring that the Defense organizations followed prescribed operating policies and procedures.

We recommended that, since the responsibility for establishing basic policies related to the centralized screening system is vested in the Office of the Assistant Secretary of Defense (Installations and Logistics), the Secretary of Defense assign to that organization the responsibility for surveillance of the system. As of June 30, 1968, the Department of Defense had not yet commented on this recommendation.

### *Other Practices*

In other areas of supply management, we found a need to

- Eliminate certain of the low-cost, low-demand spare parts in the supply systems of the Navy and the Defense Supply Agency;
- Eliminate certain uneconomical shipments of supplies in the Air Force;
- Increase the effectiveness of the tire-recapping program in the Department of Defense;

- Promote the reuse of shipping containers in the **Army**; and
- Eliminate the duplication of supplies carried by both the General Services Administration and the **Navy**.

Substantial savings available by eliminating low-cost, low-demand spare parts from Defense supply system, Department of the Navy and the Defense Supply Agency, B-133118, Oct. 31, 1967

We found that more than 860,000 low-cost spare parts were being stocked by the Navy and the Defense Supply Agency for which there had been no demand for appreciable periods. There were many other similar items for which there had been but little demand over a number of years. Significant savings in management and storage costs could be realized by eliminating from the supply system those items not warranting retention.

The Department of Defense had instituted a program to identify and eliminate items not warranting retention in the supply system. The program was deferred, however, because of a higher priority project. We were informed that the program would be resumed at the earliest opportunity.

Substantial annual savings available through elimination of uneconomical shipments of military parts and other material, Department of the Air Force, B-133019, Jan. 22, 1968

Our review of the Air Force system for redistributing excess parts and other material from Air Force bases to supply depots showed that, during the last 3 months of 1966, three Air Force supply depots received over 370,000 such shipments. We estimated that over 125,000, or about 34 percent, of these shipments were uneconomical for two reasons. They involved material with which the Air Force was already well supplied or was in an excess position or material with a value less than the costs incurred for its return.

We estimated that the packaging, handling, and other administrative costs incurred in connection with the uneconomical shipments totaled about \$1.3 million for the 3 months.

In general, the uneconomical shipments were made because (1) the Air Force screening of items reported as excess did not include a determination of stock level status of all the items before authorization of their return, (2) unserviceable items were returned without a determination as to whether there was sufficient serviceable material in Air Force stocks, and (3) the Air Force redistribution system did not provide for the identification of items valued at less than shipping costs.

After we brought these matters to its attention, the Air Force took certain actions to effect improvements. These actions included establishment of retention levels for excess stocks at Air Force bases and revision of criteria for shipment of low-value items.

Substantial savings available to the military services through increased recapping of aircraft tires, Department of Defense, B-146753, Feb. 1, 1968

We found that the Air Force and the Navy do not recap aircraft tires as extensively as commercial airlines do because of arbitrary restrictions on the number of times a tire may be recapped and, in the case of the Navy, because of ineffective administration of the tire-recapping program. The Army has not established a program for recapping aircraft tires.

We pointed out that the use of recapped aircraft tires often saves as much as 50 percent of the cost of new tires and—as shown by the practices of the commercial airlines—is considered consistent with safety requirements.

We found that all three services could realize significant savings by recapping aircraft tires more extensively. These savings could be as much as \$1,650,000

annually for the Air Force and the Navy. If it were found to be practicable to increase the recapping of tires for high-speed and jet aircraft, substantial additional savings could be realized.

The Air Force and the Navy advised us of actions taken or planned to increase the effectiveness of their respective aircraft tire-recapping programs.

We recommended that the Secretary of Defense issue policy guidance to the military departments relative to the recapping of aircraft tires. We further recommended that the Department of Defense periodically review the recapping policies and procedures established by the military departments.

The Department of Defense advised us in April 1968 that it had established a study group comprised of representatives from the military departments to develop criteria and policies for uniform application.

Savings available if shipping containers for military electronic equipment are reused, Department of the Army, E-146917, Feb. 15, 1968

We found a need for improvement in the Army's procedures for making shipping containers available to manufacturers of electronic equipment for shipment of newly produced electronic equipment. Use of Government-furnished shipping containers would reduce procurement costs. Reusable containers were not being furnished to the contractors because Army procedures did not require procurement and supply personnel to coordinate their efforts and identify containers available in the supply system.

The Army concurred, in general, with our findings and proposals and agreed that additional actions must be taken to improve the management of reusable containers for all types of equipment.

The Department of Defense informed us that the military departments and the Defense Supply Agency had been directed to review their procedures for management of reusable containers and to correct any deficiencies.

Savings available to the Government through elimination of duplicate inventories—General Services Administration; Department of the Navy, E-146828, May 16, 1968

We reviewed the Navy's practice of stocking, for further distribution, material which is normally procured, stocked, and distributed to Government organizations by the General Services Administration (GSA). On the basis of our review, we concluded that Navy wholesale inventories and similar GSA inventories held for Navy use unnecessarily duplicated each other and resulted in duplicate management and warehousing functions in the Government supply system as a whole.

We concluded that inventories valued at about \$8.5 million, and related management and warehousing functions, could be eliminated from the wholesale stocks of either the Navy or GSA. To the extent that duplication of stock could be eliminated, the Government would realize not only increased efficiency in stock management but also annual savings of up to \$940,000. We suggested that, for those items stocked by GSA, the Navy overseas stock points, supply ships, and fleet activities within continental U.S. waters requisition their requirements directly from GSA.

The Navy did not believe this would be feasible with respect to overseas stock points and supply ships but did agree to review the existing arrangements for supply support. GSA expressed the opinion that the procedure of direct requisitioning from GSA was the most economical method of supply support except in those cases where the volume of issues warrants the shipment of wholesale quantities direct from the manufacturers to the Navy.

We recommended that the Secretary of Defense and the Administrator of the General Services Administration jointly establish a working group to formulate the necessary policies and procedures for a supply support system which will eliminate the duplications cited in our report. On May 22, 1968, the Gen-

eral Services Administration advised us that it had informed the Department of Defense of its readiness to establish such a group. On July 23, 1968, the Department of Defense advised us that it concurred in this approach to the problem.

### Management of Procurement Programs, Contract Administration

In fiscal year 1967 we made a review of the administration of the cost or pricing data requirements of Public Law 87-653 (Truth in Negotiations Act). This law requires, among other things and with certain exceptions, that where price competition is lacking under negotiated contracts and subcontracts, cost or pricing data be submitted in procurements over \$100,000 and be certified by the contractor and subcontractor as accurate, complete, and current. The law provides further that in these procurements the contract contain a clause permitting the Government to recover any significant increase in the price that resulted from the submission of inaccurate, incomplete, or noncurrent cost or pricing data.

In a report issued to the Congress in January 1967, we pointed out that, although certificates of the contractors were generally being obtained, there was no authoritative record of what had been submitted and what was covered by the certificate. It appeared to us that the certificates were not wholly effective and that the Government's rights under the defective-pricing-data clause of the contracts might be impaired. We had found also that the provisions of the Armed Services Procurement Regulation were not clearly understood and were being variously interpreted by individual procurement personnel. Our report on these findings included a number of proposals for corrective action.

On November 30, 1967, the Department of Defense issued Defense Procurement Circular No. 57 which incorporated the substance of our proposals. The Department also recognized that changes in regulations, in themselves, would not be effective unless agency procurement personnel received adequate training in implementing the regulations. To this end, we have worked with the Department and we have mutually agreed on material to be used in training programs for defense procurement personnel and contractors, illustrating adequate compliance with defense regulations implementing Public Law 87-653. Also, a sample case, illustrating adequate compliance, has been published in a Defense Procurement Circular for the information and guidance of all procurement personnel involved in price negotiations.

In addition, Department of Defense procurement teams are currently reviewing the practices of procurement officials to ascertain whether these regulations are understood, are complied with, or need further clarification.

We believe that the Department of Defense is making real progress in achieving the intent and purpose of Public Law 87-653. Continued emphasis by the Department of Defense on appropriate implementation of this law should go far in achieving the benefits intended by its enactment. We are deferring further review of the Department's administration of the cost or pricing data requirements of the act until there has been ample time to implement the recent revisions in regulations.

Findings resulting from our reviews of the administration of contracts which were reported to the Congress in fiscal year 1968, and the agency comments or action taken on our suggestions and recommendations, are summarized in the digests of reports presented at the end of this section. These reports do not include other findings related to contract matters which we deemed it more appropriate to report to the departments and agencies involved rather than to the Congress.

The findings we report to the departments and agencies are generally those which (1) had been accepted by the contracting parties and a basis for an equitable price adjustment had been reached prior to the issuance of our final report, (2) represent additional examples of matters previously reported to the Congress and raise no new important principles or basic issues relating to negotiation and administration of contracts, or (3) involve relatively minor amounts. Several of the more significant findings reported to the departments and agencies during the fiscal year are summarized below.

In February 1968 we reported that the price of a contract negotiated by the Air Force was about \$254,000 higher than warranted by information available to the contractor at the time of negotiation. The preaward review of the contractor's price proposal by the Air Force had not detected the errors we noted, apparently because insufficient time had been allowed for the review and because lower prices for certain material became available after the preaward review but before contract negotiation.

The Air Force concurred in our finding and stated that action had been initiated to seek a price adjustment under the defective-pricing-data clause of the contract. The case was pending at June 30, 1968.

In March 1968 we reported that a contractor, engaged in the modification and repair of a certain type of aircraft under a series of eight contracts awarded by the Army, had accumulated about \$313,000 worth of excess parts at the completion of the work. The accumulation included parts furnished by the Government and parts purchased by the contractor and charged to the Government. We found that a significant portion of the accumulation could have been avoided had the contractor projected future requirements on the basis of prior consumption of parts.

We recommended that the Army identify the excess parts and place



them in its supply system and the Army advised us in May 1968 that this had been done.

In April 1968 we reported that the subcontract price negotiated by a prime contractor of the Air Force was based on estimated direct labor and material costs that should have been about \$500,000 less than those proposed. Had cost information available to the subcontractor at the time of negotiation been available to the prime contractor, there would have been a sound basis for negotiating a lower price.

We recommended that the Air Force seek a price reduction under the defective-pricing-data clause of the contract. The Air Force informed us in June 1968 that it was pursuing the matter and would keep us advised on the progress.

Digests of the reports submitted to the Congress follow.

New procedures adopted to improve management of contractor-operated messing and merchandising services at Kwajalein Missile Test Site, Department of Defense, B-152598, July 18, 1967

Under the contract terms, the contractor was required to furnish certain services at cost to personnel employed at the test site by contractors, subcontractors, and the Government. The Government reimbursed the contractor for costs incurred and was credited with revenues received. However, the prices charged by the contractor for the services were too low to recover the costs incurred and, as a result, the Government absorbed a loss of about \$1.6 million in the operations for the 2-year period ended in February 1966.

The Department of Defense agreed with our findings and took steps to ensure that prices were revised to recover costs and that certain other procedures of the contractor were improved.

Procurement of nuclear submarine propulsion equipment under Public Law 87-653, Department of the Navy, B-156313, Aug. 31, 1967

Certified cost data used as a basis for negotiating a fixed-price contract was based on the cost to be incurred for processing certain castings in the contractor's plant. Prior to completion of negotiations, the contractor had received price quotations from suppliers for fully processed castings which were lower than the amounts the contractor had included in its price proposal as the cost of castings processed in the contractor's plant. Shortly after the negotiations were completed, the contractor did, in fact, purchase fully processed castings at about the prices quoted by its suppliers.

Had the contractor disclosed the lower quotations to the Navy during the price negotiations, the Navy would have been in a position to negotiate a price about \$564,000 less than that actually established for the contract. The Navy agreed that the undisclosed quotations of suppliers represented significant pricing data and stated that action would be taken under the defective-pricing-data clause of the contract to recover an appropriate amount.

Subsequently the contracting officer made a determination that the contract price should be reduced by \$564,244. The contractor filed an appeal with the Armed Services Board of Contract Appeals. At June 30, 1968, the appeal was pending.

Need for improvements in controls over Government-owned property in contractors' plants, Department of Defense, B-140389, Nov. 24, 1967

We found a need for the Department of Defense to improve its system of controls over Government-owned facilities, special tooling, and material in the possession of contractors. Generally, our review disclosed weaknesses with regard

to effective use of industrial plant equipment, rental arrangements, and accounting for and control of special tooling and material. Certain aspects of the work of Government property administrators and internal auditors were also in need of improvement.

We made a number of proposals to improve the administration over Government-owned property. Actions taken or planned in response to most of our proposals, if properly implemented, should result in significant improvements in the control and utilization of such property.

The Department of Defense did not fully agree with, or did not indicate any specific corrective action on, our proposals to (1) require contractors to furnish machine-by-machine utilization data and to obtain prior Office of Emergency Planning approval on an item-by-item basis for the commercial use of industrial plant equipment and (2) strengthen the controls over special tooling and special test equipment by use of financial accounting controls. We recommended to the Secretary of Defense that he reconsider the Department's position on these matters. We also recommended to the Director, Office of Emergency Planning, that prior approvals for planned commercial use of industrial plant equipment be administered on a machine-by-machine basis.

Subsequent to the issuance of our report the Department of Defense advised us that it had reconsidered its position. The Department stated also that the Office of Emergency Planning was revising the applicable Defense Mobilization Order in order to tighten controls over commercial use of Government-owned equipment and to ensure equitable rentals for such use.

Observations on the administration by the Office of Civil Defense of research study contracts awarded to Hudson Institute, Inc., Department of the Army, **B-133209**, Mar. 25, 1968

We found that seven of 11 study reports submitted by the Hudson Institute under three research study contracts were considered by the Office of Civil Defense to be less useful than had been expected or to require major revision.

We recognized that contracting for studies of this type is relatively new and involves uncommon questions. However, it was our belief that the Office of Civil Defense could improve its administration of such contracts, and thereby obtain study reports that would furnish the information sought.

The improvements which we considered to be needed involved more specific statements of the scope of work to be performed; more effective monitoring of studies; more frequent, timely, and complete progress reports from the contractor; and written records of agreements with contractor personnel. The Office of Civil Defense has taken steps to improve its procedures in these areas.

### ***Management of Procurement Programs, Other Aspects***

We issued three reports to the Congress on procurement matters other than administration of contracts. These reports presented our findings of potential savings in procurement of petroleum products and the need for more competition in the procurement of anthracite coal and aeronautical spare parts. The following are digests of these reports.

Potential savings in procurement of petroleum products for use by Navy contractors, Department of the Navy, **E-160334**, Feb. 6, 1968

Our review showed that substantial annual savings could be realized if the Navy would furnish to its contractors the petroleum products used by them

in the testing of aircraft and aircraft engines instead of permitting the contractors to supply these products as a part of their contracts.

Our review was made at three plants where estimated requirements represented about 86 percent of the total petroleum needs of Navy aircraft and aircraft engine contractors. We estimated that during 1964 the Navy paid two of the contractors about \$229,000 more for such products than it would have paid if the products had been furnished to the contractors. We estimated that about \$250,000 and about \$400,000 could have been saved in 1965 and 1966.

With regard to the third contractor, our review showed that the contractual arrangements in effect were different and that the resulting profit rate was considerably less.

The Navy advised us that, in the case of one of the contractors, substantial savings might be realized if the Government were to furnish the petroleum products or, alternately, if a change in the contractual treatment of these products were negotiated and stated that negotiations were taking place.

With regard to the second contractor, the Navy stated that the savings would be small and that it was to the overall advantage of the Government for the contractor to continue to furnish the petroleum products. Although the potential savings are not substantial, the Navy should consider negotiating new arrangements with the contractor.

Therefore, we recommended that, in the case of the second contractor and other contractors under similar conditions, the Navy consider negotiating new contractual arrangements. The Navy concurred.

**Need to increase competition in procurements of anthracite coal by the U.S. Army for use in Europe, B-159868, June 4, 1968**

We reviewed the procurement of anthracite coal by the Army in fiscal years 1962 through 1967. The coal involved was mined in the United States and was procured by the Army from European importers under negotiated fixed-price contracts awarded on a competitive basis.

We concluded that the competition was not sufficiently effective to ensure the lowest price. The contractual practices permitted the sources of supply to be limited almost entirely to one American exporter. The exporter, in turn, procured the coal from only a limited number of producers. Restrictive specifications may also have limited competition.

The major anthracite suppliers have, under the provisions of the Webb-Pomerene Act, entered into agreements among themselves to set prices and allocate quantities of coal for export and ultimate sale to the Army. The general policy of most of the larger American anthracite suppliers is to offer their coal only to a certain coal export company. This company advised us that it purchased coal for the Army procurements only from members of the Anthracite Export Association—an association representing the larger anthracite producers—although there are other producers, not members of the association, that are qualified to meet specifications of the Army.

Because of these arrangements, the company was the only exporter in position to furnish enough coal to meet total needs of the Army. Furthermore, the exporter's quotations to European importers were conditioned on their purchasing from the exporter all of their requirements for the Army procurements. Members of the Anthracite Export Association, when participating in these procurements, furnished statements that, under the provisions of the Webb-Pomerene Act, they were not required to submit unqualified certifications of independent price determination. Therefore, what little competition existed was limited to the importer functions where the costs generated—principally transportation costs—represented only a small fraction of the total cost of the coal to the Army.

Also, we found considerable evidence that the Army's specifications for ash content and ash-softening temperature may be more restrictive than necessary and may have limited competition.

In response to our findings, the Army stated that, for the fiscal year 1969 procurement, offerors would not be permitted to claim exemption under the Webb-Pomerene Act from certifying that prices proposed were arrived at independently. The Army stated also that tests were being conducted by the Bureau of Mines to determine the minimum quality of coal which can be used economically in Europe, that the tests would be completed in August 1968, and that the results of the tests would be considered in the specifications for the fiscal year 1970 procurement.

On August 7, 1968, the Army advised us of certain additional steps it has taken to increase competition in the procurement of anthracite coal for use in Europe.

**Need for more competition in procurement of aeronautical spare parts, Department of Defense, B-133396, June 25, 1968**

In response to the expressed interest of the Subcommittee on Economy in Government of the Joint Economic Committee, Congress of the United States, we made a Defense-wide survey of the procurement of aeronautical spare parts. We found that problems we had previously identified as restricting competition in procurement continued to require management attention and correction. In addition, many of the procurements reported by procuring activities as having been made competitively had not, in our opinion, been made under competitive conditions.

The Department of Defense advised us of the following corrective measures:

- Procedures were being revised to provide for earlier reviews of items to determine whether they could be procured competitively.
- A management reporting system would be established to document reasons for procurement without competition.
- A means for coordinating interservice spare parts procurement was under study.
- Rules for reporting procurement actions had been revised.
- Aggressive action would be taken to correct the technical data deficiencies revealed by our survey.

***Administration of Military and Civilian Pay and Allowances and Utilization of Manpower***

The number, variety, and complexity of entitlements provided by legislation covering military pay and allowances create difficult administrative problems. Although the military departments have taken prompt action with respect to erroneous or illegal payments identified in our reviews and have accepted our suggestions for corrective measures to preclude recurrence, overpayments in significant amounts continue to be made.

In our opinion, the administration of military pay and allowances will not be improved significantly until the present complex laws are simplified. Public Law 89-132, approved August 21, 1965, provides, among other things, that the President shall direct a complete review of the principles and concepts of the compensation system for members of the uniformed services and that, upon completion of such review, he

shall submit a report to the Congress together with any recommendations proposing changes in the statutory salary system and any other elements of the compensation structure.

The review required under the law was recently completed and, at the direction of the President, a report of findings and recommendations was transmitted to the Congress by the Secretary of Defense on April 29, 1968. We understand that certain of the recommendations contained in the report provide some measure of simplification. No legislative proposal accompanied the report. We were advised that a legislative proposal would be prepared by the Department of Defense for submission at the beginning of the 91st Congress.

In April 1968 we issued a report to the Congress in which we pointed out that the serious deficiencies in administration of military pay and allowances we had found in earlier reviews were continuing. A digest of this report is included at the end of this section.

In our selective examinations of civilian payrolls and related records, 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. These findings, which in most cases resulted from weaknesses in local procedures and practices, were reported to agency officials at appropriate levels of management and the corrective actions we recommended were either taken or promised.

In our reviews of manpower utilization we found that savings could be realized if (1) ceilings on the availability of civil service personnel were lifted to permit performance of certain research functions by employees of the Air Force rather than contractors and (2) certain manually operated furnaces in the Army and Air Force were converted to automatic-type units. Digests of our reports to the Congress on these findings are included below.

Use of contractor personnel to perform research functions within facilities of the Air Force Cambridge Research Laboratories, Department of the Air Force, B-146981, Nov. 28, 1967

Our review confirmed Air Force studies—undertaken after we issued a report to the Congress in January 1966 on our survey of research management functions at Cambridge Laboratories—which showed that savings would be realized if some of the research functions performed by contractors were performed by civil service personnel. The savings would result primarily from reduction, or elimination, of overhead costs and of profits paid to the contractors.

The Air Force study of contracts for services at the Laboratories—costing about \$3 million annually—showed a savings potential of \$750,000 a year. The amount of the savings, however, will be less than estimated if consideration is given to Federal income taxes forfeited, the possibility that the contractors' other Government business might absorb part of the overhead being applied to these contracts, and other factors.

We believe that (1) administrative ceilings on the availability of Civil service personnel for these jobs and (2) excessive delays in approving or disapproving amendments to the manpower ceilings have, in the past, been major factors in the continued use of contractor services.

We therefore proposed to the Secretary of Defense that:

- Manpower ceilings made available to the Laboratories be sufficiently flexible to enable the Laboratories to acquire civil service employees to assume the long-term research work now being performed within its facilities by contractor-furnished personnel.
- The personnel ceilings of the Laboratories be related to the facilities and research project approval processes and that appropriate adjustments be made consistent with such approvals.
- A more expeditious manner of processing manpower requirements be established within the Department of Defense.

The Department of Defense concurred, in general, in our finding and advised us that the civil service personnel authorization at the Laboratories had been increased to permit conversion of 25 service contracts to Government operation. The Department did not agree, however, with our conclusion that manpower ceiling practices prevent economical management of programs and resources.

**Reduction of heating costs at military bases available through conversion of manually operated furnaces, Departments of the Army and the Air Force, B-160931, Dec. 27, 1967**

We reviewed costs of operating heating units of the types generally used at military bases to heat single buildings. We found that cost could be reduced several million dollars annually at Army and Air Force installations if manually operated furnaces were converted to automatic-type heating units. Such conversions at the 12 military installations covered in our review could reduce costs about \$3.5 million each year, primarily by releasing military personnel for other duties.

Department of Defense officials expressed the opinion (1) that there could be no actual reduction of military personnel requirements if the function were eliminated since no personnel spaces had been authorized for this function, (2) that the Congress was reluctant to support requests for fuel conversion, (3) that military labor should not be considered an economic factor in fuel conversions except where such labor was permanently assigned to the installation engineer and a reduction in strength could be made, and (4) that these duties were usually performed as an additional duty or by transient personnel. We found, however, that the majority of the military personnel used to fire furnaces were on the job full time for 30 days or longer.

However, the Department of Defense requested the Army and the Air Force to make a study of this matter, including a comprehensive review of all small hand-fired heating systems using either military or civilian firemen. This study, which was in progress at June 30, 1968, is intended to serve as a basis for evaluation of the economic potential from conversion of hand-fired furnaces.

In view of the need to achieve the most efficient and effective utilization of military manpower in assignments requiring military skills and to realize the economies possible through conversion of manually operated coal heating units to automatic gas or oil heating units, we suggested in our report that the Congress may wish to inquire into the practice of using military labor to perform the function of tending furnaces.

**Follow-up review of causes of erroneous payments of military pay and allowances, Department of Defense, B-125037, Apr. 2, 1968**

Our report on an earlier review (B-125037, Apr. 16, 1963) presented our findings of significant overpayments and underpayments of military pay and allowances and our recommendations for improving the administration of military pay and allowances. Our follow-up review showed that serious de-

iciencies in administration still exist. The main cause continues to be the use of inexperienced and untrained clerks and supervisors in the local disbursing and personnel offices.

The Department of Defense and the military services had taken a number of actions which had improved the administration of military pay and allowances in some areas. Also, the Department of Defense is implementing its Joint Uniform Military Pay System (JUMPS), a system for maintaining military pay and leave accounts by electronic data processing equipment and techniques at one central site for each military service. However, most of the input data into this system will originate at the local office level where we found inexperienced and untrained clerks and supervisors. Further efforts in correcting existing weaknesses in training and staffing at local levels should therefore be made to ensure the most accurate input possible and the effective operation of the new system.

Errors in basic allowance for subsistence for enlisted men accounted for about 30 percent, or the largest category, of errors we found. We believe there is a need for a change in legislation to place basic allowance for subsistence for enlisted men on a monthly rate basis rather than the present daily rate basis. In our opinion, this would reduce the administrative burden and the administrative costs of handling the large volume of transactions and could substantially reduce the number of errors in making payments. The Department of Defense stated that it is considering a proposal for a legislative change.

### *Administration of Transportation Matters*

The discussion of our work in the Department of Defense on matters relating to transportation is included in Chapter Seven, Transportation, beginning on page 197.

### *Administration of Certain Other Programs*

Our findings in reviews of other programs showed a need for

- More effective utilization of
  - automatic data processing systems,
  - communication facilities,
  - tractor-trailer fleet,
  - mission-support aircraft, and
  - inactive industrial plant equipment;
- More effective controls to ensure equitable reimbursement for services provided others;
- Greater use of certified rather than registered mail for transmitting confidential material; and
- Improvement in the management of missile system development programs.

Digests of our reports to the Congress on these findings are presented below.

Utilization of automatic data processing systems at Navy-supported operations control centers, Department of Defense, B-161176, July 18, 1967

This report contains information affecting the national defense of the United States and has been classified "Secret."

Savings from more economical use of communication facilities between Alaska and the United States Mainland, Department of the Air Force, R-139011, Aug. 30, 1967

The Alaska Communication System, a unit of the U.S. Air Force, was aware as early as 1961 that a microwave facility which served Alaska was more economical to use for communication with the United States Mainland than the cable facility. Savings could have been attained by use of the cable facility in a different manner and a greater use of the microwave facility. This action was taken in mid-1965 after we had discussed the matter with officials of the Alaska Communication System. Had the action been taken on a timely basis, savings of about \$3.9 million could have been realized.

Opportunities for savings through use of spare Government-owned communications circuits in Europe, Department of Defense, B-161992, Sept. 22, 1967

In our review of 228 communications circuits leased from commercial carriers in and between Germany and the United Kingdom, we found that the traffic carried by 64 of them could have been routed over spare U.S. Government-owned circuits at substantial savings. The traffic was not so routed because availability of Government-owned circuits was considered only before a commercial circuit was to be leased. No periodic reviews were made thereafter.

We were advised that a program has been started for annual reviews of communications systems in all overseas areas. Also, 10 of the 64 circuits were canceled. The remaining 54 circuits were not canceled pending determination of requirements under the planned Automatic Voice Network (AUTOVON). We pointed out that, since AUTOVON is scheduled for activation no earlier than November 1968, savings could be realized by canceling the circuits not now needed.

Subsequent to the issuance of our report, the Department of Defense advised us that the 54 circuits in question either had been discontinued, rerouted over Government facilities, or otherwise had lost their identity through system changes and that no circuits were reserved for AUTOVON which were not in current use pending the actual cutover to AUTOVON. The Department advised us also that, pursuant to a request of the Deputy Secretary of Defense, instructions have been implemented by the U.S. Commander-in-Chief, Europe, to improve the management of leased communications in the European area on a continuing basis.

Savings available to the Army by tightening controls over its tractor-trailer fleet in Europe, B-162771, Jan. 30, 1968

In our review of the Army's management and utilization of highway transportation equipment in Europe, we found management procedures of the 37th Transportation Group to be inadequate. We found that (1) daily inventory reports were insufficient to monitor the status and location of its trailers at all times, (2) control units were not making the required analyses of equipment use, and (3) full use of available equipment would have avoided the hiring of commercial carriers at substantial increase in costs.

There were indications also that costs were increased unnecessarily because Army European commands failed to promptly unload trailers and report them as available for further use.

The Army took corrective action in accordance with all but one of our proposals. We believed that action should have been taken on that proposal and, accordingly, we recommended that available refrigerated equipment be trans-



ferred and utilized to the maximum extent possible for the transportation of frozen food products. Subsequent to the issuance of our report the Army advised us that it concurred in this recommendation.

Need for improvement in management of mission-support aircraft, Department of the Army, **B-163453**, May **10, 1968**

We evaluated the management of the aircraft used by the Army to maintain readiness proficiency for combat flying and for administrative purposes. We found that, based on recent flying experience and the utilization criteria established by the Department of Defense and the Army, the number of aircraft authorized at the locations we reviewed was about 25 percent more than the justifiable requirements. We believe that the overauthorizations resulted from the incomplete criteria and procedures prescribed and used for determining aircraft requirements and from insufficient evaluation of the justifications for aircraft submitted by the user organizations.

We found also, at most of the locations we reviewed, that the transportation and traffic management policies of the Department of Defense were not being followed and aircraft were used uneconomically. The procedures in effect at the time of our review generally did not provide for a determination, as required by Department of Defense policy, of whether use of commercial or other means of transportation would be practicable and more economical.

We recommended that the Army establish an effective integrated system for managing aircraft for mission-support purposes and outlined the elements we believe should be included in such a system. The Army agreed, in general, with our recommendations and cited actions already taken and being developed toward that end.

Action taken to put inactive industrial plant equipment in Army arsenals to use, Department of Defense, **B-163691**, May **23, 1968**

We found that millions of dollars worth of industrial plant equipment—such as woodworking and metalworking machines, crane and crane shovel attachments, compressors, power and hand pumps, and electric motors—had been permitted to lie idle in Army arsenals for periods up to 10 years while similar equipment had been purchased for use elsewhere in the Department of Defense.

The Department of Defense agreed that there had been instances of Army retention of inactive industrial plant equipment for considerable lengths of time and stated that Army regulations relating to such retention were being revised.

Need for improved controls in military departments to ensure reimbursement for services provided to nonmilitary and quasi-military activities, Department of Defense, **B-163136**, Feb. **26, 1968**

We found that the military departments did not uniformly or consistently implement Department of Defense policy with respect to charges for services provided to nonappropriated fund activities and private interests. The practices varied among military installations. The military installations did not recover fully the costs of services provided, and they used military personnel in lieu of civilian employees for nonmilitary activities without first attempting to employ civilians.

We pointed out that the Office of the Secretary of Defense had not required military departments to issue uniform instructions and to comply fully with Department of Defense instructions relating to such charges. Also, the military departments had not in all cases provided adequate surveillance at the installation level to ensure that charges for services, sufficient in amount for the recovery of applicable costs, were properly developed and consistently applied. Moreover, surveillance was not adequate to ensure that assignments of military personnel to nonmilitary and quasi-military activities were limited to positions of command supervision or were made only when qualified civilians were not available.

The Department of Defense concurred, in general, with our findings and acknowledged the need for added measures to improve the controls over user charges and military personnel assignments.

Savings available by using certified rather than registered mail to transmit confidential material, Department of Defense, **B-146979**, Apr. **8, 1968**

Executive orders, a Department of Defense directive, and service regulations permit the use of certified mail for transmitting confidential material within the continental United States. We found that certified mail was not being used for this purpose to the fullest extent practicable because regulations do not require its use and because opinions differ regarding the adequacy and suitability of certified mail.

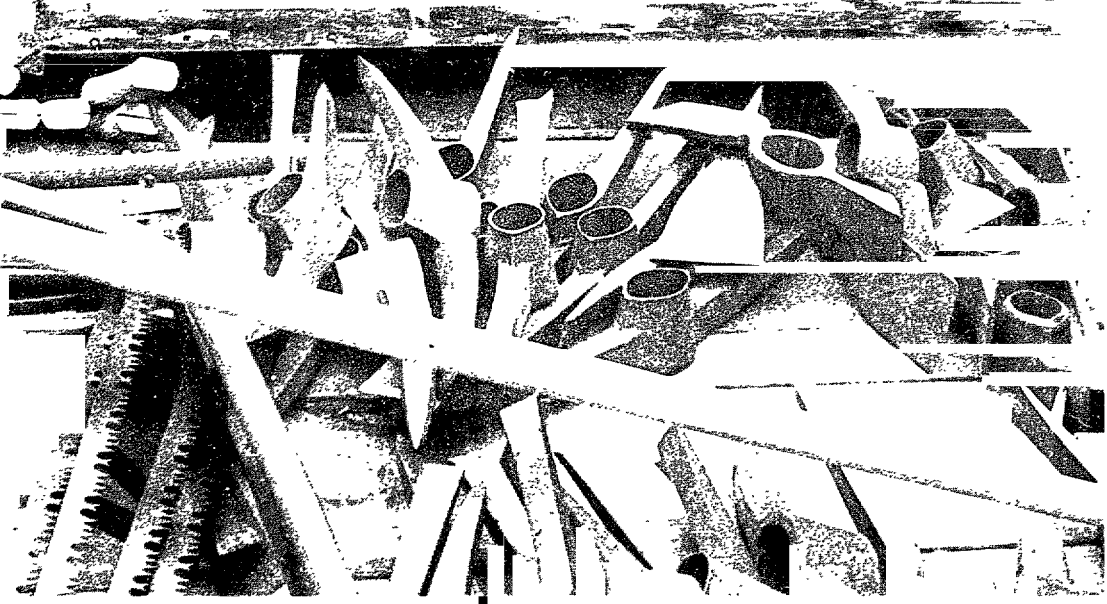
In our opinion, considerable savings could be realized and adequate security could be maintained if certified rather than registered mail were used in the Department of Defense for transmitting confidential material. The Department of Defense agreed and took steps to revise its directive to require that, as a general policy, certified mail be used to the maximum extent practicable.

We recommended that the Director, Bureau of the Budget, in consonance with his responsibilities under the President's cost reduction program, inquire into the practices of other Government agencies with a view toward the use of the least costly and most suitable method of mailing classified material. The Bureau of the Budget concurred.

Problems in developing the **PERSHING** missile system indicate a need for better communication among Army officials, **B-163435**, Apr. **25, 1968**

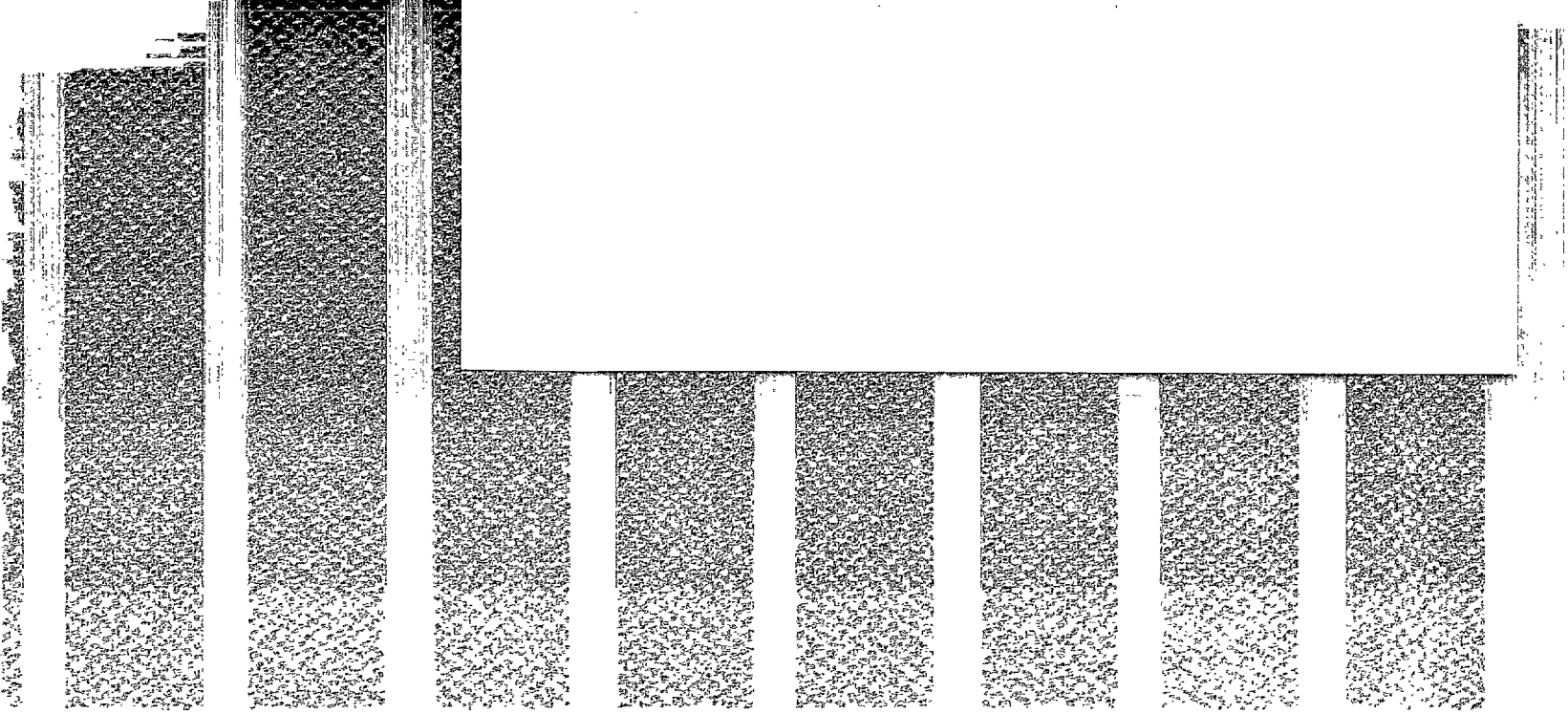
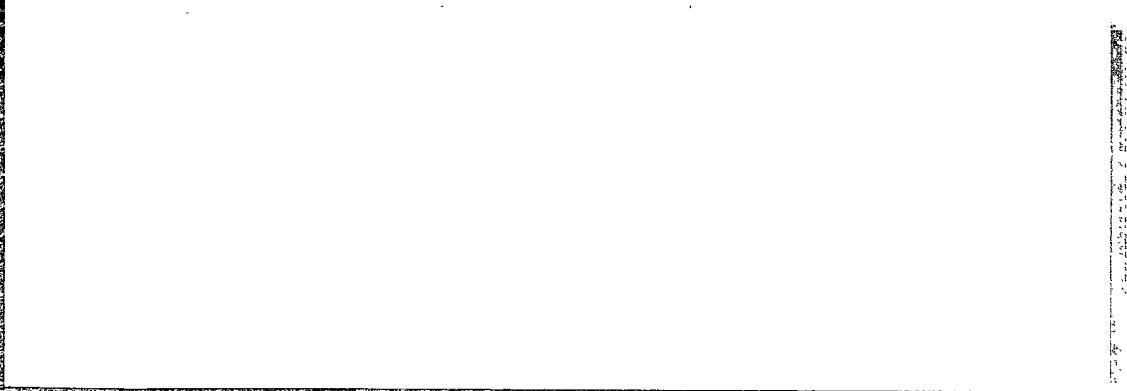
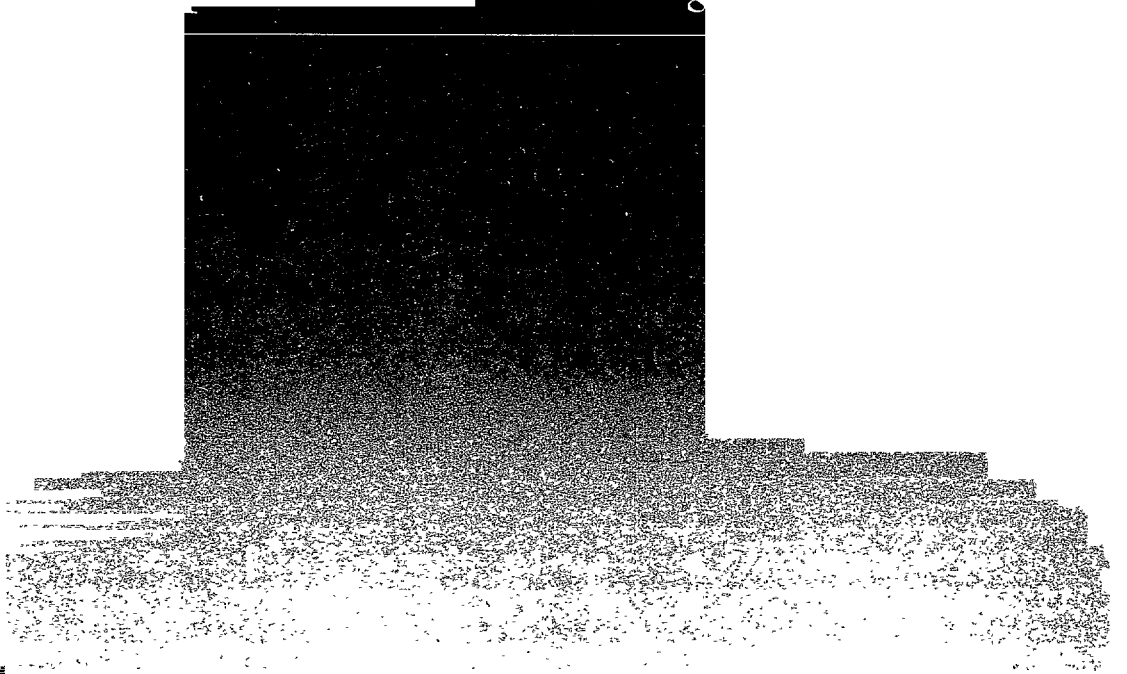
This report contains information affecting the national defense of the United States and has been classified "Confidential."

## Chapter Six



1

**Audit of  
International  
Operations**



# International Operations

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## GENERAL

The International Division is responsible for carrying out the accounting, auditing, and investigative functions of the General Accounting Office relating to all U.S. Government programs and activities of an international character that are conducted in foreign countries and Hawaii.

The Division consists of a Central Office in Washington, D.C.; a European Branch with headquarters in Frankfurt, Germany, and a suboffice in New Delhi, India; and a Far East Branch with headquarters in Honolulu, Hawaii, and suboffices in Saigon, Vietnam, and Manila, Republic of the Philippines.

**As** a result of our work in the international area, we submitted 17 reports to the Congress and 23 reports to committees or individual Members of the Congress on special investigations made at their request. We also submitted 32 reports to agency officials relating to deficiencies in financial management and operating procedures. These reports are listed on pages 306 to 311 of Appendix C-2 of this report. The reports submitted to the Congress are described throughout this chapter.

The international programs for which the Division has audit responsibility include both military and civil activities of the various Government departments and agencies that conduct programs in foreign countries. The principal departments and agencies that administer international programs include the Department of State, its components and related agencies, including the Agency for International Development; the international activities of the Department of Defense; the foreign programs of the Department of Agriculture; the United States Information Agency; the Export-Import Bank of Washington; and interagency programs conducted in foreign countries by several U.S. departments and agencies.

**FOREIGN LOCATIONS AT WHICH AUDIT WORK WAS PERFORMED**

During fiscal year 1968 we performed audit work at locations outside the United States as summarized below, including that performed at U.S. military installations abroad :

Areas	Locations	Countries
European Branch area.....	<b>92</b>	15
Far East Branch area.....	187	12
Latin America and other foreign areas.....	<b>38</b>	<b>16</b>
Totals.....	<b>317</b>	<b>43</b>

Defense international activities are discussed in this chapter. Other work pertaining to the Department of Defense and the three military departments is included in Chapter Five, Audit of Defense Operations and Programs.

**REVIEWS OF UNITED STATES ACTIVITIES RELATING TO VIETNAM  
AND SOUTHEAST ASIA**

The vast U.S. Government expenditures in connection with programs and activities being conducted in Vietnam have continued to be of concern to the Congress. Responsive to that concern we have applied an increasing proportion of our manpower to work relating to Vietnam and the Southeast Asian area.

Our Far East Branch, located in Honolulu, Hawaii, presently has two suboffices which were established during fiscal year 1967, one in Saigon, Vietnam, and the other in Manila, Republic of the Philippines, to increase our on-the-spot surveillance of activities in that area. We plan further increases in our resident staff in Vietnam to further strengthen our capability and audit efforts of the more significant programs.

During fiscal year 1968, the General Accounting Office issued 21 reports relating to programs and activities being conducted in Vietnam, the majority of which were in response to requests from congressional committees or individual Members of the Congress. Our reports included such topics or inquiries as (1) survey of the Agency for International Development's management and operation of the commercial import program for Vietnam, (2) need to strengthen control over incoming



U.S. AID cargoes in Vietnam, (3) need to improve management of Army supplies in Vietnam, (4) inquiry concerning civilian health and casualty program in Vietnam, (5) inquiry concerning the refugee program for Vietnam, (6) review of commodity assistance to Vietnam, (7) review of certain aspects of arrangements for shipping rice to Vietnam, and (8) offshore procurement of selected supply items for Vietnam. Our reports to the Congress relating to Vietnam are more fully described elsewhere in this chapter.

At the close of the fiscal year, we had 18 reviews in process or scheduled relating to programs and activities in Vietnam.

#### **BROAD COUNTRY REVIEWS OF FOREIGN ASSISTANCE PROGRAMS**

In addition to continuing our functional-type reviews of selected segments of the various foreign assistance programs, we increased our audit efforts on country reviews to obtain a broader perspective of the application of U.S. foreign assistance efforts as they relate to a given country.

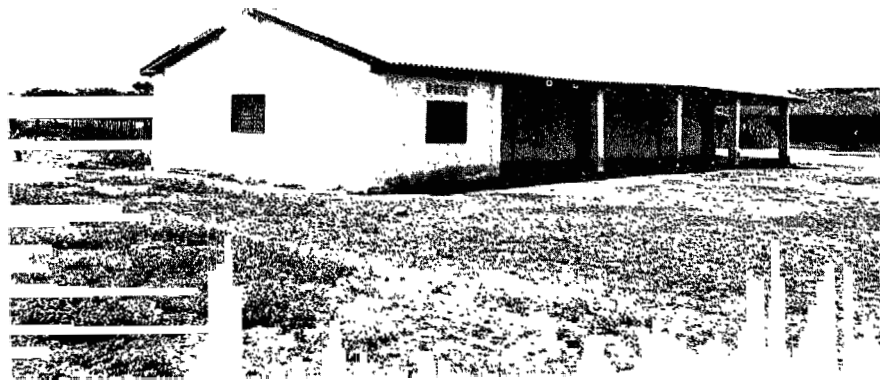
During the fiscal year, we completed two reports following this broad country approach, one to the Congress on a survey of program loan assistance to Chile, described elsewhere in this chapter, and the other at the request of the Inter-American Affairs Subcommittee, House Committee on Foreign Affairs, on review of economic assistance to the Dominican Republic.

At the close of the fiscal year, four other country program reviews relating to Colombia, Korea, Nigeria, and Tunisia were nearing completion.

#### **AGENCY FOR INTERNATIONAL DEVELOPMENT**

The Agency for International Development administers U.S. economic assistance programs to foreign countries and international organizations under the provisions of the Foreign Assistance Act of 1961, as amended, and other related legislation.

During fiscal year 1968, we conducted audits and special reviews pertaining to various programs and activities administered by the Agency. We issued seven reports to the Congress relating to selected areas of the foreign assistance program in Vietnam and five other foreign countries. We issued 13 reports in response to requests from committees and Members of Congress on various matters of their respective interests. We also issued eight reports to agency officials.



Improved roads, farms, and schools in Colombia, financed under the Alliance for Progress, are reviewed by the International Division

During the fiscal year, we issued six reports to Agency officials relating to accounting and financial management systems. Our reports to the Agency included reviews of such subjects as (1) feasibility of merging automatic data processing systems, Department of State and Agency for International Development, (2) retention of custody over cash receipts in excess of 30 days, and (3) a request for approval of the Agency's Financial Reporting Accounting Manual. In these reports we discussed deficiencies in the Agency's accounting and financial management systems and we made recommendations and suggestions for improvements of procedures and practices in these areas.

We approved in December 1967 the Accounting Policies Manual, a segment of the Agency for International Development's overall accounting system.

Also, during the fiscal year we engaged in frequent consultations with representatives from the Agency for International Development and a public accounting firm to assist them in the preparation of a revised loan accounting system for the Agency. This loan accounting system was approved in February 1968.

At the close of the fiscal year we were processing a report to the Congress on our review of the Washington internal audit activities of the Agency for International Development.

Following are digests of our reports to the Congress during the fiscal year relating to reviews of programs administered by the Agency for International Development.

Survey of the Agency for International Development's management and operation of the commercial import program for Vietnam, **B-159451**, Aug. 24, 1957

Under the commercial import program, the United States finances the dollar costs of commodities procured abroad by Vietnamese importers. The principal purpose of the program is to combat inflation in Vietnam by financing purchases of imports to be sold commercially in Vietnam and thereby absorb excess currency. During calendar years 1965 and 1966, the money supply increased 77 percent and 37 percent, respectively, principally because of increased budgetary deficits by the Government of Vietnam and large expenditures by U.S. elements. During these same periods, living costs rose 40 percent and 68 percent, respectively. In the first 5 months of 1967, living costs rose another 13 percent.

The commercial import program is particularly subject to abuse because of its nature and the situation in Vietnam. The Agency for International Development has taken a number of basic steps to reduce these abuses and to tighten management control of the program. The steps initiated by the Agency are (1) making studies of Vietnamese requirements and capabilities, (2) better screening of Vietnamese import licenses, (3) stimulating competition between Vietnamese importers, to minimize hoarding and speculation, and (4) U.S. Government procurement of certain bulk commodities, such as fertilizer, to minimize collusion between importers and suppliers and to achieve economies through consolidated purchasing and shipping.

We plan to further review the administration of the commercial import program through a number of in-depth examinations.

Need for improved planning and surveillance of economic development projects in India, **B-161854**, Sept. 21, 1967

Our review consisted principally of an examination of the financial and related management practices followed by the Agency for International Development in administering six economic development projects in India, financed by U.S. assistance equivalent to more than \$200 million in dollars and rupees. Particular emphasis was placed on whether such practices were consistent with basic agreements and with stated United States objectives and whether the projects were planned and implemented in an efficient, effective, and economical manner.

We found that (1) inadequacies in planning, constructing, and surveillance of economic development projects had contributed to delays and limited accomplishments of the intended objectives and (2) the Agency had not formulated necessary plans and arrangements for the importation of equipment essential to the completion of projects.

The Agency for International Development was in general agreement with our findings and reported that it was attempting to improve procedures and staffing and that the Government of India had taken steps to facilitate sound economic development.

Review of projects in Colombia showing need for improvements in planning and supervision, **B-161882**, Sept. 21, 1967

Our review of the Agency for International Development's administration of economic development projects for Colombia indicated that there is a need for improvement in the planning for, and the supervision of, U.S.-financed development projects not only in Colombia but also in other countries.

We found in our examination of the private investment fund project—in which the Agency invested the peso equivalent of \$38 million—that at least \$24 million had been used for purposes either contrary to U.S. objectives or of questionable need and priority. In our opinion, the primary cause was the Agency's release of project funds without establishing adequate criteria and controls to govern their use.

In other projects in which the Agency had invested the equivalent of about \$30 million (in dollars and pesos) we found that progress was so limited, in terms of accomplishing Agency objectives, that the projects had not produced the benefits intended in any significant amount.

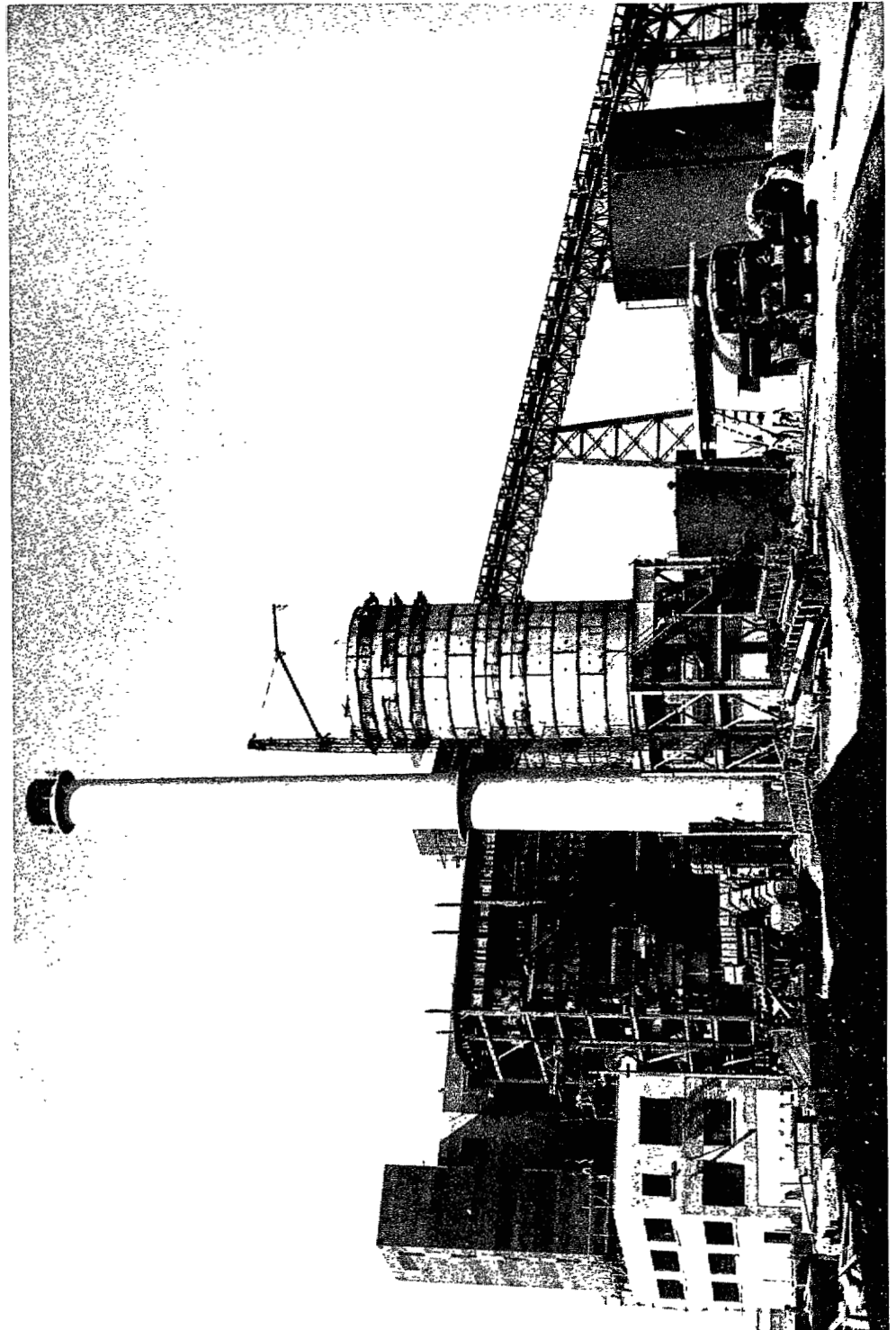
In commenting on our review, Agency officials agreed generally with our findings and stated that actions now being taken would strengthen control and supervision over the projects reviewed.

Opportunity for improving administration of economic assistance program for Turkey, **B-146995**, Feb. 28, 1968

Our review was directed primarily to the Agency for International Development's (AID) programming for and surveillance over commodities and equipment furnished to Turkey.

We found that new equipment, such as trucks, tractors, and motor graders were purchased by the Turkish Government (GOT) for highway and irrigation projects with about \$1.8 million in U.S. foreign aid funds in lieu of using similar equipment from U.S. excess property inventories at a cost of about \$370,000. Officials of AID have advised us that the decision whether to use U.S.-owned excess property in lieu of new procurements—as desired by the Congress—rested with the GOT and that its decision was justified in this instance because of the age of the excess equipment.

We believe, however, that the rejection of the excess property on the basis of age was not justified because the property is supposed to be rehabilitated to at least 75 percent of its original useful life and only equipment for which



spare parts are available is earmarked for transfer. We also believe that the Agency should seek to obtain the cooperation of the **GOT** in substituting excess property for new procurement, where appropriate. We recommended that the Administrator, AID, augment existing procedures relating to the acquisition of excess property by requiring that Mission officials document their efforts to determine the availability of excess property and, where appropriate, attest either that **no** suitable excess property was located or that excess property found to be available was not required for reasons acceptable to responsible officials.

We found also that (1) Turkey's domestic production facilities had the potential for satisfying a larger portion of the country's steel products requirements, (2) AID funds had been used to finance importation of commodities for exploring, refining, and marketing petroleum and its products, which was inconsistent with AID's policy of not financing commodities for which funds could be obtained from private sources, and (3) AID had not been successful in encouraging **GOT** to use its **own** foreign exchange to finance imports from the United States valued at less than \$5,000.

Officials of the Agency for International Development agreed, in part, with our suggestions for improving its programming for commodities and equipment and are developing criteria to be used as guidance in determining whether it is more beneficial to import commodities than to produce them in-country. We recommended that the Administrator, Agency for International Development, establish more precise lists of eligible and ineligible commodities and give recognition to the use to which the commodities will be put as a factor essential to proper commodity classification.

In addition, Agency procedures for monitoring the receipt and use of U.S.-owned commodities and equipment furnished to Turkey were, in our opinion, not as effective as they should have been. Officials of the Agency informed **us** that they were taking action to improve the Agency's arrival accounting system and to increase its auditing efforts relating to the use of commodities. We were also advised that the Agency was attempting to obtain payment for outstanding claims against Turkey for commodities which had not cleared customs warehouses within a reasonable period of time.

Need to strengthen control over incoming **U.S. AID** cargoes in Vietnam, **B-159451**, May **15,1968**

**Our** examination of the control over incoming **U.S.** assistance program commodities in Vietnam by the Agency for International Development and the Department of the Army revealed a need to strengthen accountability and security control over the hundreds of millions of dollars worth of economic assistance commodities entering Vietnam—\$504.9 million was expended in fiscal year 1967 for items such as food, clothing, equipment and medical supplies.

Accountability over the receipt, storage, and movement of these commodities was not effective. Security efforts, while increasing, seemed inefficient. There is no reliable measure of the cost, quantity, and condition of such commodities in and around Vietnamese ports or of the extent and, consequently, the causes of losses due to theft, diversion, and spoilage. In large part we attribute the conditions we noted to the fragmentation of responsibility among responsible agencies in Vietnam and to the essentially advisory role played by U.S. personnel.

In view of the unique circumstances in Vietnam, we cannot reasonably expect the same degree of control over commodities that might be found within the United States. We believe, however, that there is room for improvement in an effort to achieve the best control possible under the circumstances.

We recommended to the agencies concerned that they (1) develop a synchronized inventory accountability system within existing structures and environmental conditions, (2) arrange for local escort service to first destination of all commodities in which the Agency has an interest, until indemnification **agreements** are reached with trucking companies, and (3) file refund claims when the Gov-

ernment of Vietnam cannot expeditiously provide evidence that cargoes reported to be stored in ports for prolonged periods of time have been removed. The country-to-country agreement provides that the United States may require a refund in cases where such goods do not enter the economy within 90 days after arrival in Vietnam. The matters discussed in this report were favorably received by both the Agency and the Department of the Army.

**Review of administration of U.S. assistance for capital development projects in Brazil, B-133283, May 16, 1968**

Our examination was directed principally to a review of 11 selected loan projects to determine whether they were contributing toward the accomplishment of U.S. economic objectives in Brazil and were being implemented in a reasonably effective, efficient, and economical manner.

In reviewing two projects for power facilities and one for the construction of a high-priority carbon black plant, we found that lengthy delays had occurred in completing the projects because (1) the financial planning of the projects had not been adequately considered, (2) local currency funds had not been made available, and (3) the Brazilian Government had refused to issue import permits for certain essential equipment and materials.

We found also that the Agency for International Development had failed to make dependable technical and economic analyses before making loans resulting in (1) the construction of a synthetic rubber plant that was unable to successfully market its product, (2) a malaria eradication project that was being conducted in such a manner that it would not achieve its goal, (3) a power-generating facility's not being used effectively, (4) increased costs and delays in the construction of thermal power plant, and (5) delayed performance and limited accomplishment of a highway construction project in northeast Brazil.



In commenting on matters presented in our report, officials of the Agency for International Development stated that stricter loan standards and a variety of preventive measures had been placed in effect for all projects planned subsequent to the projects we reviewed.

Survey of program loan assistance to Chile, **B-163772**, May **29, 1968**

Our survey was designed to identify significant underlying social, economic, and political problems as they related to U.S. assistance efforts in Chile and to ascertain how these problems had been, and were being, dealt with.

Program loans administered by the Agency for International Development have amounted to \$250 million, or almost 70 percent of the total assistance to Chile by the Agency since the inception of the Alliance for Progress in 1961.

We found that Chile has initiated significant legislative and administrative reforms and recently has taken steps indicating that additional reforms may be forthcoming. It seems clear, however, that much remains to be done if the underlying problems in Chile are to be overcome and the purposes of the assistance are to be accomplished.

### DEFENSE INTERNATIONAL ACTIVITIES

Defense international activities generally are under the cognizance of, and are administered by, the Department of Defense. They include the military assistance program and other Defense overseas activities involving cooperative efforts with foreign countries.

Our reviews during the year were directed primarily to programs being conducted in areas of interest to the Congress, including foreign military sales and construction programs in Southeast Asia. We also made reviews of various significant functions, operations, and programs related to military assistance provided to several countries.

As a result of our reviews of Defense international activities, we issued two reports to the Congress, three to committees or individual Members of Congress on special investigations at their request, and five to Department officials.

The majority of our reviews under the military assistance program pertained to the areas of (1) management and control of U.S. activities under the military assistance programs being conducted in recipient foreign countries, (2) use or release of excess military assistance property and equipment, (3) foreign military sales financing, negotiating, and administrative practices, (4) management of equipment for the military assistance program, and (5) programming, delivery, and utilization of major systems supplied and supported under military assistance programs.

In view of substantial dollar expenditures for the construction program in Thailand, which had increased dramatically in recent years, we conducted a survey of U.S. construction activities in that country. Our survey showed that the construction program was beset by constant changes in



the scope of the work and, as a result, costs of the construction program were significantly increased.

Our survey also showed a number of opportunities existed for improved management of operations and increased efficiency. These were brought to the attention of agency officials in Thailand during the survey who took action on a number of matters within their cognizance. At the close of the fiscal year, we were preparing a report on the results of our survey.

Following are digests of our reports to the Congress relating to Defense international activities.

### *Military Assistance Program*

Release of excess military assistance program property to recipient countries, **B-161049, July 12, 1967**

In our review of excess military assistance program property released to recipient countries, it was concluded that U.S. activities are not always making case-by-case economic recoverability determinations on military assistance program property that is (1) offered by the recipient country to the United States for recovery and (2) not needed to satisfy other military assistance program or U.S. requirements.

We found that the Department of Defense had been successful in recovering for redistribution or disposal a majority of the military assistance program property declared excess by recipient countries. However, a significant amount of the property offered to the United States for recovery, which was not redistributed, was released to the recipient country without first determining whether the property was economically recoverable to the United States.

Although the Departments of Defense and State did not agree with all of our findings and conclusions, we believe that the recovery of a greater amount of property, which is declared excess to the needs of a recipient country, for disposal by U.S. agencies would increase U.S. revenues. We also believe that the release of property which may have been determined to be economically recoverable has deprived the United States of foreign currency which could otherwise have been realized and used to reduce dollar expenditures. In this regard, it could have had a favorable effect on the U.S. balance-of-payments position.

Need for improvement in the management of equipment for the military assistance program, **B-162479, Nov. 14, 1967**

Our examination of the Department of Defense's management of equipment accumulated in inventory for sale or grant to other countries under the military assistance program revealed a need for improvement in procedures at operating levels to account for, screen, and utilize equipment accumulated.

We found that millions of dollars worth of equipment had not been considered by the Department in filling program requirements. At the same time, additional equipment was to be procured or obtained from Army stock to meet requirements which should have and could have been met with the equipment on hand.

Defense and Army officials agreed generally with our findings, conclusions, and proposals for corrective action. They informed us that measures had been taken or were in process to improve management procedures and controls over military assistance program inventories.

## INTERAGENCY PROGRAMS

Certain international programs conducted in foreign countries are administered by, and interrelated between, several U.S. Government departments and agencies. These programs are performed under the provisions of various legislation, including the Foreign Assistance Act of 1961, as amended, and the Agricultural Trade Development and Assistance Act of 1954, as amended (commonly known as Public Law 480 or Food for Peace).

The principal interagency programs of an international character included in our reviews are (1) Food for Peace, (2) management and utilization of U.S.-owned foreign currencies, and (3) programs affecting the U.S. balance-of-payments position.

During the fiscal year, we issued two reports to the Congress relating to the barter of U.S. surplus agricultural commodities to alleviate the U.S. balance-of-payments position and two reports to an individual Member of Congress relating to certain aspects of arrangements for shipping rice to the Republic of Vietnam.

Also, during the fiscal year we engaged in frequent consultations with representatives from the Foreign Agricultural Service and a public accounting firm to assist them in the preparation of the statement of accounting principles and standards for the Foreign Agricultural Service and the International Agricultural Development Service. In May 1968, we approved their statement of accounting principles and standards.

The management and utilization of U.S.-owned foreign currencies has been of continuing concern to the President of the United States and to the Congress. During the fiscal year we issued a report to the Congress relating to opportunities for American-flag ship operators to use U.S.-owned foreign currencies and the effect on the balance-of-payments and budget deficits. We also issued a report to agency officials on the subject of dollar expenditures instead of utilizing U.S.-owned foreign currencies by voluntary agencies to meet their expenses in certain countries.

In October 1967, we issued an overall report to the Congress on our observations on the U.S. balance-of-payments position. In this report we summarized the results of the reviews we had made over a period of several years concerning the problems confronting the United States in the balance-of-payments area.

Following are digests of our reports to the Congress relating to inter-agency programs.

### *Food for Peace*

**Balance-of-payments aspects of barter contracts for the acquisition of industrial diamonds for the stockpile, B-161922, Aug. 28, 1967**

Under existing policies and procedures, the barter program makes substantial contributions to the improvement of our balance-of-payments position. The

principal benefit is achieved by using proceeds realized by the exportation of bartered agricultural commodities to finance needed overseas procurements of Government agencies, rather than paying dollars for these procurements.

We identified an instance, however, where \$27.7 million worth of proceeds were used to acquire industrial diamonds not needed in the United States. In our opinion, this transaction deprived the United States of an opportunity to favorably affect its balance-of-payments position in an equivalent amount.

The Department of Agriculture indicated general agreement with the concept that each dollar of barter exports devoted to the acquisition of unneeded materials tends to decrease the net balance-of-payments benefit to be derived from the barter program.

We recommended that the Department of Agriculture require that each proposed barter transaction be accompanied by a statement to the effect that the proceeds will be used to acquire goods or services that would otherwise be obtained abroad for dollars. We believe that any proposed barter transaction that cannot meet these criteria should be rejected in favor of one that does, unless it is determined specifically that there are overriding reasons which would justify the transaction as being one in the national interest.

Opportunity to improve U.S. balance of payments through an increased agricultural barter program, **B-163536**, May 29, 1968

We have examined into the administrative restrictions on the size of the agricultural barter program. The restrictions have their origin in a legislative requirement for the Secretary of Agriculture to (1) take reasonable precautions to safeguard normal U.S. commercial exports, and (2) ensure that the program does not unduly disrupt world prices of agricultural commodities.

Our review was directed toward an evaluation of whether it would be to the advantage of the United States, from the standpoint of budgetary and balance-of-payments considerations, to relax the administrative restrictions somewhat so as to permit an increase in levels of barter transactions.

We identified nearly \$700 million worth of Government expenditures abroad as qualifying for payment from barter transactions annually, compared with \$260 million worth actually bartered. Needs for revenues from barter transactions by Government agencies operating abroad—particularly the Department of Defense and the Agency for International Development—have greatly exceeded amounts received from barter transactions in recent years. In our opinion, the relaxation of barter constraints would increase American agricultural exports and balance-of-payments savings for the United States and would increase budgetary savings.

The Departments of Agriculture and State and the Bureau of the Budget stressed that consideration would have to be given to a number of potential problem areas before determining the extent to which the program could be expanded. The Department of the Treasury, however, questioned the desirability of removing the present constraints on the program.

We recommended that a study be undertaken to explore the best ways and means of maximizing benefits from this program. We believe that it would be logical for the study to be made by the Cabinet Committee on Balance of Payments. In view of the controversial nature of this program and the potential of the program in achieving significant balance-of-payments savings, the Congress may wish to inquire further into this matter.

### *Utilization of Foreign Currencies*

Opportunities for American-flag ship operators to use U.S.-owned excess foreign currencies and the effect on the balance-of-payments and budget deficits, **B-146749**, Jan. 11, 1968

Certain American-flag ship operators who are subsidized by the Maritime Administration have purchased from commercial banks instead of from the U.S. Treasury Department substantial amounts of foreign currencies with U.S. dol-

lars for use in excess currency countries. The purchase of U.S.-owned excess foreign currencies by these ship operators could help to alleviate the balance-of-payments and budget deficits of the United States and reduce the Government's holdings of these excess foreign currencies.

In view of the expressed intent of the Congress and the executive branch that maximum utilization be made of U.S.-owned foreign currencies, we concluded that it would be beneficial to the United States if Maritime were to develop a program by which these operators would be encouraged to acquire such currencies by their being made aware of (1) the availability for sale of certain U.S.-owned foreign currencies and (2) the procedures by which they could satisfy certain of their foreign currency needs through purchases from the Treasury Department.

In response to our proposals, the Maritime Administration informed ship operators of the desirability of making certain of their foreign currency purchases from the Treasury Department. The Treasury Department also agreed with our proposals.

### *Other international Activities*

Observations on the U.S. balance-of-payments position, **B-162222**, Oct. 31, 1967

Major elements affecting our balance-of-payments position include exports and imports of merchandise, sales or purchases of services (including transportation and tourism) in the United States and abroad, interest and dividends received or paid on capital invested in this country and abroad, net capital outflow (new investment of U.S. capital in foreign countries), and the Government's international expenditures.

The problem confronting the United States in the balance-of-payments area is that there are more dollars moving abroad than are being returned to the United States in payment for goods, services, or investments. In this respect, deficits have occurred in 16 of the past 17 years. It is the recognized policy of the Government to bring the balance of payments into sustainable equilibrium at the earliest practicable opportunity.

We have directed many of our efforts toward identifying specific situations which lend themselves to achieving additional balance-of-payments benefits. We have examined into the management of Government-owned foreign assets and claims, the negotiation and enforcement of bilateral agreements that result or should result in the accrual of proceeds to the Government, efforts made to encourage the multinational participation in foreign aid programs, and areas where operations could be carried out abroad with more efficiency or at less cost.

As we discovered situations having beneficial balance-of-payments implications, we brought them to the attention of the Congress and of cognizant agency officials. In many cases remedial action was taken.

### **DEPARTMENT OF STATE**

Our audit work of Department of State activities included reviews relating to the financial administration and management practices of the Department's Washington office, as well as the administrative policies, operational procedures, and programs administered abroad at U.S. embassies and selected consulates.

During the fiscal year we issued three reports to the Congress on the (1) need for revision of Foreign Service Travel Regulations to achieve

a reduction in per diem costs, (2) need for certain improvements in the administration of the Foreign Service Institute, and (3) opportunity to reduce the Federal Government's cost of medical benefits furnished Foreign Service employees overseas. We also issued four reports to committees or individual Members of Congress, three of which related to activities in Vietnam. The 14 reports issued to Department officials related to accounting, financial management, and operational procedures of programs administered in Washington and abroad.

We continued to assist the Department in the development of its accounting and financial reporting system in the particular areas described below.

We issued a report to the Department in January 1968 on our review of accounting, disbursing, and automatic data processing operations of the Regional Finance and Data Processing Center in Paris, France, wherein we identified specific matters pointing up the need for a general strengthening of management control processes and other systems improvement efforts.

In our review of procedures and controls in the domestic payroll segment of the accounting system, we found a need for improvement in internal control practices concerning recording and approving of time and attendance information, servicing of payroll accounts, and distribution of payroll checks. In a report to the Department in September 1967, we disclosed these weaknesses and the Department issued revised procedures to meet the requirements of our Office concerning the matters discussed in our report.

We initiated a study of financial management activities at selected foreign service posts and bureaus and offices in Washington directed toward evaluating the Department's existing accounting system and identifying the extent to which managers of significant programs and activities should have financial data not provided by the existing accounting and financial reporting system.

We have also provided assistance to the Department in its efforts to develop a statement of its accounting principles and standards, an accounting system for the Foreign Service Retirement and Disability Fund, and procedures for reporting accrued expenditure and other financial data relating to foreign service posts.

During the fiscal year, we initiated a review of the implementation of the President's cost reduction program in the Department of State. Also, we reviewed the Department's internal audit system and, at fiscal year end, we were preparing a report on the results of that work.

Following are digests of our reports to the Congress during the fiscal year, relating to our review of Department of State activities.

## INTERNATIONAL OPERATIONS

Need for revision of Foreign Service Travel Regulations to achieve a reduction in per diem costs, **B-162042, Aug. 29, 1967**

The Foreign Service Travel Regulations, which governed the payment of per diem for travel of Foreign Service employees and dependents during the period of our audit, authorized rates of per diem which we believe resulted in a greater reimbursement for expenses than the traveler was likely to incur. In addition, the payment of such rates was not consistent with the per diem rates prescribed by the Bureau of the Budget for similar travel of civilian officers and employees of the Government under the Standardized Government Travel Regulations.

We estimate that this procedure under Foreign Service Travel Regulations resulted in additional costs to the State Department of about \$124,000 annually. Because these Regulations also apply to persons authorized to travel by the Agency for International Development and the United States Information Agency, we believe that excessive costs have similarly been incurred by these agencies.

The Department of State agreed with our proposals and advised that appropriate corrective steps were being taken to match the Standardized Government Travel Regulations.

Need for certain improvements in the administration of the Foreign Service Institute, **B-133310, May 7, 1968**

Our review of selected aspects of the State Department's administration of the Foreign Service Institute is a follow-up review of the Institute's activities on which we reported to the Congress in 1960. Our current review indicated that, although the Institute had been administered in a reasonably satisfactory manner in recent years, its operations could be improved in certain areas. Some of our findings reported in 1960 have been corrected; others have not.

The Foreign Service Institute provides formal training and instruction to officers and employees of the Federal Government in the field of foreign relations. Its annual enrollment in all training programs is about 19,000. Cost of operations for fiscal year 1966 was about \$8.1 million.

In our current review we found needs for improvement in the administrative management policies, procedures, and practices governing financial and cost data accumulation, reimbursement accounting, property and inventories, procurements, general administrative operations, and manpower utilization as it relates to Department employee-students.

State Department officials generally were responsive to our proposals for corrective actions. In many cases corrective actions already have been taken. In other cases, we recommended additional remedial measures.

Opportunity to reduce the Federal Government's cost of medical benefits furnished Foreign Service employees overseas, **B-162639, May 23, 1968**

We believe that the Government's cost could be reduced by about \$234,000 each year if the Department of State and the U.S. Civil Service Commission coordinated their participation in the cost of medical services and insurance protection provided to about 40,000 Foreign Service employees and dependents stationed overseas.

Foreign Service employees generally enroll in one of several plans available under the Federal employees health benefits program administered by the Commission. These plans include the service benefit, the indemnity benefit, and the Foreign Service benefits plans. The cost of these plans is shared jointly by the Federal Government and the employees.

Under the Department's Foreign Service medical program, substantial free medical care is furnished to the same Foreign Service employees and de-

pendents during their overseas assignments. Consequently, during Foreign Service employees' overseas assignments, the Government is in effect bearing dual costs relating to medical care for Foreign Service employees enrolled under any one of the voluntary health plans, because it provides substantial free medical service to those Foreign Service employees and their dependents and, at the same time, contributes toward the premium costs incurred by the same employees.

On the basis of the responses received from the U.S. Civil Service Commission and the Department of State, it was evident that these agencies were reluctant to initiate the action necessary to achieve savings through the proper coordination of the medical programs available to Foreign Service personnel.

We therefore recommended that the Secretary of State and the Chairman, Civil Service Commission, cooperatively initiate action to minimize the costly effects of the Government's present form of participation in the two Federal health programs available to Foreign Service employees. We believe that the Bureau of the Budget should assist the U.S. Civil Service Commission and Department of State in taking such action as may be necessary to ensure that medical benefits contemplated by the Congress are provided in the most economical manner.

### PEACE CORPS

We reported to the Peace Corps in December 1967 on certain impediments to the effectiveness of its internal audit staff's activities included in a proposed functional statement of responsibilities resulting from a reorganization involving the internal audit function. The reorganization resulted in the elimination of the agency's principal vehicle for obtaining independent, objective evaluations of operations and administration.

Although the agency subsequently took action to remove the specific impediments, we continue to be concerned that the internal auditors may not have adequate independence because they are organizationally placed under the control of officials responsible for operations subject to review.

In February 1968, we reported to the agency, on the basis of a survey we made, that a proposed acquisition of ADP equipment was not supported by detailed, documented feasibility and application studies, nor by sufficient consideration of possible alternatives. We suggested, therefore, that, before additional equipment is acquired, more attention be given to determining just what equipment is needed and how it can most economically be obtained. Although the agency provided us with additional information concerning a Peace Corps systems study made by an equipment manufacturer, which we intend to evaluate, the Peace Corps Director advised us that the agency was canceling the request for proposals for acquisition of ADP equipment.

Also, we assisted the Peace Corps in its efforts to develop a statement of its accounting principles and standards.

### UNITED STATES INFORMATION AGENCY

We assisted the United States Information Agency in its efforts to develop its statement of accounting principles and standards which was subsequently submitted to the Comptroller General for formal review and approval on June 21, 1968. We reviewed the Agency's internal audit system and, at fiscal year end, we were preparing a report on the results of our work. We have also initiated a review of the Agency's implementation of the President's cost reduction program.

### EXPORT-IMPORT BANK

Pursuant to the provisions of the Government Corporation Control Act, we made an audit of the Export-Import Bank of Washington (now Export-Import Bank of the United States) for the fiscal year ended June 30, 1967, and issued the following report to the Congress.

Audit of Export-Import Bank of Washington, fiscal year **1967, B-114823**, May 1, 1968

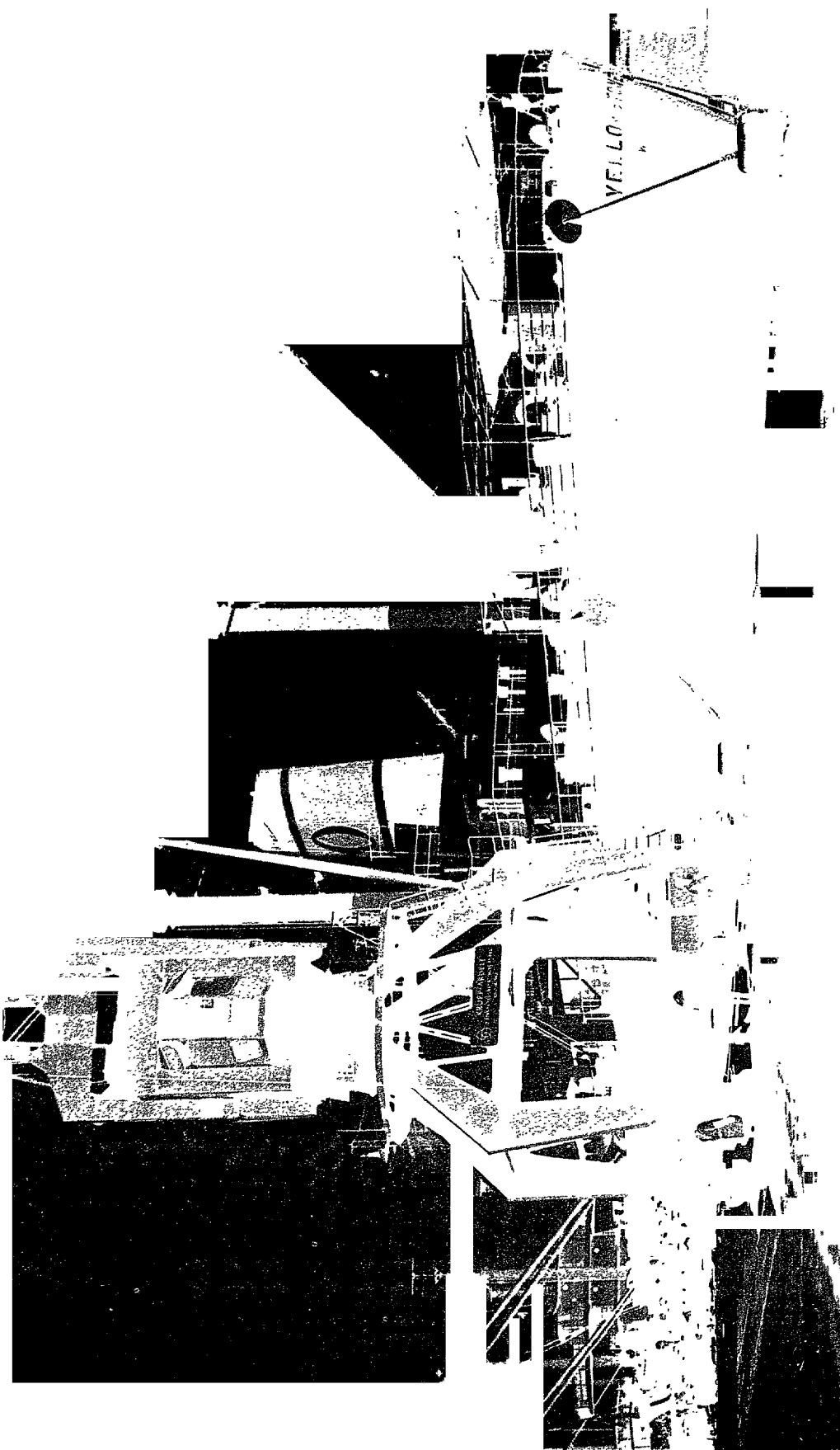
Our report included a summary of the details of sales of participation certificates by the Export-Import Bank to investors in the United States and to foreign governments.

The net income of the Export-Import Bank during fiscal year 1967 was **\$5.6** million less than that of the previous year. Expenses increased by **\$32.8** million primarily because of higher interest rates on participation certificates over Treasury borrowings and the increased amount of participation certificates outstanding.

In our opinion, the financial statements present fairly the position of the Export-Import Bank of Washington at June 30, **1967**, and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.



## Chapter Seven



**Transportation**

# Transportation

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## GENERAL

The General Accounting Office is responsible for determining the correctness of charges paid for freight and passenger 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.

**As** a further part of our basic audit and investigative functions we review, evaluate, and report on the transportation and traffic management activities of Government agencies and assist the agencies in the performance of their transportation and traffic functions.

**As** part of our duties relating to the settlement of transportation claims, we furnish technical support and other assistance to the Department of Justice in the prosecution or defense of transportation suits to which the United States is a party.

The scope of our responsibilities for auditing and reviewing transportation in the Federal Government is indicated by the magnitude of the Government expenditures for transportation services. Direct procurement of commercial transportation amounts to about **\$4** billion annually. Approximately \$2.1 billion of this amount is for services procured on standard forms and is audited centrally by our Office on the basis of paid bills submitted **by** Government agencies. Other expenditures for direct procurement of commercial transportation consist primarily of contract services including the transportation of mail and payments by Government corporations that are audited on site.

The Government also spends several billion dollars annually for operation of military transportation fleets, for movement of civilian employees' household goods on a commuted basis, for reimbursement of transportation charges incurred by cost-type contractors, and for other indirect transportation services. These expenditures are covered in our reviews of selected activities and programs of the various agencies.

**AUDIT OF TRANSPORTATION PAYMENTS AND  
SETTLEMENT OF CLAIMS*****Transportation Payments***

The Transportation Act of 1940 requires the administrative agencies to pay the bills of carriers subject to the Interstate Commerce Act and the Federal Aviation Act upon presentation prior to audit by the General Accounting Office. Although payments to carriers not subject to these acts may be audited prior to payment, for administrative efficiency all transportation bills for services procured on standard Government forms are normally paid before audit.

Because certifying and disbursing officers are exempted by law from liability for any overcharges by carriers arising from the application of improper rates or charges on services procured by standard Government transportation forms, paid transportation bills are submitted to our Office for central postaudit, the determination of overcharges, and the recovery of overcharges directly from the carriers. The principal transportation payments that are not sent to our Office for postaudit are those made by Government corporations and those procured under contract, such as Post Office mail contracts and Military Sea Transportation Service shipping contracts. Our audit of transportation charges is normally completed in 6 to 7 months after payment.

We audited 4.9 million bills of lading for freight shipments, for which the Government had paid about \$1.2 billion, and 2.9 million transportation requests for passenger travel, for which the Government had paid about \$850 million. From our audit of transportation payments, we issued 112,306 overcharge notices to commercial carriers requesting refunds totaling \$15.5 million. Collections from carriers during the year amounted to \$14.7 million, which were credited to basic appropriations of the procuring agencies or, where this was not possible, deposited in the Treasury as miscellaneous receipts.

The amount of payments audited was about 10 percent greater than the prior year, and the amount of overcharges detected and reported to carriers was about 10 percent greater. This increased activity was accomplished with 6 percent more audit hours than were utilized on our transportation audit in fiscal year 1967.

As part of our review of transportation payments, we also identified hundreds of shipments where the transportation services were procured at the legal rates but resulted in excess costs to the Government which were not recoverable from the carriers. These traffic management errors resulted from the selection of uneconomical routes, modes of carriage, or types of service and were brought to the attention of responsible transportation officials of the agencies involved for necessary corrective action.

Paid vouchers after audit are subject to disposal variously under 4-year and 10-year retention programs approved by Congress. During this year we disposed of 2,582 cubic feet of record material consisting principally of paid transportation vouchers for the years 1963 and 1964 under the 4-year retention program. Vouchers identified here as subject to the 10-year retention period are stored at General Services Administration Record Centers and are disposed of by GSA upon our notification that the retention period has expired.

### **Claims**

Section 305 of the Budget and Accounting Act, 1921, 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. Pursuant to this law transportation claims against the United States, with certain minor exceptions, are submitted to the Office for adjudication. The exceptions relate to claims for loss and damage, accessorial or supplementary transportation services, and amounts due because of errors in extension or footing on prior bills. These latter claims after payment are subject to review here in our audit of paid vouchers.

In fiscal year 1968, we received about 18,000 claims and settled or otherwise disposed of 23,000 claims for approximately \$11.3 million. The greatest amount claimed was on assigned bills of certain Military Airlift Command contractors, which we audit before payment to protect fully the Government's interest. On these assigned bills and other original unpaid bills for over \$7 million, we disallowed about \$258,000 as being in excess of the proper contract and/or tariff rates. The balance of the claims were supplemental bills of carriers for changes in their original charges or demands for repayment of overcharges collected by our Office. In disposing of these claims, amounting to about \$3.9 million, we certified for payment \$2.2 million and disallowed or terminated \$1.7 million.

### **TRANSPORTATION MANAGEMENT REVIEWS**

Our audit efforts relating to improvements in traffic and transportation management practices and the reduction of uneconomical expenditures for the movement of passengers and cargo were carried out at numerous civil and defense agencies and installations throughout the United States and in overseas areas. We submitted two reports to the Congress, five reports to congressional committees or individual Mem-

bers of the Congress, and 25 reports to the heads of agencies or other agency officials in both the military and civil agencies of the Government.

Digests of the reports to the Congress appear immediately following this section. The other reports are included in the list of audit reports issued during the year, in Appendix C-2.

We placed increased emphasis on traffic and transportation matters involving support of our forces in Southeast Asia. For instance, we reported to the Congress on :

- Opportunities for reducing costs in the use of commercial air service for the transportation of cargo between the continental United States and overseas areas.
- The need for improvement in the management of high-cost airlifts of military cargo to Southeast Asia.

The more significant reports to congressional committees or individual Members of the Congress covered : (1) demurrage charges for ships delayed at Southeast Asia ports, (2) comparative costs of available methods for shipping household goods, and (3) evaluation of a complaint by the Civil Aeronautics Board against an air freight forwarder.

Our reports to agencies and agency officials covered such traffic management matters as: (1) possible savings by a review of comparative costs for volume movements of household goods for civilian employees of the Department of Defense, (2) lower transportation costs available for military shipments between Germany and the United States by more effective use of space on Government-owned or controlled vessels for the transportation of privately owned vehicles, (3) reduction in costs of small express shipments by better consolidation, (4) savings by consolidating the management of baggage shipments in Okinawa and Oahu, Hawaii, (5) the potential for increased costs if guaranteed load factors in Military Airlift Command contracts for passengers and cargo services are not met, (6) the consolidation of small shipments from GSA depots to achieve lower transportation and administrative costs, and (7) better control by DOD over packing charges on domestic household goods shipments to preclude payments for packing services not actually performed.

Military expenditures for transportation of service members' household goods and personal effects are between \$400 million and \$500 million annually. Consequently, in the past several years we devoted a large part of our management review effort to household goods traffic. The management improvements made by DOD as a result of our reviews and reports generally have been satisfactory and we are reducing our efforts in this area to devote additional effort to the audit of activities concerning the movement of personnel and supplies to Southeast Asia.



In the overseas household goods shipping area, however, there continue to be problems that will require our attention in the coming fiscal year.

Reviews in progress on military household goods traffic which we expect to complete early in fiscal year 1969 are concerned with: (1) potential savings through improved management and preshipment costing of overseas shipments of household goods and (2) significant savings in transportation costs on overseas shipments of unaccompanied baggage through better utilization of space on MAC aircraft.

Other reviews in progress, programmed for completion during fiscal year 1969 or early in fiscal year 1970 concern potential savings or improved management by DOD through: (1) direct use of air carriers instead of contracting with domestic air forwarders, (2) elimination of duplicate airlift between Japan and Korea, (3) better utilization of available cabinload by the Military Airlift Command in connection with international planeload services furnished by commercial carriers, (4) shipping printed matter by surface rather than air from Japan and Okinawa to Vietnam, (5) elimination of the high cost of air shipments of military newspapers by establishing a printing plant in Vietnam, (6) elimination of the backhaul of mail from Okinawa, (7) routing Air Force cargo through the military controlled port at Subic Bay in the Philippines, instead of through Manila, (8) better utilization of the cargo capacity of the Government-owned vessels operating between the United States and the Panama Canal Zone, (9) establishing a centralized organization for the coordination of traffic management and transportation facilities in Europe, and (10) more effective use of transportation resources and improved forecasting of transportation requirements in the Far East and Southeast Asia.

We also have in process surveys and reviews concerned with: (1) the potential for savings of transportation costs by consolidating small freight shipments on a Government-wide basis, (2) Military Sea Transportation Service payments for the transportation of DOD cargo under shipping contracts and charters, (3) trucking contracts for the transportation of military cargo in Vietnam, and (4) the worldwide movement of ammunition and components by the Department of Defense.

We have continued the expansion of our Transportation Management Review staff to provide the capability for increasing our survey and review activities in other areas of traffic and transportation management such as the movement of passengers and freight by civil agencies, transportation of petroleum products and chilled and frozen foods to overseas points, and those areas having potential for application of Government-wide or multiagency review concepts.

The following are digests of the two reports issued to the Congress during fiscal year 1967.

*Military Airlift Command  
Department of the Air Force*

Savings in use of commercial air service for transportation of cargo to Southeast Asia and Europe, **E-157476**, Nov. **24, 1967**

We examined into the costs of less-than-planeload shipments of Military Airlift Command cargo on regularly scheduled commercial flights between the continental United States and overseas areas. We found that the Department of Defense could have saved about \$1.7 million during fiscal year 1966, if cargo had been tendered in larger volume shipments qualifying for the lowest tariff rates available.

We discussed our findings with officials of the Military Airlift Command and proposed they plan their cargo shipments to take advantage of the lowest rates. In May 1967, the Civil Aeronautics Board amended its Economic Regulations and established a single uniform rate on military cargo, regardless of weight. This action solved the cargo rate problem on large shipments, and provided the DOD with the reduced rates and charges which it could have realized under the previous tariffs had its cargoes been tendered in the manner we had proposed.

Need for improvement in airlift of cargo to Southeast Asia, **B-157476**, May **14, 1968**

This review showed that during the period July 1, 1965, through October 31, 1966, airlift capacity for about 21 million pounds of cargo was unused, even though ample cargo was available for shipment. This critically needed cargo space, primarily on commercial contract aircraft, was valued at about \$15 million at the contract rates in effect.

We brought our findings to the attention of the Secretary of Defense and proposed certain corrective actions. In reply, the Secretary of the Air Force agreed in general with our findings and advised us that improvements were being made.

A subsequent review showed that space utilization rates had been increased, but not to the degree considered fully effective. Accordingly, we recommended that the Secretary of the Air Force take additional steps to ensure that accurate load information is prepared and forwarded to the appropriate air bases to increase the use of aircraft cargo space. We also recommended to the Secretary of Defense that periodic internal audits be made of aircraft loading results to provide additional assurance that the necessary corrective actions are taken and effectively implemented.

**ASSISTANCE IN THE LEGAL FIELD**

We continued to provide technical assistance to the Department of Justice in the prosecution and defense of transportation suits by or against the United States and in proceedings before the Interstate Commerce Commission. As part of this assistance, transportation specialists participated in four pretrial conferences in the Court of Claims and two trials before a Commissioner of the Court of Claims.

We reported to the Department of Justice for collection debts against carriers involving 291 items in the total amount of \$152,295. During the fiscal year similarly reported debts covering 172 items in the total amount of **\$382,216** were settled by the collection of \$354,564 through judgments, compromises, or otherwise. Included in the amount collected

was a \$250,000 judgment against an ocean carrier for overcharges on Government-financed shipments of grain.

We received from the Department of Justice notice of the filing of 121 suits by carriers covering 166,497 shipments. Eighty of the suits filed and about 130,000 of the shipments were on overseas movements of household goods by the Department of Defense. The amount sued for is not stated in the petitions filed in these suits but we estimate the liability of the United States on the 180 suits filed in this and prior years to be about \$100 million, if the carriers prevail on all of the issues. In the same period we furnished technical advice and other assistance to the Department of Justice in 47 suits for \$945,439 involving 43,254 shipments. Sixty-three suits, the subject of reports in this or prior years, involving 40,826 shipments and \$819,209 were settled by payment of judgments for \$194,249 and by dismissal or withdrawal of the balance.

Three of the five representative cases selected for trial of the issues in the 180 household goods suits were the subject of hearings before a Commissioner of the Court of Claims. The hearing in *Trans Ocean Van Service v. United States*, Ct. Cl. No. 137-66, was concluded in December 1967 after hearings in San Francisco and Los Angeles, Calif., and in Washington, D.C. The hearing in the consolidated cases *Global Van Lines v. United States*, Ct. Cl. Nos. 259-65 and 355-65, was concluded in July 1968 after hearings in Los Angeles and Washington, D.C. We furnished technical witnesses in each of the hearings and an attorney from our Office of the General Counsel also was assigned to both cases to assist the Department of Justice attorney.

Another activity of increasing importance in our audit and legal assistance work relates to the collection of motor carrier overpayments. Overpayments arise as a result of the application by carriers of unjust and unreasonable rates as defined by the Interstate Commerce Act. This act provides that reparations for such overpayment to motor carriers may be recovered only through suits filed in the United States District Courts. During this year we identified and prepared reports on 28 motor overpayments involving 84 shipments and claimed reparations of \$1,135,539. All of these cases were referred to the Department of Justice and we understand that as of June 30, 1968, suits had been filed on most of them.

#### **ASSISTANCE IN THE TRAFFIC AND TRANSPORTATION FIELD**

We assisted various Government agencies in their traffic management and transportation activities. Our assistance included—

1. Working with the State Department to eliminate errors, incon-

sistencies, and ambiguities from the terms of their proposed basic tender covering overseas movements of household goods.

2. Providing the General Services Administration with statistical data from Government bills of lading to assist GSA's study of the feasibility of consolidating freight shipments of civilian agencies on a nationwide basis to achieve lower transportation costs.
3. Reviewing and approving an arrangement between an air freight carrier and the Department of Defense for the consolidation of surface cargo shipments at a central receiving point for reshipment by air at beneficial volume rates.
4. Furnishing passenger fares and other transportation data to the Department of Labor for preparation of the monthly consumer price index.
5. Providing guest lecturers at the U.S. Army Transportation School, Fort Eustis, Va.
6. Considering and acting upon several requests from the administrative agencies for permission to deviate from established procedures to provide more economical and efficient traffic management.

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 of carriers' bills. During the year, we participated in 11 meetings with various domestic and international carrier associations and had numerous discussions in Washington with carrier and carrier association representatives.

In April 1968, under the Joint Financial Management Improvement Program, we initiated a joint agency study of freight and passenger transportation in the civil agencies. The study is under the chairmanship of the General Services Administration with full-time staff members assigned from the General Accounting Office, the General Services Administration, Bureau of the Budget, Treasury Department, and the Departments of Commerce, Agriculture, and Health, Education, and Welfare. The study group, after reviewing the current systems of the civil agencies for paying, auditing, and settling with the carriers for transportation services, will suggest improvements or needed changes for the mutual benefit of the carriers and the Government.

## Chapter Eight

# Claims

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## GENERAL

The Claims Division is responsible for the adjudication and settlement of all claims by and against the United States with the exception of claims by and against common carriers for transportation items which are processed by the Transportation Division. Legislative authority for this function 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 this 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 depository 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 our Office.

## 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 municipal 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. Actions include examination, development when necessary, adjudication, and certification for payment, or disallowance.

Settlement of claims by our 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 the General Accounting 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, 1967, we had on hand 1,048 claims against the United States. During the fiscal year we received 13,941 claims and settled 13,812, leaving a caseload on hand of 1,177 on June 30, 1968. Incident to the settlement of the 13,812 claims, we certified the amount of \$60,988,960 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. The regulations also require that debts due the United States on which administrative agencies have taken appropriate collection action and which cannot be compromised or on which collection action cannot be suspended or terminated in accordance with the standards established pursuant to the Federal Claims Collection Act of 1966, 80 Stat. 309, be reported to us as uncollectible.

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 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. Debtors who meet the standards established pursuant to the Federal Claims Collection Act of 1966 are permitted to liquidate their indebtedness by compromise. If 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, 1967, we had on hand in the Claims Division 26,358 claims by the United States. During the period July 1, 1967, through June 30, 1968, we received 4,760 claims and settled 16,282, leaving a balance of 14,836 on hand June 30, 1968. Of the 14,836 claims on hand, 9,236 were under collection representing accounts receivable in the amount of \$5,605,091. Incident to the adjudication and collection activities during the fiscal year, we collected \$2,938,681. During that period we reported 1,205 claims to the Department of Justice for suit and as of June 30, 1968, 6,036 of the claims pending with that Department were under collection, representing accounts receivable in the total amount of \$3,899,969.

The work of the General Accounting Office involving claims of the United States has been affected by the Federal Claims Collection Act of 1966. The volume of cases received during this fiscal year has decreased to approximately 11.5 percent of the average received during the 1966 fiscal year, the last full fiscal year before the effective date of the Federal Claims Collection Act of 1966.

The new law requires the head of an agency to attempt collection of claims of the United States for money or property. In addition, an agency head is authorized to compromise any claim (except claims which arise from exceptions made by our Office in the account of an accountable officer) or to terminate or suspend collection action where the principal amount of the claim is not in excess of \$20,000 and it has not been referred to another agency for collection, except where there is an indication of fraud, misrepresentation, the presentation of a false claim, or a claim involving a violation of the antitrust laws. Collection action may

## CLAIMS

be terminated or suspended only when it appears that no person liable on the claim has the financial ability, present or prospective, to pay any significant amount on the claim, or when the cost of collection is likely to exceed the amount of recovery.

During the fiscal year 1968, we solicited 8,275 offers in compromise. We received 1,262 replies which included 569 offers in compromise **in** a total amount of \$209,313 in liquidation of indebtedness totaling \$677,244. Of the number of offers received, 262 were accepted in the amount of \$127,218 in liquidation of debts totaling \$328,920.

## Chapter Nine

In the Supreme Court of the United States

OCTOBER TERM, 1967

BLACKARD COMPANY, ET AL., PETITIONERS

v.

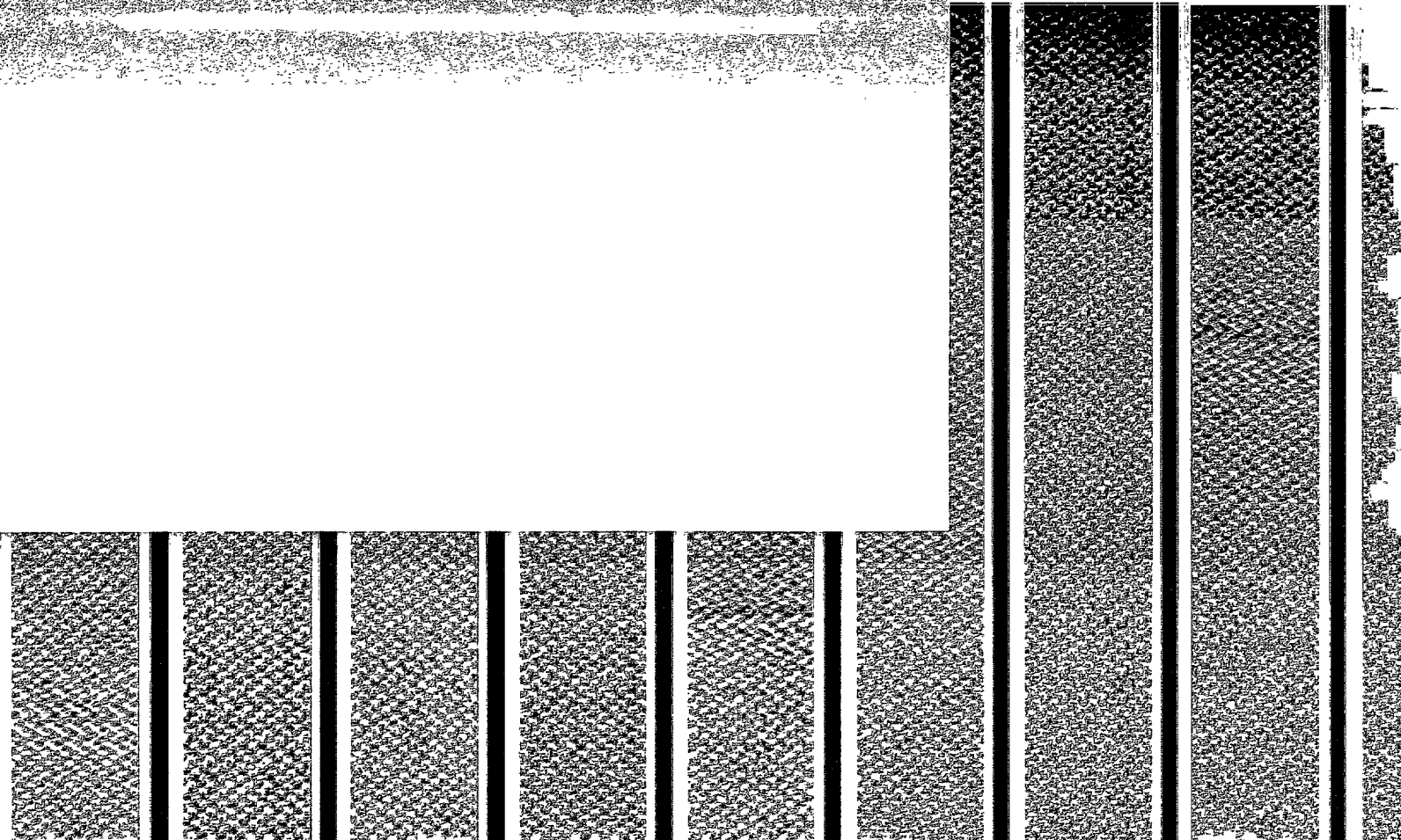
UNITED STATES OF AMERICA

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

MEMORANDUM FOR THE UNITED STATES IN OPPOSITION

ERWIN N. GRISWOLD,  
Solicitor General.

RECEIVED  
OCT 11 1967  
U.S. SUPREME COURT



# Legal Services

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## SUMMARY OF LEGAL SERVICES PROVIDED

A review of the legal work of the Office of the General Counsel during fiscal year 1968 reflects not only an increase in the caseload of the Office but more significantly it indicates an ever-enlarging utilization of GAO as a forum for the determination of the legality of expenditures of Federal funds and the propriety of the methods used to carry out the laws enacted by Congress.

During 1968 procedures relating to procurement of electronic data processing equipment, coal for U.S. military installations in Europe, and aircraft maintenance services were among those reviewed and questioned. The additional source procurement of M-16 rifles was studied. Legal questions concerning entitlement of transferred civilian employees to relocation expense reimbursement under Public Law 89-516 continued to represent the largest segment of the legal work of the attorneys assigned to the civil pay area. The question of the applicability of Davis-Bacon Act wage rates to contracts for assembly of a reactor system was resolved at the request of the Atomic Energy Commission. As in previous years new interpretations of questions arising under the Federal-aid highway program were decided during the year.

New duties undertaken in fiscal year 1968 include implementation of the Freedom of Information Act, a special study of the procedures used in the sale of silver by the Treasury Department, and the establishment of internal procedures to carry out Senate Rule 44 which requires financial disclosure statements of Senators, certain Senate employees, and candidates to be filed with the Comptroller General.

The major responsibility of the Office of the General Counsel is the

preparation of the decisions of the Comptroller General. Under the law,<sup>1</sup> heads of departments and independent establishments as well as disbursing and certifying officers have the right to submit for decision any questions on the legality and propriety of proposed expenditures of Federal funds. This advance decision authority, which is unique among quasi-judicial jurisdictions, has the salutary effect of preventing an improper or illegal transaction or payment before it is made. Further, it serves to protect the departments and agencies against the **risk** of later unfavorable audit actions in the review of payments in doubtful situations.

Contracting and procurement officers have also been accorded the privilege of obtaining a decision on any proposed award of a contract. Individuals and firms whose claims have been disallowed in whole or in part may appeal the matter and obtain a formal opinion. Under the law, decisions of the Comptroller General are binding on the executive departments and agencies.

In addition to the responsibility for the preparation of the formal opinions of the Comptroller General, the Office of the General Counsel is responsible for the determination of the legal questions arising in the day-to-day operations of the various branches, offices, and divisions of the GAO. Another important legal activity is the review of drafts of reports prepared by the operating divisions for submission to the Congress.

Advisory opinions on proposed and pending legislation, litigation, and legal matters are issued at the request of Members of Congress, congressional committees, the Attorney General, and the Bureau of the Budget. Included in the overall workload of the Office of the General Counsel are the letters prepared to individuals and business firms who are not entitled to formal opinions but who present legal questions requiring solution.

During fiscal year 1968, 4,903 decisions, reports, and legal memorandums were prepared in the Office of the General Counsel. This total includes 1,763 formal decisions and 947 memorandum opinions. A statistical table of decisions and legal matters by assignment category will be found in Appendix C-6, page 328.

The activities of the Office of Legislative Liaison which is under the direction of the General Counsel are detailed in Chapter Two of this report under the title Assistance to the Congress. Selected reports and letters to committees and Members of Congress in response to their requests for comments on proposed legislation, for legal opinions and for other information are listed by subject in Appendix C-3, beginning **on**

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<sup>1</sup> 31 U.S.C. 74; *id.* 82d.

page 312. A statistical résumé of such reports appears on page 328, Appendix C-6.

During the last decade the emphasis of the legal services has been on constructive assistance to the departments and agencies in an effort to find legal solutions to the many problems which arise in day-to-day operations. This pattern was recently noted by an Assistant Secretary of Defense when he reported to a House Appropriations subcommittee that "increasingly we find GAO dedicated to helping us find practical solutions to our problems."<sup>2</sup>

Illustrating such assistance was a decision requested by the Administrator of the Veterans Administration as to whether he had authority to grant a revocable license to Little Rock University to use Government-owned computers on a reimbursable basis when the computers were not being used by VA. The issuance of such a license was determined to be within the authority of the agency provided that concurrence was obtained from the Administrator of General Services Administration.<sup>3</sup> The use of travel agents to procure passenger transportation services by group or charter arrangements for official travel between the United States and its possessions or foreign countries was approved after a case study substantiated savings in Government funds.<sup>4</sup>

A procedure to permit accounting and finance officers to comply with court orders in bankruptcy cases involving civilian employees or members of the uniformed services was approved in a decision to the Secretary of Defense, notwithstanding the fact that under the doctrine of sovereign immunity such court orders are not enforceable against the United States.<sup>5</sup> These decisions illustrate how through our decision work affirmative assistance is afforded Government agencies in resolving a variety of legal issues.

The legal questions submitted for decision during a year are as diverse and varied as the activities of the Government itself, and involve many different fields of law. For example, in 1968 a certifying officer requested an opinion as to the method of computing travel expenses for an employee who traveled 110 miles by privately owned boat on a permanent change of station in Alaska.<sup>6</sup> An Army finance officer requested an interpretation as to whether retired members of the uniformed services who

<sup>2</sup> Hearings before a Subcommittee of the House Appropriations Committee on Department of Defense Appropriations for 1968, Testimony by Asst. Sec. of Defense, p. 489.

<sup>3</sup> 47 Comp. Gen. 387.

<sup>4</sup> 47 Comp. Gen. 204.

<sup>5</sup> 47 Comp. Gen. 522.

<sup>6</sup> 47 Comp. Gen. 325.

become entitled to a recomputation of retired pay after the effective date of a consumer price index increase are entitled to the higher price factor.'

The Secretary of Defense requested an interpretation as to whether the Conte-Long amendment in the foreign aid appropriation act<sup>8</sup> against the use of funds for sophisticated weapons systems for underdeveloped countries was applicable to the military grant program as well as to the foreign military sales program.<sup>9</sup> A careful study of the legislative history together with language used in the statute required the conclusion that the programs were subject to the restrictive proviso.

At the request of the Secretary of the Treasury we were asked to determine whether a proposed monorail system operating across the Rio Grande River between El Paso, Texas, and Juarez, Mexico, came within the exemption from payment for certain Customs services applicable to **operators** of highway vehicles, bridges, tunnels or ferries or was more analogous to trains, vessels, or aircraft. Applying a rule of statutory construction it was determined that such monorail systems of transportation did not come within the exemption and that Customs services could not be furnished at nights and on Sundays and holidays without payment to the Government of the extra compensation for such services.<sup>10</sup>

Following action of the House of Representatives reducing funds for development of the supersonic aircraft (SST), the Secretary of Transportation submitted for an opinion proposed amendments to two contracts with the Boeing Company and the General Electric Company concerning contingent liabilities for termination costs. It was held that the failure to reserve termination costs as directed by the House Appropriations Committee would not result in a violation of the Antideficiency Act<sup>11</sup> since the congressional action would be an action "authorized by law" as used in the act.<sup>12</sup>

In another case, the laws of South Vietnam were studied in connection with the recognition to be accorded adoption papers issued to an Army officer and his wife for the adoption of a South Vietnamese child from an orphanage in Saigon. Even though the adoption papers had not been ratified by a court, they were accorded comity to establish the officer's entitlement to transportation of the adopted child at Government expense on the return of the family to the United States.<sup>13</sup>

<sup>7</sup> 47 Comp. Gen. 327.

<sup>8</sup> Foreign Assistance and Related Agencies Appropriation Act, 1968, Public Law 90-249, 81 Stat. 936.

<sup>9</sup> 47 Comp. Gen. 418.

<sup>10</sup> 47 Comp. Gen. 148.

<sup>11</sup> 31 U.S.C. 665.

<sup>12</sup> B-159141, Aug. 18, 1967.

<sup>13</sup> 47 Comp. Gen. 349.



## FINANCIAL SAVINGS

While legal work is difficult to equate to measurable financial savings, nevertheless, there were some decisions rendered in fiscal year 1968 which had a significant impact on Government expenditures.

One of these decisions was rendered to the Secretary of the Air Force reviewing, as a result of a bid protest, the procurement of over \$146 million of electronic data processing equipment. After a study of the matter we held that the action denying the protesting offeror and another offeror opportunity to be considered in further negotiations was contrary to law and directed that the Air Force reopen negotiations. The Air Force subsequently conducted additional negotiations with offerors previously determined not to be within a competitive range. As a result a contract was awarded to a contractor, other than the one originally selected, at a net savings estimated by the Air Force at \$36 million.

In a decision to the Secretary of Defense on February 8, 1968,<sup>15</sup> payments of the variable reenlistment bonus to Navy enlisted members reenlisted solely for college training under the Navy Enlisted Scientific Education Program (NESEP) were held to be unauthorized. The conclusion that the variable reenlistment bonus, which was designed to retain enlisted members possessing special critical skills, was not payable was accorded congressional sanction when a subcommittee of the House Armed Services Committee reviewed the matter.<sup>16</sup> It has been estimated that the questionable payments would amount to \$470,000. The subcommittee in questioning how such an unauthorized program could have been started by the departments without authority pointed out the need for such departments to get a proper legal interpretation from the Comptroller General before obligating the Government for such "unconscionable" payments.

Similarly, payments of family separation allowances to military personnel where dependents of the members are not living in the members' household and therefore not incurring additional expenses for which the allowance was authorized were held to be erroneous.<sup>17</sup> It is estimated that the questionable payments could total several million dollars annually. Subsequently, at the request of the Secretary of Defense, the services were permitted to continue making the questionable payments until the matter could be considered by the Congress.<sup>18</sup>

<sup>14</sup> 47 Comp. Gen. 29.

<sup>15</sup> 47 Comp. Gen. 414.

<sup>16</sup> Hearings No. 60, before Subcommittee No. 2, House Committee on Armed Services, pp. 10010, et seq.

<sup>17</sup> 47 Comp. Gen. 431.

<sup>18</sup> 47 Comp. Gen. 583.

### HEWLETT-PACKARD CASE

Fiscal year 1968 marked the successful conclusion of the access-to-records litigation in the *Hewlett-Packard Company* case<sup>19</sup> when on November 15, 1967, the United States Court of Appeals for the Ninth Circuit affirmed the lower court judgment. On March 18, 1968, the United States Supreme Court denied certiorari, thereby upholding the Ninth Circuit Court's ruling.

In this threshold case, fundamental to the jurisdiction of GAO, the court held that the right to examine records of Government contractors that directly pertain to and involve transactions relating to the contract, embraced not only the specific terms and conditions of the agreement, but also the general subject matter, and permitted the Government to inspect production cost records even though costs had not been considered at the time of negotiation of the contract. The favorable resolution of this litigation, representing cooperative efforts with the Department of Justice over several years, will greatly strengthen the work of the General Accounting Office in the audit of negotiated contracts.

### TRANSPORTATION LITIGATION

Two transportation cases which were concluded favorably for the Government during fiscal year 1968 and which represented considerable work on the part of the Office of the General Counsel were the *Seaboard* and *Western Pacific* railroad cases.

The *Seaboard* case,<sup>20</sup> which had been before the Court of Claims and the Interstate Commerce Commission, involved the issue of whether shipments of deicers and decontaminators were rated for freight classification purposes as combination articles or single items. The Commission had ruled that deicers which are spray outfits for deicing parked aircraft and decontaminators which are designed to neutralize noxious gases in wartime were single articles and not a combination of independently usable articles for application of higher freight charges as contended by the carrier. The opinion of the Court of Claims sustained the GAO audit and legal position that the articles were sprayers and that the carrier was not entitled to collect the higher freight charges.

The issue in the *Western Pacific* case<sup>21</sup> involved the commodity rating

<sup>19</sup> *Hewlett-Packard Company v. United States*, 385 F. 2d 1013 (1967).

<sup>20</sup> *Seaboard Airline Railroad Company v. United States*, Ct. Cl. No. 281-28, decided Dec. 15, 1967.

<sup>21</sup> *Western Pacific Railroad v. United States*, Ct. Cl. No. 327-61, decided Dec. 15, 1967.

for truck-mounted revolving and nonrevolving cranes which were transported during the period 1953 to 1958 to various U.S. ports for ultimate exportation overseas. Again, in this opinion, the Court of Claims sustained our audit and legal position that the cranes were ratable under the lower commodity rating for the broad generic description for machinery or parts thereof, cranes and derricks, rather than the higher ratings under a classification tariff with a more specific description as contended by the carrier.

#### BID PROTEST PROCEDURES

The procedures followed in the consideration of protests submitted by bidders for Government contracts continued to be reviewed in fiscal year 1968. Interest in the effectiveness of bid protest procedures was expressed by both the House Government Operations Committee and the Senate Select Committee on Small Business. On recommendation of the Legal and Monetary Affairs Subcommittee of the House Government Operations Committee, bid protest regulations were published in the Federal Register on August 4, 1967,<sup>22</sup> and included in the Code of Federal Regulation. Although the subcommittee indicated that the publication of these regulations filled a void in bid controversy procedures the matter continued under surveillance. On February 29, 1968, the House Government Operations Committee issued a report on "GAO Bid Protest Procedures."<sup>23</sup> In this report clarification of the regulations was recommended primarily to afford all parties in interest an opportunity to present their views on a bid protest and to prevent any misunderstanding that the privilege was only accorded to a single "contractor" or "bidder." The committee further recommended that any changes in the regulations be published initially as proposed regulations to permit comments from bidders and contracting agencies as a prerequisite to adoption. Accordingly, on May 17, 1968, a proposed change was included in the Proposed Rule Making section of the Federal Register. The regulations as finalized are included in Appendix C-5 of this report, on page 327.

The steps in the handling of bid protests under both advertised and negotiated procurement procedures were reviewed at hearings held on February 7, 1968, before the Senate Select Committee on Small Business. At the same time statistics on the number of bid protests handled during a year and the processing time were assembled for the committee.

<sup>22</sup> 32 F.R. 11313.

<sup>23</sup> 4 C.F.R. 20.1-20.3.

<sup>24</sup> 90th Cong., H. Rept. 1134.

<sup>25</sup> 33 F.R. 7331.

There has been a steady increase in bid protest cases in recent years. In 1966, 339 bid protest decisions were issued; in 1967, 392; and in 1968, 450 such decisions were rendered. These figures do not include those cases where bid protests are withdrawn after submission because, among other reasons, the procuring agency has taken action in effect sustaining the protest.

### BID PROTESTS SUSTAINED

Illustrating a case in which a bid protest is sustained was a decision to the Secretary of State advising that a contract for computer time awarded on the basis of information other than specified in the invitation was not proper and must be canceled.<sup>26</sup> In a subsequent review 3 months later reaffirming the cancellation action, the procuring agency was advised of the adverse consequences of its delay in canceling the contract and in requesting review. It was suggested that the Department take steps to prevent the recurrence of such action.<sup>27</sup>

A review of the procurement practices of the Army Aviation Center in awarding a cost-plus-incentive type contract for aircraft maintenance services, previously referred to, on the basis of unrealistic cost estimates without any effort to negotiate the cost estimates to a realistic level was determined to be improper and a serious deviation from the statutory and regulatory requirements for such contracts. However, because the interest of the Government militated against cancellation, such action was not required. The procuring agency was advised that the option to renew beyond the current year should not be exercised and that a new contract should be negotiated under proper procedures.<sup>28</sup>

Following a review of a protest against restrictions in an invitation for dredging operations in areas of the Marcus Hook Anchorage site on the Delaware River, the Department of the Army was advised to cancel the invitation and reissue a proper invitation which would not preclude bidders from using alternate disposal areas and from offering the most economical means of accomplishing the work.<sup>29</sup> The problems inherent in similar invitations have been directed to the attention of the Army Corps of Engineers in previous decisions and in a report to the Congress in July 1959. In an effort to be of assistance to the procuring agency and in recognition of the peculiar circumstances of such contracts, it was suggested that, if the elimination of the restrictions inter-

<sup>26</sup> 47 Comp. Gen. 272.

<sup>27</sup> B-162398, Mar. 15, 1968.

<sup>28</sup> 47 Comp. Gen. 336.

<sup>29</sup> 47 Comp. Gen. 236.

feres with efforts to obtain suitable disposal areas, the matter should be presented to the Congress for consideration.

During testimony before the Subcommittee on Government Procurement of the Senate Select Committee on Small Business, attention was directed to the possible circumvention of the Small Business Act because of the short period of time (15 days) in which SBA has to take action on referral cases for the issuance of certificates of competency. Subsequently, a review of a protest in a negotiated procurement by the Navy Department illustrated the problem. In this case an administrative report was not furnished to GAO until 2 months after award, and the contractor was permitted to proceed with performance; therefore, any subsequent determination of the protesting offeror's capability by either Small Business Administration or by the Department of Labor as to the offeror's eligibility as a manufacturer would not have served any purpose. The Department was urged to take corrective action to avoid similar errors in future procurements.<sup>30</sup>

The Army's procedures in the procurement of anthracite coal for use at European bases were reviewed again in response to protests by an association of independent miners directed against the 1968 procurement. Action in approving subcontracts containing admissions of price fixing and allocation practices was questioned as being improper. Since substantial costs had been incurred in the initial stages of the contract and the coal requirements were urgently needed the award was not canceled. We urged, however, that immediate steps be taken to assure that future coal procurements are on a fully competitive basis and that the contract provisions relating to certificates of independent price determination and to subcontracting be revised.<sup>31</sup>

#### APPLICATION OF THE DAVIS-BACON ACT

During fiscal year 1968, the Atomic Energy Commission requested our decision concerning the applicability of Davis-Bacon Act wage rates to certain assembly work in connection with the Loss of Fluid Test (LOFT) experiment to be performed under contract by the Idaho Nuclear Corporation. Since the decision would resolve a dispute between two agencies a thorough review of the statutory authorities, as well as the administrative regulations was undertaken. In our decision we held that the work in question was not subject to provisions of the Davis-Bacon Act.<sup>32</sup>

<sup>30</sup> 47 Comp. Gen. 518.

<sup>31</sup> 47 Comp. Gen. 223; *id.* 562.

<sup>32</sup> 47 Comp. Gen. 192.

## FEDERAL-AID HIGHWAY PROGRAM DECISIONS

We examined the propriety of proposed employment opportunity conditions in the award of contracts under the Federal-aid highway program. While we did not find that the proposed requirement for submission of acceptable affirmative action programs to assure equal employment opportunities prior to the award of federally assisted construction contracts was illegal, we found that certain changes incident to the regulations were required. We advised the Secretary of Labor that before the proposed order becomes effective a statement of minimum requirements to be met by bidders be issued so that contracts will be awarded to the lowest responsible bidder on the basis of definite responsibility requirements.<sup>33</sup> Our opinion was published in the Congressional Record and a provision was included in the highway legislation to insure that construction contracts be awarded only on the basis of the low responsive bid submitted by a bidder meeting established criteria of responsibility.<sup>34</sup>

The modification of existing highway relocation contracts to increase safety standards has been the subject of several decisions in recent years. This year the Secretary of the Army submitted the matter in connection with the relocation of a Montana State highway inundated by the Libby Dam and the relocation of a Florida highway necessitated by the Cross Florida Barge Canal project. In the absence of a statute authorizing modification of relocation agreements to permit the Corps of Engineers to construct the substitute roads to standards higher than State standards in effect at the time the agreements were signed, thereby increasing the costs chargeable to the Corps of Engineers, the proposed modifications were not sanctioned.<sup>35</sup>

Another decision involving the Federal highway program was a decision issued to the Secretary of Transportation approving a proposal to permit Federal participation in the expansion of a former toll highway in West Virginia.<sup>36</sup> The Department represented that the construction of two additional lanes to the existing toll highway would result in a saving to the Federal Government of \$22,700,000 over the cost of constructing a totally new highway. The proposed construction was approved provided that the appropriate congressional committees were given an opportunity to review the proposal.<sup>37</sup>

<sup>33</sup> 47 Comp. Gen. 666.

<sup>34</sup> 114 Cong. Rec., May 23, 1968, H4243-5; Sec. 22, Federal-Aid Highway Act of 1968, Public Law 90-495, approved Aug. 23, 1968, 82 Stat. 815, 826.

<sup>35</sup> 47 Comp. Gen. 535.

<sup>36</sup> B-149811, Dec. 22, 1967.

<sup>37</sup> B-149811, Dec. 22, 1967.

## INTERGOVERNMENTAL RELATIONS DECISIONS

The problem of the proliferation of Federal aid programs recently under oversight by several congressional sources is pointed up in a decision to the Secretary of Transportation in fiscal year 1968. The problem involved two Federal grant programs. After the city of Juneau, Alaska, obtained a grant from the Public Health Service for construction of a sewage treatment facility serving the municipal airport, it entered into an agreement with the Federal Aviation Administration for a grant to connect a fire maintenance building at the airport with the sewage system. Since under the PHS grant the city was obligated to pay all costs over the grant, the effect of permitting FAA to make a grant for the same project would have the effect of the United States paying costs over and above the amount of the PHS grant. It was therefore held that FAA was without legal authority to make a grant for the same project for which PHS had previously made a grant.<sup>38</sup>

The complexity of issues in Federal-State relations is also highlighted in a decision to a certifying officer of the Federal Highway Administration issued on June 20, 1968. The question presented was whether the Federal Government might pay a proportionate share of damages awarded a highway contractor because he had relied on erroneous information furnished by the State in the preparation of his bid. A State court upheld the award and the legal conclusion that a constructive fraud had been perpetrated on the contractor. While the Federal Government was not a party to the litigation nor legally liable for a share of the damages, it was concluded that the close relationship between the Federal and State governments in the prosecution of the interstate highway program and the fact the damages constituted a reasonable element of cost of the project, a modification of the agreement to increase the Federal share proportionately was held to be proper.<sup>39</sup>

An interpretation under the Federal Water Pollution Control Act was issued at the request of a certifying officer of the Bureau of Reclamation when he asked whether the Bureau could pay the State of Montana a fee for certification of employees as water and waste water operators. In line with court decisions under the supremacy clause of the Constitution it was concluded that the Federal Government did not have authority to pay fees required by a State government.<sup>40</sup>

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<sup>38</sup> 47 Comp. Gen. 81.

<sup>39</sup> B-164243, June 20, 1968.

<sup>40</sup> 47 Comp. Gen. 577.

## MULTIYEAR PROCUREMENTS

Various aspects of multiyear procurements have been before the Office for decision for some time. In 1962 we advised the Department of the Air Force in the so-called Wake Island decision<sup>41</sup> that a 3-year contract for aircraft maintenance services incident to the landing of Government aircraft at Wake Island entered into under a single-year appropriation was in contravention of the statutes prohibiting contracts beyond the extent and availability of existing appropriations. In this case it was recognized that procurement problems in isolated or remote areas might present administrative difficulties and that long-term contracts in such areas might elicit more favorable bid prices for the Government. It was suggested that the matter be presented to the Congress for appropriate authority.

Subsequently we cooperated with the Bureau of the Budget and congressional committees on a draft of legislation and clarifying language, and testified on two different occasions at hearings before the House Committee on Armed Services. The committee in reporting out the legislation recommended limiting multiyear procurements to off-shore or remote area situations as in the Wake Island case. This legislation which was signed into law on July 5, 1968,<sup>42</sup> has the effect of providing the necessary congressional sanction for multiyear procurements for support service contracts.

## LEGAL ASSISTANCE IN THE FIELD OF TRANSPORTATION

In reviewing Department of Labor regulations and interpretation provisions relative to the Service Contract Act of 1965,<sup>43</sup> we questioned the propriety of viewing section 22 contracts as subject to the act. The Administrator, Wages and Hour and Public Contracts Division, adopted our view that transportation services furnished the United States under section 22 of the Interstate Commerce Act should, like services under published and filed tariffs, be excluded from the reach of the Service Contract Act. This act provides labor standards for certain persons employed by Federal contractors to furnish services to Federal agencies.

We cooperated with representatives of the Interstate Commerce Commission and other Government agencies, as well as attorneys for railroad and motor carrier interests, in formulating certain provisions to be included in section 22 quotations or tenders issued by carriers to cover

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<sup>41</sup> 42 Comp. Gen. 272 (1962).

<sup>42</sup> Public Law 90-378, approved July 5, 1968, 82 Stat. 289.

<sup>43</sup> 79 Stat. 1034.



special rate transportation services for the United States and its agents. **An** appropriate notation was jointly framed to insure that the benefits of particular section 22 quotations were reserved exclusively for the United States, rather than for private shippers and other interests which would be in violation of law.<sup>44</sup>

In a situation dealing with the transportation of radar bomb score trains between the United States and Canada, we concurred in a Canadian carrier's proposal for the deletion of certain conditions set forth in the Government bill of lading. We said that such deletion was not objectionable if the Canadian carriers would not do business with the Department of Defense on any other basis. It was recognized that the United States could not as a matter of law insist on U.S. Government bills of lading; and if the best available terms entailed conditions which conflicted with U.S. conditions, the contract made in a foreign country was not invalid if not in violation of laws, treaties, or regulations.<sup>45</sup>

#### PUBLIC LAW 89-516 MANUAL

**As** in the preceding fiscal year, the law that generated more legal questions than any other was Public Law 89-516, authorizing reimbursement of certain relocation expenses incident to the transfer of civilian employees. **As** a result of a review of certain expenditures under the act, it was concluded that certifying and disbursing officers needed information on the decisions interpreting the act and the implementing regulations. To meet this need, a manual containing digests of selected decisions was prepared and distributed for Government agency use.

#### FREEDOM OF INFORMATION ACT

Although the General Accounting Office is not subject to the Administrative Procedures Act, steps were taken to comply to the fullest extent possible, consistent with our responsibility as an agent of the Congress, with the Freedom of Information Act.<sup>46</sup> The Office of the General Counsel was responsible for coordinating the procedures and preparing the necessary Office instructions and regulations. Public availability of information regulations were printed in the Federal Register of January

<sup>44</sup> B-152143, July 21, 1967; *Interpretation of Government Rate Tariff for Eastern Central Motor Carriers Association, Inc.*, 332 I.C.C. 161 (1968).

<sup>45</sup> B-163675, Feb. 29, 1968.

<sup>46</sup> Public Law 89-487, approved July 4, 1966, 80 Stat. 250, 5 U.S.C. 552.

10, 1968,<sup>47</sup> and a statement of organization and functions was printed in the Federal Register of July 3, 1968.<sup>48</sup>

### SILVER SALES

At the request of the Treasury Department, GAO undertook a review of the claims of certain silver dealers who claimed losses as a result of the Treasury Department's terminating open sales of silver at \$1.29 an ounce on May 18, 1967. The Office of the General Counsel handled the legal issues involved and participated in the review which was undertaken in Washington, New York, and London. A report was made to the Secretary of the Treasury on February 29, 1968.

### SENATE FINANCIAL STATEMENT FILING

Following the approval on March 22, 1968, of Senate Resolution 266, which added new rules of ethics to the Standing Rules of the Senate, steps were taken to carry out the new Rule 44. This Rule requires Senators, candidates for the Senate, and officers and employees of the Senate receiving compensation in excess of \$15,000 to file with the Comptroller General annually personal financial statements. Special handling procedures and security type envelopes were designed for safeguarding the statements which must remain confidential and can only be opened upon a majority vote of the Senate Select Committee on Standards and Ethics.

### LEGAL REFERENCE ASSISTANCE

Departments and agencies are kept informed of significant decisions as they are issued by the general distribution of advance copies, digests, and the publication of monthly pamphlets. An annual volume of published decisions is compiled each year.

Information on 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 fiscal year 1968, 3,448 telephone research inquiries were answered.

<sup>47</sup> 33 F.R. 357.

<sup>48</sup> 33 F.R. 9684.

## Chapter Ten



# Recruiting, Training, Staff Development and Personnel Management

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## RECRUITING, TRAINING, AND STAFF DEVELOPMENT

To discharge the responsibilities placed upon us by the Congress and to maintain the professional stature of our Office, it is essential that we maintain a highly qualified professional staff. We are continuously seeking the better graduates from the colleges and universities which have excellent educational standards. Most of the graduates we employ are in the field of accounting but several newly hired staff members are from other related fields of concentration.

Immediately upon coming with us, the newly hired staff member is assigned to a specially designed training program to orient him in the activities of the Federal Government and to the work of our Office. By this approach, we bridge the gap between the education obtained in the classroom and the actual audit and management review assignments which the new employee will encounter. In addition, professional training programs are given at various intervals as the staff member progresses with the Office. These courses are designed to increase the professional talents of the individual member and the professional skills of the staff as a whole. Professional training programs are also designed to specifically fit the needs of staff members at the supervisory levels for the purpose of keeping them current in professional and technological advancements in the fields of management, accounting, auditing, and management auditing.

We continued to use the services of leading educators from our foremost universities to assist us in formulating a program to obtain and develop an outstanding staff of professional accountants and auditors. 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 encouraging continuing academic support for a program aimed at maintaining our staff at required levels.

Educator-consultants who were of assistance to us in this manner during the year were :

John E. Champion, President, Florida State University.

Robert W. French, Dean, College of Business Administration, University of Illinois, Chicago Circle.

Charles E. Johnson, Dean, College of Liberal Arts, University of Oregon.

Frank S. Kaulback, Jr., Dean, McIntire School of Commerce, University of Virginia.

Harry M. Kelly, Assistant Dean, School of Commerce, New York University.

James R. McCoy, Dean, College of Commerce and Administration, The Ohio State University.

Herbert E. Miller, Professor, Department of Accounting and Financial Administration, Graduate School of Business Administration, Michigan State University.

G. Kenneth Nelson, Head, Department of Accounting and Business Statistics, College of Business Administration, The Pennsylvania State University.

Alfred M. Pelham, Assistant Vice President for Finance, Wayne State University.

Robert Roy, Dean, School of Engineering Sciences, Johns Hopkins University.

Williard E. Stone, Head, Department of Accounting, College of Business Administration, University of Florida.

### **Recruiting—Professional Staff**

By experience we have determined that staff members recruited from colleges and universities develop rapidly to positions of responsibility and maintain the high professional standards required in our work. We, therefore, are of the opinion that the majority of new professional staff members should be recently graduated students of very high quality.

A total of 347 students — 303 men and 44 women — with degrees from 215 different colleges and universities, located in 44 States and the District of Columbia, started their professional career with us during the

last fiscal year. Of this number, 32 were employed from fields other than accounting, including three management interns, 11 management analysts, one engineer, nine mathematicians, six economists, and two statisticians. Also, 72 staff members who had been separated for military service returned from the service. Of the 72, 11 were separated and then returned from the service during the fiscal year 1968 and 61 returned who had departed for military service during prior fiscal years. We also appointed 43 staff members from Government, private industry, and public accounting, and reassigned two staff members from other classifications during the year. The total separations for the year amounted to 340, giving us a net addition during the fiscal year of 124 staff members.

In summary, the total professional staff of 2,326 GAO auditors on the rolls as of July 1, 1967, plus the net addition of 124 brought our total professional staff as of June 30, 1968, to 2,450 staff members. In addition to the 2,450 accounting, auditing, management auditing, and investigative staff members on our rolls as of July 1, 1968, we had 36 transportation specialists assigned to our management audit activities and 10 professional accounting and auditing staff members assigned to the Program Planning Staff in the Office of the Comptroller General, making a total of 2,496 staff members engaged in our professional accounting and auditing work. We also had 172 staff members in military service, most of whom we expect to return to the Office upon completion of their service.

The demand for accountants graduating from the colleges and universities continues to increase. The effect of an increase in demand and an almost constant supply results in vigorous competition between Government, private industry, and public accounting which makes our recruiting efforts increasingly difficult in the light of the conditions under which we recruit.

We employed six attorneys during the year to replace those separated as a result of transfers and retirements. We will continue to recruit a limited number of attorneys during the year.

We continued our association with college and university members and steps were taken to increase our participation in the activities of professional organizations. We continued 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. Seventy-nine faculty members, including deans and placement officers, from colleges and universities throughout the country attended eight of these sessions during the year.

We also continued our program for selected students similar to the program for university and college faculty members. Ten programs given in nine regional offices and one in Washington were conducted during

the fiscal year to acquaint students with our accounting and auditing operations. A total of 118 students from universities and colleges throughout the country attended these sessions during the year.

We expanded our program of recruiting nonaccounting students who are capable of doing the work of the Office during the year and expect to increase the staff members recruited from this source of supply. Our program for faculty members and students of accounting has been expanded to include faculty members and students from these other disciplines.

The two charts on the opposite page graphically portray the general success of our recruiting efforts through the continued steady growth of our professional staff over the past 10 years.

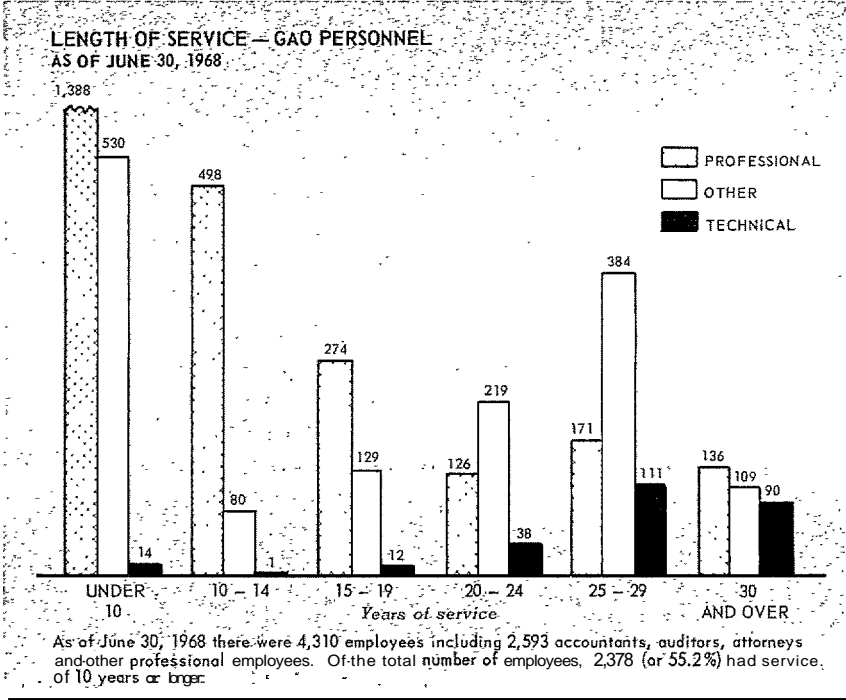
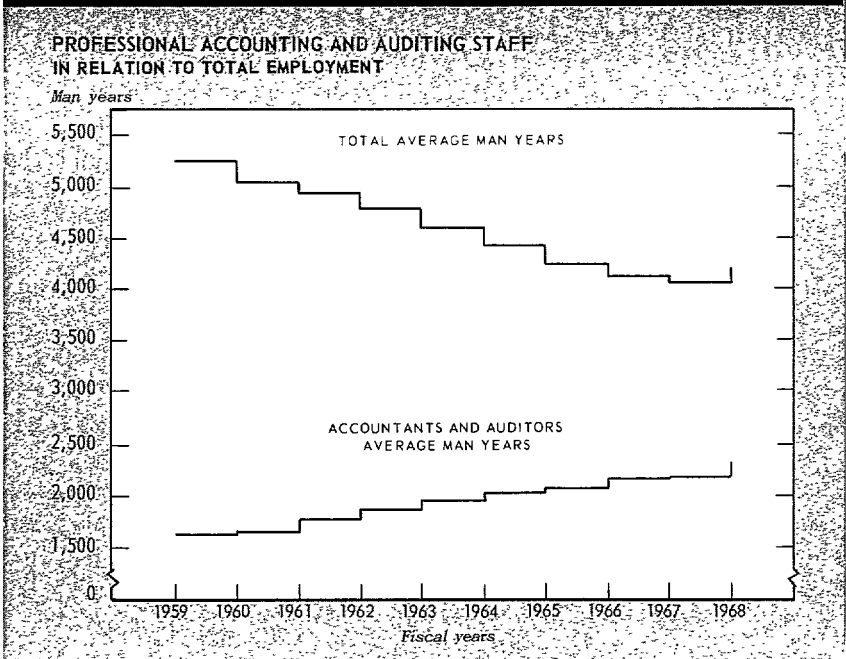
### ***Recruiting —Technical Staff***

We continued our progress of last year in recruiting freight transportation specialists to replenish our technical staff. Our principal recruitment source was from an unassembled freight rate specialist examination for grades GS-7 and GS-9. From this source, we hired 28 qualified rate specialists at grade GS-9 and eight at GS-7. Also, during the year, three freight rate specialists transferred to us from other Government agencies. Another potential source of qualified technical personnel is through recruitment at the GS-4 and GS-5 levels and subsequent in-house training. Currently we have five GS-4 transportation assistants and three GS-5 freight rate assistants in this training program.

### ***Training —Professional Staff***

During the past few years, as a part of our planned professional development, we have developed a series of coordinated training programs within GAO to meet the varied needs of our professional staff in developing their capabilities to the fullest. In all of our formal training programs, in addition to acquiring the technical skills necessary to do the work of the Office, the staff member must acquire a conceptual understanding of the varied and complex subject matter areas encountered in carrying out the responsibilities of the Office. We accomplish this objective through programs employing lectures, discussions, and case situations by which the staff member develops such understanding and also develops a knowledge of the policies, procedures, and techniques which he uses to do the work of the Office.





PERSONNEL

The following tabulations show the various programs given within GAO and the courses attended by staff members in other Government agencies or non-Government facilities during the fiscal year 1968.

*A. Training Given Through General Accounting Office Facilities*

Number of Times Given	Name of Training Program	Length of Program	Total Number Attending Programs
9	GS-7-9 . . . . .	16 days . . . . .	298
5	Intermediate . . . . .	10 days . . . . .	192
4	Financial management systems . . . . .	10 days . . . . .	138
11	Advanced technical seminar in financial management— regional offices.	5 days . . . . .	315
4	Advanced technical seminar in financial management— Washington.	5 days.	80
1	Operations research seminar— regional offices	1 day . . . . .	47
3	Operations research seminar— Washington.	1 day . . . . .	95
8	Basic computer systems fundamentals, programmed instruction course, Washington—	Approximately 2 months.	. . . . .
	Number participating in course . . . . .	. . . . .	186
12	Basic computer systems fundamentals, programmed instruction course, regional offices—	Approximately 2 months.	. . . . .
	Number participating in course . . . . .	. . . . .	66
1	Advanced accounting and auditing study, Washington.	18 weeks . . . . .	51
1	Advanced accounting and auditing study, regional offices—	Approximately 16 weeks.	. . . . .
	Boston . . . . .	. . . . .	22
	Cincinnati . . . . .	. . . . .	15
	Detroit . . . . .	. . . . .	22
	Philadelphia . . . . .	. . . . .	42
	Seattle (Portland) . . . . .	. . . . .	15
	Total . . . . .	. . . . .	<b>1,584</b>

**B. Training Given Through Agency or Non-Government Facilities**

Number of Courses	Name of Course	Length of Course	Total Number Attending Courses
<b>CIVIL SERVICE COMMISSION</b>			
5	Planning, programming, budgeting systems—executive orientation.	2-3 days.....	5
1	Planning, programming, budgeting systems.	1 day.....	1
1	Systems analysis.....	3 days.....	1
10	Principles and practices of auditing in the ADP systems environment.	15 days.....	53
11	Middle management institute.....	5 days.....	18
14	Supervision and group performance.....	5 days.....	18
6	Seminar in ADP.....	3-5 days.....	6
8	Miscellaneous courses such as management, operations research, and others.	Various.....	36
<b>DEPARTMENT OF DEFENSE</b>			
1	Industrial College of the Armed Forces ...	10 months....	1
1	National War College.....	10 months.....	1
18	Miscellaneous courses including such areas as operations research, contracts, research and development, management, etc.	Various.....	29
<b>OTHER GOVERNMENT AGENCIES</b>			
1	Foreign Service School, Department of State.	6 months....	1
12	Miscellaneous subject areas such as contracting, procurement, country studies.	Various....	17
<b>MACHINE MANUFACTURING COMPANIES</b>			
1	Executive computer concepts.....	6 days.....	2
8	Miscellaneous data processing courses.....	Various.....	15
<b>INSTITUTIONS, SERVICE AND PROFESSIONAL ORGANIZATIONS</b>			
1	Data processing for CPAs.....	3 days....	6
1	Eleventh annual symposium, FGAA.....	4 hours....	10
2	Conference for Federal management.....	2 weeks....	2
5	Conference for Federal executives on business operations.	1 week....	5
13	Miscellaneous courses such as mathematics, management, ADP, etc.	1-4 days....	16

B. Training Given *Through Agency or Non-Government Facilities*—Continued

Number of Courses	Name of Course	Length of Course	Total Number Attending Courses
<b>COLLEGES AND UNIVERSITIES</b>			
<b>A. Management development:</b>			
2	Program for management development. . . . .	16 weeks. . . . .	2
1	Advanced management program. . .	13 weeks. . . . .	2
3	Executive development program. . .	4 weeks. . . . .	3
2	Executive development program. . .	6 weeks. . . . .	3
2	Executive development program. . .	8 weeks. . . . .	3
2	B. Mid-career education program for systematic analysis.	9 months. . . . .	2
1	Career educational awards program . .	9 months. . . . .	1
<b>C. Other courses (evening classes):</b>			
25	Accounting. . . . .	Semester. . . . .	33
28	Automatic data processing . . . . .	Semester. . . . .	43
13	Economics. . . . .	Semester. . . . .	18
9	Human relations. . . . .	Semester. . . . .	21
18	Management. . . . .	Semester. . . . .	36
3	Management information systems. .	Semester. . . . .	3
24	Mathematics and statistics. . . . .	Semester. . . . .	33
3	Planning, programming, budgeting systems.	Semester. . . . .	8
6	Systems. . . . .	Semester. . . . .	18
26	Miscellaneous courses. . . . .	Semester. . . . .	39
Total. . . . .			511

A brief description of the objectives of these programs follows:

**A. Training Given Through General Accounting Office Facilities**

1. **GS-7-9 Training Program.**— The objective of this program, introductory training, is to orient new employees to the organization, functions, rules, policies, and procedures of GAO and to the fiscal, legal, accounting, and management processes of the Federal Government. This training program, which is given in three phases totaling 16 days, is intended to bridge the gap between education in accounting and related fields obtained in the colleges and the more specific professional needs new employees will encounter on actual audit assignments.

2. Intermediate Training Program, **GS-9-11**.—The objective of this program is to present to the professional staff members in grades GS-9-11 more formal training in the application of the accounting and auditing policies and procedures of the Office. The program, which includes a 2-week course and several seminars, specifically covers the following: complex audit situations stressing judgment factors and problem-solving techniques, the techniques and phases of carrying out audit work, the review of accounting systems, the audit of automatic data processing systems, and supervisory techniques applying to the work performed.

3. Financial Management Systems Training.—With the increased emphasis upon the improvement of financial management in the Federal Government, the Office designed a 2-week course on financial management systems training for **GAO** staff members.

The objective of the course is to provide staff members, who have specific assignments in financial management, an understanding of management systems with special emphasis upon financial management systems.

The course covers the subject areas of planning, programming and budgeting systems; review and approval of accounting systems; cooperation with agencies in the design and installation of accounting systems; and the review of financial and management information systems. This course was given to 138 supervisory accountants during the year.

4. Advanced Technical Seminar in Financial Management.—This course has the same objective as the financial management systems training. It is a 1-week course and is to be given to all staff members at the supervisory level in order that they will have an understanding of our special responsibility in the financial management area. This course was given to 80 staff members in Washington and 315 staff members in the regional offices during this fiscal year.

5. Operations Research Seminars.—This course—a 1-day course—provides selected senior staff members an indoctrination to operations research. It was given to 95 staff members in Washington and 47 staff members in the regional offices during the fiscal year.

6. Basic Computer Systems Fundamentals.—The objective of this course is to provide special training in (1) automatic data processing principles and procedures and (2) related audit responsibilities and techniques. The basic course in automatic data processing—a programmed instruction course—has been developed by a machine manufacturer.

7. Advanced Accounting and Auditing Study Program.—This program is primarily designed to prepare staff members to do a better job on their day-to-day assignments and to assist those who are interested

in taking the CPA examination to attain recognition as a professional accountant by passing the examination.

### ***B. Training Given Through Agencies or Non-Government Facilities***

In those cases where it is not feasible to train staff members in highly technical subject areas which increase the professional capabilities of the staff members, it is necessary to provide them with training outside of GAO. The need for keeping pace and adapting to constant and rapid changes in the profession generally, and in the Federal Government specifically, presents a continuing challenge to the Office. In GAO's broad responsibilities for evaluating the efficiency, economy, and effectiveness of management performance, it is essential that our staff be well informed in modern management systems for planning, control, and decisionmaking. Therefore, in addition to our in-house training, we assign staff members for formal training, both professional and special-purpose training, in colleges, universities, other agencies, and interagency programs conducted by the Civil Service Commission.

The special training of staff members in the related audit responsibilities and techniques in an **ADP** systems environment is provided through an interagency course conducted by the Civil Service Commission. The Office assigned two professional staff members on a full-time basis to assist in the presentation of this course on principles and practices of auditing in the ADP systems environment. GAO staff members on a selective basis are assigned to this training course given in Washington and on the West Coast.

During the year, 13 members of our staff took part in either advanced management or executive development programs conducted by Harvard University Graduate School of Business Administration, Stanford University Graduate School of Business, Cornell University Graduate School of Business and Public Administration, the University of Pittsburgh Graduate School of Business, the University of Wisconsin Center for Advanced Study in Organization Sciences, and the University of Michigan Graduate School of Business Administration. Five of the participants occupied top or senior management positions in our regional offices and eight occupied similar positions on our Washington staff.

Further, in order to increase our professional capability in the area of planning, programming, and budgeting systems, we sent two staff members to a mid-career education program for systematic analysis to two different universities for a full school year. These staff members will

assist in training others, assist the audit staff, and cooperate with the agencies in their specialized areas.

We also sent one staff member to the University of Virginia for 9 months under the career educational awards program, one each to the Industrial College of the Armed Forces and the National War College for 10 months, and one staff member to the Foreign Service School for 6 months. In addition, seven staff members attended executive development programs offered by the Brookings Institution.

To take care of our specific operational needs during the fiscal year ended June 30, 1968, staff members were assigned on a selective basis to various subject areas and programs given by the Civil Service Commission. We assigned a total of 138 staff members to Civil Service Commission courses as follows: planning, programming, and budgeting systems and systems analysis, 7; automatic data processing, 59; supervisory training, 36; and miscellaneous courses, 36.

Also, a total of 347 staff members attended various subject courses or training programs in other Government agencies, and in colleges, universities, service institutions and the like. Of this number 252 of these attended evening classes, during nonworking hours, in order to update their knowledge in such subject matter areas as mathematics, statistics, management, economics, and electronic data processing.

Four of our attorneys attended the Procurement Law Course of the Judge Advocate General's School, Charlottesville, Va.; one attended the Civil Service Commission Executive Seminar Center at Kings Point, N.Y.; two attended the 1968 Government Contractors Conference; two attended the GSA course on freight rates and tariffs; and one attended the GSA seminar on freight loss and damage claims.

#### ***Training—Technical and Administrative Staff***

During the year orientation training was provided to all new employees as soon after their entrance on duty as possible to acquaint them, as Government employees, of their rights, privileges, and benefits and their duties, obligations, and responsibilities. Training programs were also developed, conducted, and made available to technical and administrative employees to meet their official needs in particular areas. By this training, they sharpened their skills and enhanced their value to the Office.

The following tabulation illustrates the various programs given within the Office and those given by other Government and non-Government institutions during the fiscal year.

*Training Given Through General Accounting Office, Other Agency. or  
Non-Government Facilities*

Num-ber of Times Given	Name of Training Program	Length of Program	Total Number Attending Programs
<b>GENERAL ACCOUNTING OFFICE FACILITIES</b>			
10	GAO orientation . . . . .	6 hrs . . . . .	375
2	Secretarial training . . . . .	10 hrs . . . . .	35
3	Stenographic refresher . . . . .	23 hrs . . . . .	44
<b>CIVIL SERVICE COMMISSION</b>			
1	Adverse actions . . . . .	40 hrs . . . . .	1
1	ADP orientation . . . . .	40 hrs . . . . .	3
3	Better office skills & services . . . . .	3-7 days . . . . .	5
1	Introduction to ADP in personnel mgt . . . . .	16 hrs . . . . .	2
3	Miscellaneous management courses . . . . .	40 hrs . . . . .	5
2	Position classification & mgt. process . . . . .	40 hrs . . . . .	3
3	Secretarial techniques . . . . .	16-40 hrs . . . . .	3
1	Supervision & group performance . . . . .	40 hrs . . . . .	2
1	Systems workshop for computer spec. (1 & 2) . . . . .	15 days . . . . .	1
<b>GENERAL SERVICES ADMINISTRATION</b>			
1	Forms analysis & design . . . . .	10 days . . . . .	1
1	Forms improvement . . . . .	2 days . . . . .	2
<b>OTHER INSTITUTES</b>			
3	English refresher . . . . .	36-48 hrs . . . . .	72
1	Personnel management I . . . . .	1 semester . . . . .	1
1	Accounting . . . . .	1 semester . . . . .	1
1	Management information systems . . . . .	5 days . . . . .	1
1	Physical distribution mgt. institute . . . . .	13 days . . . . .	1
1	Transportation mgt. program . . . . .	4 weeks . . . . .	1
1	Executive secretarial course . . . . .	2 days . . . . .	1
1	Software realities . . . . .	24 hrs . . . . .	1
1	Management of organizations . . . . .	10 days . . . . .	1
1	Secretarial workshop . . . . .	1 day . . . . .	1
Total . . . . .			<b>563</b>



### ***Career Development***

The progress and capability of each professional staff member is constantly being assessed. During the year, a staff development manual, stating the policies of the Office on career and professional development, was prepared and distributed to each professional staff member. Also, the Office experimented with a career and professional development form which has the purpose of allowing the staff member to state the long- and short-range method he will employ to accomplish his career and professional development objectives. We expect to be able to more effectively develop training programs and guide staff members in their career development after completing installation of this project.

In addition, we are continuing to work on establishing standards of staff utilization for each grade level in terms of the audit and management review functions as carried out by the Office. And, we are continuing our work on the design and installation of an information system that will more systematically provide data necessary in the management of our professional staff.

### ***Professional Development and Recognition***

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.

Sixty-five members of our staff passed the **CPA** examination given by State boards during the fiscal year. During the same period, 29 staff members received their **CPA** certificates based upon their having successfully passed the examination during the present or prior years and completed their experience requirements, and 16 staff members who held a **CPA** certificate rejoined our staff during the year. Four hundred and forty members of our staff are holders of the **CPA** certificate and 86 others who have passed the required examination will receive their certificates upon completion of their experience requirements.

Many States recognize the professional nature of our work and accept **GAO** experience as meeting their eligibility standards required for the **CPA** certificate. Included in our total number of **CPAs** are 259 members of our professional staff who have obtained their **CPA** certificate on the basis of **GAO** experience or education, or both.

At present in **43** jurisdictions, our auditors may obtain the **CPA** certificate on the basis of their **GAO** experience or upon fulfillment of

educational requirements. However, not all States accept **BAO** experience as qualifying. Recognition of our experience by the remaining States would eliminate the inconsistency now existing, where members of our own 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 constantly working with State boards of accountancy and committees of professional organizations to keep them informed on the professional quality of the work done by the Office so as to encourage them to recognize our experience as acceptable for the certificate. During the past year, the trend toward recognition of our experience was encouraging.

### PERSONNEL MANAGEMENT PROGRAM

During the fiscal year 1968, we continued our efforts to keep our personnel administration program abreast of constantly changing programs and conditions. To this end a number of Comptroller General's Orders and personnel manuals were issued or revised including: (1) our *Equal Employment Opportunity Manual* (Personnel Manual, Part 5) which contains the regulations providing for the establishment within the General Accounting Office of a program to provide equal opportunity in employment to all in the Office without regard to race, color, religion, sex or national origin; (2) our *Leave Manual* (Personnel Manual, Part 6) which contains the policies and procedures for administering leave in the General Accounting Office; (3) our *Employee Responsibilities and Conduct Manual* (Personnel Manual, Part 9) which establishes our internal regulations concerning the ethics, conduct and responsibilities of our officers, employees and special Government employees; and (4) our *Position Classification Appeal Rights Manual* (Personnel Manual, Part 10) which provides for a system through which an employee may seek administrative review of the correctness of the classification of his position.

Continuing this effort, substantial progress has been made on the issuance of two other policies or manuals: (1) the *Grievance and Appeal Procedure Manual* (Personnel Manual, Part 3) which contains the policies and procedures through which an employee may obtain a prompt and fair settlement of his grievance and may seek administrative reconsideration of an adverse action; and (2) a proposed Comptroller General's Order which sets forth our policies and practices for grading and fixing the pay of wage board positions.

Particular items of interest concerning the work of the Office of Personnel during fiscal year 1968 are set forth in the following paragraphs.

#### ***Incentive Awards***

In order to give increased recognition to the achievements of employees, a new award was authorized during fiscal year 1968: "GAO Award for Significant Contribution to Financial Management Literature." This award consists of two \$250 cash awards in each calendar year for the best articles written by GAO staff members and published in the *GAO Review*. One award is made to an employee who is 31 years of age or under and the other to an employee who is over 31 years of age.

The second Annual Honor Awards Ceremony was held in our auditorium on June 14. Among other awards, 51 individual employees were honored for their sustained superior service, one group award was presented and three employees were honored for having completed 50 years of Federal service.

In addition to honor awards, 180 employees received cash awards for sustained superior performance. Forty-eight quality step increases were granted to employees who demonstrated a high standard of excellence above that normally found in their positions in full expectation that this quality performance would continue.

Approximately 92 suggestions were received during the fiscal year. Of these, 49 were interdepartmental suggestions. Over 10 percent of the Office suggestions disposed of during the year were adopted with cash awards being given in each case.

#### ***Employee Health Benefits Program***

Through the facilities of the Public Health Service, a continuing program has been established to provide immunization inoculations for influenza, polio, small pox and tetanus, as well as a special inoculation program for employees traveling officially in foreign countries. During the fiscal year, 198 GAO employees received physical examinations under our Health Maintenance Program. In cooperation with the American Red Cross, we continued our regular weekly blood donation program supplemented by a visit from the Bloodmobile in May 1968 with 60 persons participating.

The Office of Personnel administered the Federal Health Benefits Program assuring that all eligible employees were afforded the opportunity

to participate. The Office also provided counseling to employees on individual problems arising under the program.

### ***Equal Employment Opportunity***

The Office continued to emphasize its policies on equal employment opportunity. Recruiting sources have been broadened to make certain that members of all minorities are reached. During the year special emphasis was directed toward improving the status of women. In an effort to broaden the effective utilization of women in more responsible areas of the various organizational units of the Office, the Comptroller General inaugurated a "Plan of Action for Implementation of Equal Employment Opportunity for Women," which was distributed to those officials of the Office who have the principal responsibility for recommending personnel actions.

As of June 30, 1968, the Office had a work force of 1,202 women. Of this number 119 were in transportation specialist positions and 108 in various professional occupations. Through our recently expanded recruiting program at colleges and universities, the Office was able to employ 10 professional women with majors in disciplines outside the accounting field.

Efforts continued in connection with the Operation MUST program with its broad objective—the maximum utilization of skills and training—to provide employment opportunities for persons of lower skills and to improve work efficiency with balanced staffing. The number of employees belonging to minority groups continued to increase in the higher grades. In addition to other types of training, refresher courses in English usage and stenography were provided. These courses were geared particularly to increase the skills of minority groups. A number of courses in secretarial development were also conducted. Employee response has been especially good as evidenced by high morale and the absence of discrimination appeals involving hearings.

### ***Security Clearance Program***

Approximately 200 full-field investigative reports were evaluated and clearances issued to permit those employees access to classified material. The clearances of approximately 400 employees of the Office were re-evaluated on a current basis.

# Appendices

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# **Appendix A**

## **FUNCTIONS AND ORGANIZATION**



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**APPENDIX A-1**  
**THE UNITED STATES GENERAL ACCOUNTING OFFICE**  
**FUNCTIONS AND ORGANIZATION**

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.

**Functions**

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 and application of public funds by performing the following functions.

**Auditing.**—Auditing the activities, financial transactions, and accounts of the Federal Government, except as otherwise exempt by law, and reporting to the Congress and the agencies the results of audit work.

**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.**—Superintending the recovery of debts owing to the Government and 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; providing legal analysis and service on pending legislation before the Congress and interpreting existing legislation on matters involving doubt concerning the authority of the heads of Government agencies to undertake certain proposed actions.

**Special assistance to the Congress.**—Making special audits, surveys, and investigations at the request of congressional committees and Members of Congress; furnishing

information in reply to inquiries; assigning personnel to assist congressional committees; and testifying before congressional committees.

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

## Organization

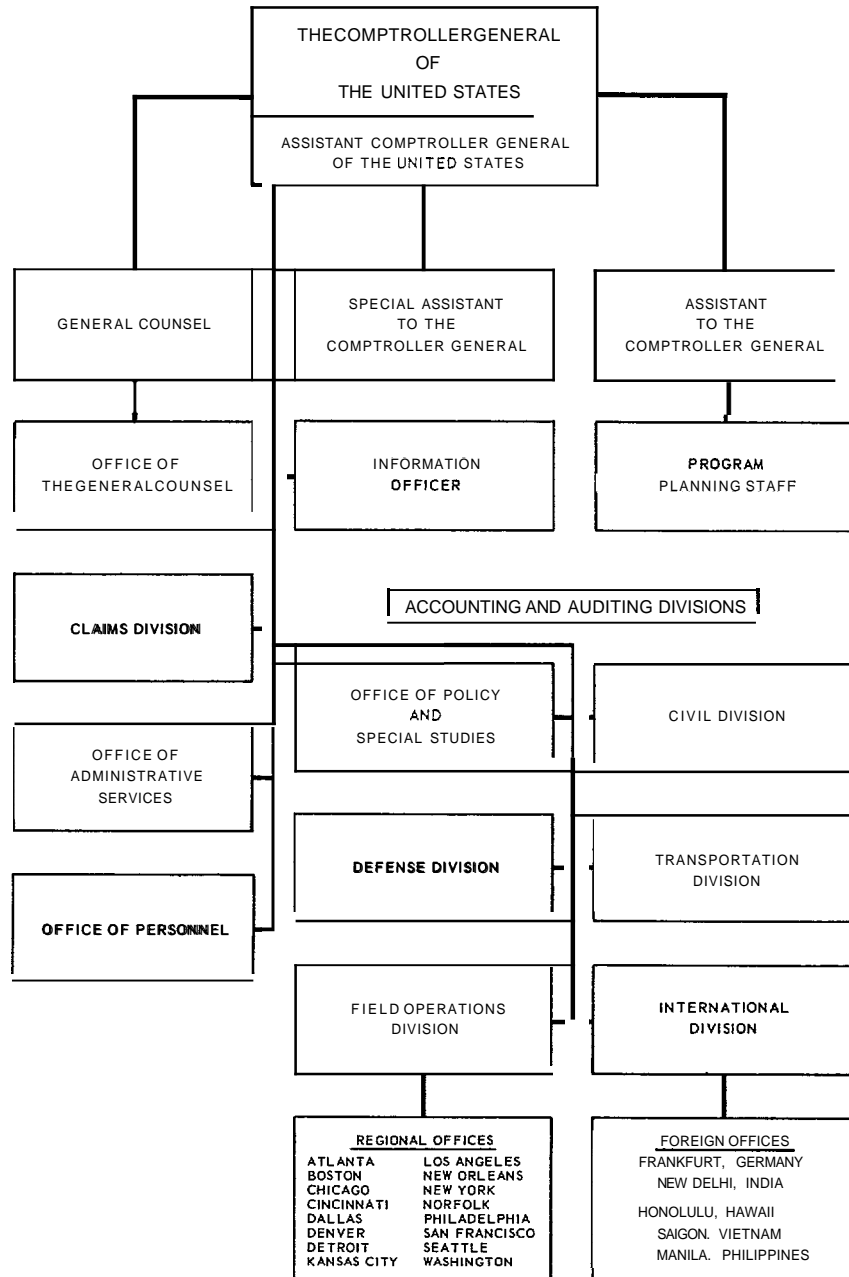
The General Accounting Office is organized into the following divisions and offices. The directors of these organizations are directly responsible to the Comptroller General for carrying out the functions assigned.

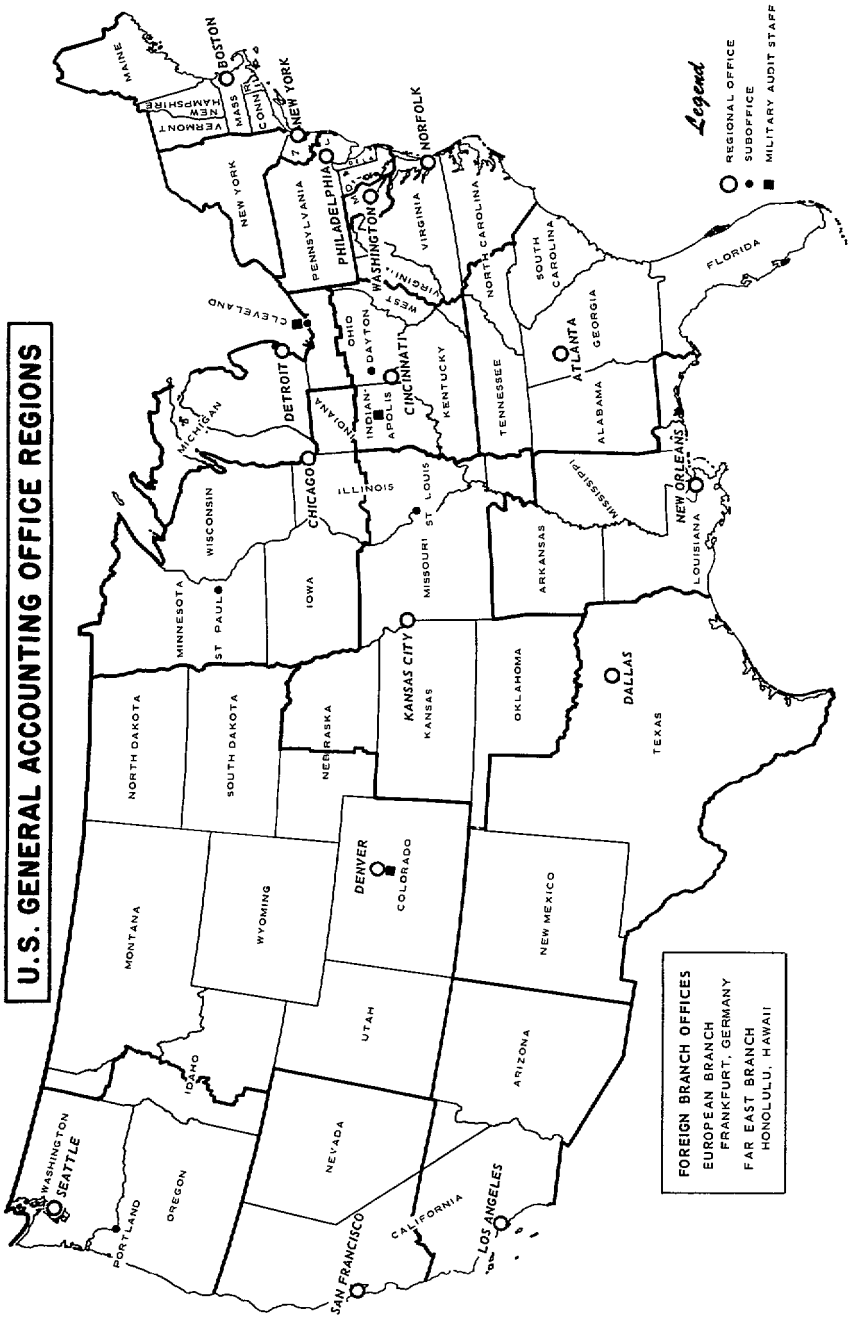
- Accounting and auditing functions :
  - Office of Policy and Special Studies
  - Civil Division
  - Defense Division
  - International Division
  - Field Operations Division
  - Transportation Division
- Legal work:
  - Office of the General Counsel
- Claims adjudication and settlement:
  - Claims Division
- Personnel and administrative functions :
  - Office of Personnel
  - Office of Administrative Services

In addition to the headquarters office in Washington, D.C., 44 regional and subregional offices of the Field Operations Division are maintained in cities throughout the United States. The International Division has a branch office in Frankfurt, Germany, with a suboffice in New Delhi, India; and a branch office in Honolulu, Hawaii, with suboffices in Saigon, Vietnam, and Manila, Republic of the Philippines.

An organization chart for the General Accounting Office and a map showing the locations of the regional offices and the regional boundaries are shown on the following pages.

UNITED STATES GENERAL ACCOUNTING OFFICE





# **Appendix B**

**LEGISLATION AFFECTING THE WORK OF  
THE GENERAL ACCOUNTING OFFICE  
ENACTED DURING THE 90TH CONGRESS, FISCAL YEAR 1968**

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## APPENDIX B

### LEGISLATION AFFECTING THE WORK OF THE GENERAL ACCOUNTING OFFICE ENACTED DURING THE 90TH CONGRESS, FISCAL YEAR 1968

#### Access to Records of Recipients of Federal Grants, Etc.

(1) Appalachian Regional Development Act Amendments of 1967, Public Law 90-103, approved October 11, 1967, 81 Stat. 257, contains the following audit provisions:

Sec. 120. \* \* \* “(c) (1) The Commission [Appalachian Regional Development] shall, as required by the President, maintain accurate and complete records of transactions and activities financed with Federal funds and report thereon to the President. The records of the Commission shall be available for audit with respect to such grants by the President and the *Comptroller General* or their duly authorized representatives.

“(2) Recipients of Federal assistance \* \* \* shall \* \* \* maintain accurate and complete records of transactions and activities financed with Federal funds and report thereon to the Commission. Such records shall be available for audit by the President, the *Comptroller General*, and the Commission or their duly authorized representatives.” (81 Stat. 265)

(2) Air Quality Act of 1967, Public Law 90-148, approved November 21, 1967, 81 Stat. 485, provides that:

“Sec. 304. (a) Each recipient of assistance under this Act shall keep such records as the Secretary [of Health, Education, and Welfare] shall prescribe, including records which fully disclose the amount and disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

“(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.” (81 Stat. 505)

(3) Supplemental Appropriation Act, 1968, Public Law 90-239, approved January 2, 1968, 81 Stat. 773, contains the following access to records provision for Office of Economic Opportunity:

## "ECONOMIC OPPORTUNITY PROGRAM

"\* \* \* Provided further, That all grant agreements shall provide that the *General Accounting Office* shall have access to the records of the grantee which bear exclusively upon the Federal grant." (81 Stat. 774)

(4) Omnibus Crime Control and Safe Streets Act of 1968, Public Law 90-351, approved June 19, 1968, 82 Stat. 197, contains the following access to records of recipients of grants:

"Sec. 521. (a) Each recipient of assistance under this Act shall keep such records as the Administration [Law Enforcement Assistance Administration] shall prescribe, including records which fully disclose the amount and disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

"(b) The Administration and the *Comptroller General of the United States*, or any of their duly authorized representatives, shall have access for purpose of audit and examinations to any books, documents, papers, and records of the recipients that are pertinent to the grants received under this title." (82 Stat. 208)

**Accounting Systems Approval**

(5) Department of Defense Appropriation Act, 1968, Public Law 90-96, approved September 29, 1967, 81 Stat. 231, contains the following:

"Sec. 640. \* \* \* (b) During the current fiscal year none of the funds available to the Department of Defense may be used to install or utilize any new 'cost-based' or 'expense-based' system or systems for accounting, including accounting results for the purposes prescribed by section 113 (a) (4) of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66a (a) (4)), until forty-five days after the *Comptroller General of the United States* \* \* \* has reported to the Congress that in his opinion such system or systems \* \* \* meet the requirements of all applicable laws governing budgeting, accounting and the administration of public funds and the standards and procedures established pursuant thereto \* \* \*." (81 Stat. 249)

(6) Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, Public Law 90-121, approved November 3, 1967, 81 Stat. 341, contains the usual provision for approval of the General Services Administration operations fund accounting system:

"Funds available to General Services Administration for administrative operations, in support of program activities, shall be expended and accounted for, as a whole, through a single fund: 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* \* \* \*." (81 Stat. 348)

**New Audits**

(7) Inter-American Development Bank, Public Law 90-88, approved September 22, 1967, 81 Stat. 226, contains the following audit provision:

"Sec. 14. \* \* \* (b) The *Comptroller General of the United States* shall prepare for the Secretary of the Treasury the scope of the audit and the auditing

and reporting standards for the use of the United States Executive Director in assisting in the formulation of the terms of reference.

“(c) The reports of the National Advisory Council on International Monetary and Financial Policies to the Congress shall include, among other things, an appraisal of the effectiveness of the implementation and administration of the loans made by the Bank based upon the audit reports. The *Comptroller General* shall periodically review the reports of audit and findings issued and report to the Secretary of the Treasury and the Congress any suggestions he might have in improving the scope of the audit or auditing and reporting standards of the independent auditing firm, group, or staff.” (81 Stat. 227)

(8) Foreign Assistance Act of 1967, Public Law 90–137, approved November 14, 1967, 81 Stat. 445, provides as follows:

Sec. 110. \* \* \* “(d) In any case in which a fund established solely by United States contributions under this or any other Act is administered by an international organization under the terms of an agreement between the United States and such international organization, such agreement shall provide that the *Comptroller General of the United States* shall conduct such audits as are necessary to assure that such fund is administered in accordance with such agreement. The President shall undertake to modify any existing agreement entered into before the date of enactment of this subsection to conform to the requirements of the preceding sentence.” (81 Stat. 453–454)

(9) Public Broadcasting Act of 1967, Public Law 90–129, approved November 7, 1967, 81 Stat. 365, contains the following audit provision:

“(2) (A) The financial transactions of the Corporation [Corporation for Public Broadcasting] for any fiscal year during which Federal funds are available to finance any portion of its operations may 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*. \* \* \* The representative of the *General Accounting Office* shall have access to all books, accounts, records, reports, files, and all other papers, things, or property belonging to or in use by the Corporation pertaining to its financial transactions and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. All such books, accounts, records, reports, files, papers and property of the Corporation shall remain in possession and custody of the Corporation.

“(B) A report of each such audit shall be made by the *Comptroller General* to the Congress. The report to the Congress shall contain such comments and information as the *Comptroller General* may deem necessary to inform Congress of the financial operations and condition of the Corporation, together with such recommendations with respect thereto as he may deem advisable. 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, and to the Corporation at the time submitted to Congress.

“(3) (A) Each recipient of assistance by grant or contract, other than a fixed price contract awarded pursuant to competitive bidding procedures, under this section shall keep such records as may be reasonably necessary to fully disclose the amount and the disposition by such recipient of the proceeds of such



assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

“(B) The Corporation or any of its 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 assistance received under this section. The *Comptroller General of the United States* or any of his duly authorized representatives shall also have access thereto for such purpose during any fiscal year for which Federal funds are available to the Corporation.” (81 Stat. 372–373)

(10) Disabled American Veterans, Public Law 90–208, approved December 18, 1967, 81 Stat. 655, providing for annual audit:

“(b) (1) The said corporation shall as soon as practicable after the close of each of its fiscal years make and transmit to the *Comptroller General* a report of its proceedings for the preceding fiscal year, including a full, complete, and itemized report of receipts and expenditures of whatever kind, which report shall be duly audited by the *Comptroller General*.

“(2) The said corporation shall annually reimburse the *Comptroller General* for auditing its accounts, and the sums so paid shall be covered into the Treasury of the United States as miscellaneous receipts.” (81 Stat. 655)

### **Access to Records of Foreign Aid Program**

(11) Foreign Assistance and Related Agencies Appropriation Act, 1968, Public Law 90–249, approved January 2, 1968, 81 Stat. 936, contains the usual GAO audit provision:

Sec. 402. 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. (81 Stat. 943)

### **Appropriations for GAO**

(12) The Legislative Branch Appropriation Act, 1968, Public Law 90–57, approved July 28, 1967, 81 Stat. 127, provides as follows:

For necessary expenses of the *General Accounting Office*, including not to exceed \$2,000 to be expended on the certification of the *Comptroller General of the United States* in connection with special studies of governmental financial

practices and procedures and including services as authorized by 5 U.S.C. 3109, \$52,800,000. (81 Stat. 141)

### Poverty Program

(13) Economic Opportunity Amendments of 1967, Public Law 90-222, approved December 23, 1967, 81 Stat. 672:

#### “ANNOUNCEMENT OF RESEARCH OR DEMONSTRATION CONTRACTS

“Sec. 606. (a) The Director or the head of any other Federal agency administering a program under this Act shall make a public announcement concerning:

“(1) The title, purpose, intended completion date, identity of the contractor, and proposed cost of any contract with a private or non-Federal public agency or organization for any demonstration or research project; and

“(2) The results, findings, data, or recommendations made or reported as a result of such activities.

“(b) The public announcements required by subsection (a) shall be made within thirty days of entering into such contracts and thereafter within thirty days of the receipt of such results.

“(c) It shall be the duty of the *Comptroller General* to assure that the requirements of this section are met, and he shall at once report to the Congress concerning any failure to comply with these requirements.” (81 Stat. 715)

### TITLE 11 — INVESTIGATION AND EVALUATION BY THE COMPTROLLER GENERAL

#### INVESTIGATION

Sec. 201. The *Comptroller General of the United States* (hereinafter in this title referred to as the *Comptroller General*) is authorized and directed to make an investigation in sufficient depth of programs and activities financed in whole or in part by funds authorized under section 2 of this Act, in order to determine—

(1) the efficiency of the administration of such programs and activities by the Office of Economic Opportunity and by local public and private agencies carrying out such programs and activities; and

(2) the extent to which such programs and activities achieve the objectives set forth in the relevant part or title of the Economic Opportunity Act of 1964 authorizing such programs or activities.

#### REPORTS

Sec. 202. The *Comptroller General* shall make such interim reports as he deems advisable and shall transmit his final report to the Congress not later than December 1, 1968. Such final report shall contain a detailed statement of his findings and conclusions together with such recommendations, including recommendations for additional legislation as he deems advisable.

#### POWERS OF THE COMPTROLLER GENERAL

Sec. 203. (a) The *Comptroller General* or, on the authorization of the *Comptroller General*, any officer of the *General Accounting Office*, may, for the

purpose of carrying out the provisions of this title, hold such hearings, take such testimony, and sit and act at such times and places as he deems advisable. Any officer designated by the *Comptroller General* may administer oaths or affirmations to witnesses appearing before the *Comptroller General* or such designated officer.

(b) Each department, agency, and instrumentality of the executive branch of the Government, including independent agencies, is authorized and directed to furnish to the *Comptroller General*, upon request made by him, such information as he deems necessary to carry out his functions under this title.

(c) The *Comptroller General* is authorized—

(1) to appoint and fix the compensation of such staff personnel as he deems necessary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, and

(2) to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code, but at rates not to exceed \$100 a day for individuals.

(d) The *Comptroller General* is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conduct of research or surveys, the preparation of reports, and other activities necessary to the discharge of his duties under this title. (81 Stat. 727)

### **Uniform Cost Accounting Standards for Government Contractors**

(14) Defense Production Act, extension, Public Law 90–370, approved July 1, 1968, 82 Stat. 279:

Sec. 3. Title VII of the Defense Production Act of 1950 is amended by adding at the end thereof the following new section:

“Sec. 718. The *Comptroller General*, in cooperation with the Secretary of Defense and the Director of the Bureau of the Budget, shall undertake a study to determine the feasibility of applying uniform cost accounting standards to be used in all negotiated prime contract and subcontract defense procurements of \$100,000 or more. In carrying out such study the *Comptroller General* shall consult with representatives of the accounting profession and with representatives of that segment of American industry which is actively engaged in defense contracting. The results of such study shall be reported to the Committees on Banking and Currency and the Committees on Armed Services of the Senate and House of Representatives at the earliest practicable date, but in no event later than eighteen months after the date of enactment of this section.” (82 Stat. 279)

### **Senate —Disclosure of Financial Interests**

(15) The Senate agreed to Senate Resolution 266 on March 22, 1968, which amended the Standing Rules of the Senate to add the following new rule:

#### “RULE XLIV

##### “Disclosure of Financial Interests

“1. Each Senator or person who has declared or otherwise made known his intention to seek nomination or election, or who has filed papers or petitions for

nomination or election, or on whose behalf a declaration or nominating paper or petition has been made or filed, or who has otherwise, directly or indirectly, manifested his intention to seek nomination or election, pursuant to State law, to the Office of United States Senator, and each officer or employee of the Senate who is compensated at a rate in excess of \$15,000 a year, shall file with the *Comptroller General of the United States*, in a sealed envelope marked "Confidential Personal Financial Disclosure of \_\_\_\_\_ ,

(Name)

before the 15th day of May in each year, the following reports of his personal financial interests:

"(a) a copy of the returns of taxes, declarations, statements, or other documents which he, or he and his spouse jointly, made for the preceding year in compliance with the income tax provisions of the Internal Revenue Code:

"(b) the amount or value and source of each fee or compensation of \$1,000 or more received by him during the preceding year from a client; and

"(c) the name and address of each business or professional corporation, firm, or enterprise in which he was an officer, director, partner, proprietor, or employee who received compensation during the preceding year and the amount of such compensation;

"(d) the identity of each interest in real or personal property having a value of \$10,000 or more which he owned at any time during the preceding year;

"(e) the identity of each trust or other fiduciary relation in which he held a beneficial interest having a value of \$10,000 or more, and the identity if known of each interest of the trust or other fiduciary relation in real or personal property in which the Senator, officer, or employee held a beneficial interest having a value of \$10,000 or more, at any time during the preceding year. If he cannot obtain the identity of the fiduciary interests, the Senator, officer, or employee shall request the fiduciary to report that information to the *Comptroller General* in the same manner that reports are filed under this rule;

"(f) the identity of each liability of \$5,000 or more owned by him, or by him and his spouse jointly, at any time during the preceding year; and

"(g) the source and value of all gifts in the aggregate amount or value of \$50 or more from any single source received by him during the preceding year.

"2. Except as otherwise provided by this section, all papers filed under section 1 of this rule shall be kept by the *Comptroller General* for not less than seven years, and while so kept shall remain sealed. Upon receipt of a resolution of the Select Committee on Standards and Conduct, adopted by a recorded majority vote of the full committee, requesting the transmission to the committee of any of the reports filed by any individual under section 1 of this rule, the *Comptroller General* shall transmit to the committee the envelopes containing such reports. Within a reasonable time after such recorded vote has been taken, the individual concerned shall be informed of the vote to examine and audit, and shall be advised of the nature and scope of such examination. When any sealed envelope containing any such report is received by the committee, such envelope may be opened and the contents thereof may be examined only by members of the committee in executive session. If, upon such examination, the committee determines that further con-

sideration by the committee is warranted and is within the jurisdiction of the committee, it may make the contents of any such envelope available for any use by any member of the committee, or any member of the staff of the committee, which is required for the discharge of his official duties. The committee may receive the papers as evidence, after giving to the individual concerned due notice and opportunity for hearing in a closed session. The *Comptroller General* shall report to the Select Committee on Standards and Conduct not later than the 1st day of June in each year the names of Senators, officers and employees who have filed a report. Any paper which has been filed with the *Comptroller General* for longer than seven years, in accordance with the provisions of this section, shall be returned to the individual concerned or his legal representative. In the event of the death or termination of service of a Member of the Senate, an officer or employee, such paper shall be returned unopened to such individual, or to the surviving spouse or legal representative of such individual within one year of such death or termination of service.

“3. Each Senator or person who has declared or otherwise made known his intention to seek nomination or election, or who has filed papers or petitions for nomination or election, or on whose behalf a declaration or nominating paper or petition has been made or filed, or who has otherwise, directly or indirectly, manifested his intention to seek nomination or election, pursuant to State law, to the office of United States Senator, and each officer or employee of the Senate who is compensated at a rate in excess of \$15,000 a year, shall file with the Secretary of the Senate, before the 15th day of May in each year, the following reports of his personal financial interests:

“(a) the accounting required by rule **XLII** for all contributions received by him during the preceding year, except that contributions in the aggregate amount or value of less than \$50 received from any single source during the reporting period may be totaled without further itemization; and

“(b) the amount or value and source of each honorarium of \$300 or more received by him during the preceding year.

“4. All papers filed under section 3 of this rule shall be kept by the Secretary of the Senate for not less than three years and shall be made available promptly for public inspection and copying.

“5. This rule shall take effect on July 1, 1968. No reports shall be filed for any period before office or employment was held with the Senate, or during a period of office or employment with the Senate of less than ninety days in a year; except that the Senator, or officer or employee of the Senate, may file a copy of the return of taxes for the year 1968, or a report of substantially equivalent information for only the effective part of the year 1968.”

# **Appendix C**

## **AUDIT AND LEGAL ACTIVITIES**

APPENDIX C-1

NUMBER OF AUDIT REPORTS ISSUED DURING THE FISCAL YEAR 1968<sup>1</sup>

	Total	Congress <sup>2</sup>	Committees of Members of Congress <sup>3</sup>	Agency Officials <sup>4</sup>
Civil departments and agencies: <sup>5</sup>				
Civil departments-.....	294	53	55	186
Independent agencies.....	189	34	44	111
Multiagency activities.....	11	5	6	.....
Legislative branch.....	17	2	15	.....
	<b>511</b>	<b>94</b>	<b>120</b>	<b>297</b>
Military departments: ■				
Department of Defense.....	115	18	42	55
Department of the Army.....	208	11	15	182
Department of the Navy.....	59	5	9	45
Department of the Air Force.....	172	7	18	147
	<b>554</b>	<b>41</b>	<b>84</b>	<b>429</b>
International activities.....	73	17	23	33
Government-wide.....	13	3	4	6
Organizations outside the Federal Government.....	2	2	.....	.....
Total.....	<b>1,153</b>	<b>157</b>	<b>231</b>	<b>765</b>

NOTES:

<sup>1</sup> A detailed listing of these reports is contained in the following table. Substantially identical reports listed more than once have, for the purposes of this table, been counted as one report.

<sup>2</sup> 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 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 President of the United States as appropriate; the agencies reported on; and others directly affected. Synopses of these reports will be found in Chapters Four, Five, Six, and Seven.

<sup>3</sup> Includes reports addressed to officers of the Congress.

<sup>4</sup> 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.

<sup>5</sup> Exclusive of international and Government-wide activities which are listed separately.

APPENDIX C-2

AUDIT REPORTS ISSUED DURING THE FISCAL YEAR 1968

	Reference	Addressee and date issued		
		Congress	Committees or Members of Congress	Agency officials
<b>CIVIL DEPARTMENTS</b>				
Department of Agriculture:				
Department-wide:				
Improvements in management controls over office copying machines .....	146930	4-25-68		-----
Review of activities of the Office of the Inspector General .. Do. ....	160759	5- 8-68	-----	----- 5-22-68
Review of centralized payroll operations at Management Data Service Center, New Orleans, La .....	-----	-----	-----	8-30-67
Review and approval of centralized automated payrolling system. ....	146951	-----	-----	9-28-67
Agricultural Research Service:				
Review and approval of statements of accounting principles and standards for the working capital fund and for the general, special, and trust funds .....	115312	-----	-----	6-17-68
Payments to foreign carriers for transportation services. . .	161412	-----	-----	8-15-67
Settlement of accounts of accountable officers, Southern Administrative Division, New Orleans, La .....	-----	-----	-----	9-14-67
Do .....	-----	-----	-----	6- 4-68
Agricultural Stabilization and Conservation Service and Commodity Credit Corporation:				
Review of certain aspects of the wheat export program (request of Congressman Paul Findley) .. ..	160340	7-24-67	-----	-----
Follow-up review of cotton inventory management by the Commodity Credit Corporation. ....	114824	8-28-67	-----	-----
Savings available if the Commodity Credit Corporation recovers interest costs on repaid price-support loans and on storage facility and equipment loans. ....	114824	9-21-67	-----	-----
Examination of financial statements of Commodity Credit Corporation (1967) .. ..	114824	3-12-68	-----	-----
Review of peanut price-support programs. ....	163484	5- 9-68	-----	-----
Opportunity to reduce costs by accelerating the disposal of unneeded storage structures. ....	114824	5-13-68	-----	-----
Review of the wool price-support program. ....	-----	-----	-----	10- 6-67
Review of Commodity Credit Corporation accounts and financial reports for fiscal year 1967:				
ASCS Commodity Office, Minneapolis, Minn. ....	-----	-----	-----	12-11-67
Headquarters Office, Washington, D.C. ....	-----	-----	-----	2-16-68
Review of selected operations of cotton cooperative marketing associations under the cotton loan program. ....	-----	-----	-----	1- 5-68
Consumer and Marketing Service:				
Review of certain aspects of meat and poultry inspection activities (request of chairman, Subcommittee on Department of Agriculture and Related Agencies, House Committee on Appropriations) .. ..	163450	-----	3- 8-61	-----
Farmers Home Administration:				
Review of loans to grazing associations. ....	114870	1- 4-68	-----	-----
Procedures used for depositing loan collections. ....	-----	-----	-----	7-12-67
Review of selected year-end obligations of loan authorizations, Farmers Home Administration and Rural Electrification Administration. ....	159990	-----	-----	10- 6-67



	Reference	Addressee and date issued		
		Congress	Committees or members of Congress	Agency officials
CIVIL DEPARTMENTS—continued				
Department of Agriculture—Continued				
Federal Crop Insurance Corporation:				
Examination of financial statements (1967) . . . . .	114834	2- 1-68	-----	-----
Review of procedures relating to the accounting for premium income and indemnity payments at the Iowa State Office . . . . .	-----	-----	-----	12-14-67
Federal Extension Service and Cooperative State Research Service:				
Substantial interest savings available if program funds are advanced to States only as needed . . . . .	162517	11-13-67	-----	-----
Forest Service:				
Comments on whether the new scaling agreements and the revised Forest Service regional instructions correct all the deficiencies noted in certain GAO reports (request of chairman, National Resources and Power Subcommittee, House Committee on Government Operations) . . . . .	125053	-----	11-16-67	-----
Proposed increases in summer home fees at the Shay Creel area, Toiyabe National Forest (request of Congressman Harold T. Johnson) . . . . .	162490	-----	4-30-68	-----
Settlement of accounts of accountable officers, Region I, San Francisco, Calif. . . . .	-----	-----	-----	8-14-67
Office of Management Services:				
Settlement of accounts of accountable officers. . . . .	-----	-----	-----	10-31-67
Rural Electrification Administration:				
Inquiry into certain matters relating to the purchasers of organizations having outstanding loans from REA (request of Congressman Bob Dole) . . . . .	162373	-----	9-18-67	-----
Review and approval of statement of accounting principles and standards . . . . .	116308	-----	-----	5-28-68
Soil Conservation Service:				
Allegations concerning the appraisals and intended acquisitions of properties for the Margaret Creek Watershed Project, Lake Number Two, Athens County, Ohio (request of Congressman Clarence E. Miller) . . . . .	161931	-----	10- 3-67	-----
Need for further study and review of policies, procedure and practices followed in constructing information monuments for watershed projects . . . . .	-----	-----	-----	2-28-68
Settlement of accounts of accountable officers, Illinois State Office . . . . .	-----	-----	-----	9-20-67
Department of the Army, Corps of Engineers (civil function):				
Need for improved reviews of quantity estimates prepared by architect-engineers for solicitation of construction bids . . . . .	11863	8- 3-67	-----	-----
Need for improving policies and procedures for estimating costs, evaluating bids, and awarding contracts for dredging . . . . .	16133	8- 7-67	-----	-----
Need for procedures to preclude more than just compensation in acquiring oil interests . . . . .	162101	9-29-67	-----	-----
Need to improve procedures for compensating municipalities for relocation of facilities necessitated by construction . . . . .	16062	2-27-68	-----	-----
Federal water resources projects . . . . .	-----	-----	-----	11- 9-67
Review of disposition of findings disclosed by internal review . . . . .	-----	-----	-----	-----
Review of accounts and accounting procedures of Corps Engineers' multiple-purpose projects that participated in the Columbia River Federal Power System during fiscal year 1967 . . . . .	-----	-----	-----	-----

	Referenci	Addressee and date issued		
		Congress	Committees or Members of Congress	Agency officials
CIVIL DEPARTMENTS—continued				
Department of the Army, Corps of Engineers—Continued				
Settlement of accounts of accountable officers:				
District offices:				
Chicago, Ill. ....				9-26-67
Detroit, Mich. ....				11-21-67
Jacksonville, Fla. ....				3-15-68
Los Angeles, Calif. ....				8- 2-67
Pittsburgh, Pa. ....				9-13-67
Portland, Oreg. ....				10-30-67
Rock Island, Ill. ....				9-26-67
Sacramento, Calif. ....				3-28-68
San Francisco, Calif. ....				10- 5-67
St. Paul, Minn. ....				9-27-67
Department of Commerce:				
Department-wide:				
Review and appraisal of efficiency and effectiveness of audit activities .....	160759	7-12-67		
Bureau of the Census:				
Settlement of accounts of accountable officers:				
Operations office:				
Jeffersonville, Ind. ....				7- 5-67
Regional offices:				
Chicago, Ill. ....				9-20-67
Dallas, Tex. ....				9- 8-67
Detroit, Mich. ....				9-25-67
New York, N.Y. ....				9-28-67
Philadelphia, Pa. ....				9-19-67
St. Paul, Minn. ....				8-28-67
Economic Development Administration:				
Information concerning the use of consultants (request of Congressman H. R. Gross) .....	163403		4-16-68	
Information on loans made to the Deer Island Granite Corporation, Stonington, Maine (request of Congressman H. R. Gross) .....	164012		6- 6-68	
Policies and procedures relating to the repayment of Federal funds provided for technical assistance .....				6-10-68
Environmental Science Services Administration:				
Pricing and sale of aeronautical charts, Coast and Geodetic Survey (request of Senator Gordon Allott) .....	128359		1-23-68	
Acquisition of certain computers by the Coast and Geodetic Survey .....				8-24-67
Overpayment of per diem to Coast and Geodetic Survey employees .....				8-31-67
Certain aspects of the small-craft nautical charting program of the Coast and Geodetic Survey .....				4-15-68
Maritime Administration:				
Potential savings in financing operations of Government-owned vessels supporting military activities in Southeast Asia .....	118779	i-2i-67		
Settlement of accounts of accountable officers:				
Gulf Coast District, New Orleans, La. ....				3-12-69
Headquarters, Washington, D.C. ....				6-26-68
Pacific Coast District, San Francisco, Calif. ....				7-14-67

	Reference	Addressee and date issued		
		Congress:	Committees or members of Congress	Agency officials
<b>CIVIL DEPARTMENTS—continued</b>				
<b>Department of Commerce—Continued</b>				
National Bureau of Standards:				
Review of budget analysis for the proposed National Commission on Product Safety (request of chairman, Subcommittee on Commerce and Finance, House Committee on Interstate and Foreign Commerce).....	160881	.....	10-20-67	
Office of Field Services:				
Administrative controls over the receipt, distribution, and sale of publications .....	.....	.....	.....	9-29-67
<b>Department of Health, Education, and Welfare:</b>				
Office of the Secretary:				
Information relative to inquiries and allegations made with respect to certain education and surplus property programs (request of Senator Robert F. Kennedy) .....	164031	.....	6-17-68	.....
Settlement of accounts of accountable officers:				
Region VII, Dallas, Tex. ....	.....	.....	.....	4-22-68
Region VIII, Denver, Colo.....	.....	.....	.....	11-13-67
Office of Education:				
Information on selected aspects of grants in the State of Mississippi under title 111, Elementary and Secondary Education Act of 1965 (request of chairman, Intergovernmental Relations Subcommittee, House Committee on Government Operations) .....	161966	.....	9-13-67	
Evaluation of cost comparison of federally assisted student loan programs (request of chairman, House Special Subcommittee on Education and Labor) .....	114836	.....	2-27-68	
Information on selected grants under the Elementary and Secondary Education Act of 1965 (request of chairman, Intergovernmental Relations Subcommittee, House Committee on Government Operations) .....	161966	.....	3- 4-68	
Certain aspects of administration of vocational education programs (request of Congressman E. S. Johnny Walker) .....	162789	.....	4-19-68	.....
Inquiry into alleged procurement irregularities at a federally supported university (request of Senator Wayne L. Morse: Federal financial assistance furnished to selected grantee: for the construction of educational television broadcasting facilities.....	164031(1)	.....	5-22-68	
.....	161671	.....	.....	7-18-67
Examination into the operation of certain aspects of the system used in funding programs carried out under title 1 of the Elementary and Secondary Education Act of 1965 .....	.....	.....	.....	11-27-67
Accountability and management of contractor-held property owned by the Government .....	114836	.....	.....	1-31-68
Review of selected aspects of eligibility determinations for Federal financial assistance under Public Law 815 .....	.....	.....	.....	2-19-68
Review of selected expenditures of funds appropriated for use of Howard University .....	164031(1)	.....	.....	6- 4-68
Food and Drug Administration:				
Settlement of accounts of accountable officers:				
District offices:				
Philadelphia, Pa. ....	.....	.....	.....	8-30-67
Seattle, Wash .....	.....	.....	.....	4-26-68

	Referenc	Addressee and date issued		
		Congress	Committees or Members of Congress	Agency officials
CIVIL DEPARTMENTS—continued				
Department of Health, Education, and Welfare—Continued				
Public Health Service:				
Financial administration of Federal grants for health services made to the State of Washington.....	114836	7-21-67	.....	
Review of certain aspects of tuition rates charged by the University of Michigan School of Public Health:				
Request of Congressman George Andrews .....	162552		1-16-68	
Selected data made available to agency.. ..	162552			1-16-68
Management and use of grant funds awarded to Health Research, Incorporated (request of chairman, Intergovernmental Relations Subcommittee, House Committee on Government Operations) .....	141839		2-29-68	
Review of cost savings claimed for proposed consolidation of medical supply depots at Dixon, Ill., or Neosho, Mo. (request of Congressman Durward G. Hall) .....	163148		3- 5-68	
Procurement procedures employed in awarding a contract to the regents of the University of California (request of chairman, Intergovernmental Relations Subcommittee, House Committee on Government Operations) .....	163367		3-22-68	
Graduate research training grants administered by the National Institute of General Medical Sciences.....	157924			8-23-67
Settlement of accounts of accountable officers, Area Office, Division of Indian Health, Billings, Mont. ....				11-24-67
Procedures of the National Center for Health Statistics regarding purchase of microfilm images of vital statistical data .....				2-16-68
Review of selected aspects of (Hill-Burton) hospital and medical facilities construction grant program in Region VI, Kansas City, Mo.....				2-19-68
Administration of grants awarded for the operation of the Oregon Regional Primate Research Center .....	157924			4- 1-68
Saint Elizabeths Hospital: Review of accounting and related control procedures- .....	133099			2-29-68
Social and Rehabilitation Service:				
Need for more effective guidance to States in establishing rates of payment for nursing home care provided to welfare recipients. ....	114836	10-31-67		
Federal financial participation in administrative costs of public assistance programs in certain counties of California- .....	114836	12- 6-67		
Need for guidance to States on contracting for administrative services under federally aided public assistance programs .....	114836	12-13-67		
Examination of records of Ohio Office of Aid for the Aged concerning payments to a particular individual (request of chairman, Subcommittee on Long-Term Care, Senate Special Committee on Aging). ....	114836		8-21-67	
Request for verification of certain information concerning grants for maternity and infant care projects (request of Congressman E. S. Johnny Walker) .....	162404		11- 3-67	
Charges for care to welfare patients and related matters, Berrien General Hospital, Berrien Center, Mich. (request of chairman, House Committee on Government Operations) .....	161322		4-25-68	

	Reference	Addressee and date issued		
		Congress	Committees or Members Congress	Agency officials
CIVIL DEPARTMENTS—continued				
Department of <b>Health, Education, and Welfare</b> —Continued				
Social and Rehabilitation Service—Continued				
Review of quality control system established forevaluating eligibility determinations made under public assistance programs in the State of California .....				11-20-67
Review of eligibility aspect of vocational rehabilitation program in the State of Pennsylvania. ....	159804			1-16-68
Need for further guidance to States concerning payments for care in public hospitals under federally aided public assistance programs- .....	114836			4- 3-68
Administration of certain aspects of the aid to families with dependent children program in the State of Missouri .....	164031 (3)			5-29-68
Review of certain aspects of the letter-of-credit system under selected grant programs. ....	164031			3-21-68
Social Security Administration:				
Comments regarding delays experienced in obtaining social security account numbers for minor children (request of Congressman Gilbert Gude). ....	114831		1-29-68	
Reimbursements under the Medicare program to St. Luke's Hospital in Cleveland, Ohio (request of Congressman Charles A. Vanik) .....	163572		5- 9-68	
Method of allocating indirect administrative expenses of State agencies under the Medicare program.- .....				9-19-67
Method of procurement of certain ADP equipment for the Medicare program .....				1(t)11-67
Department of Housing and <b>Urban</b> Development:				
Federal Housing Administration:				
Examination of financial statements (1966) .....	114860	2-12-61		
Limited success of investor-sponsor cooperative housing program .....	114860	4-11-68		
Operation of Federal housing programs in areas of potential geologic instability, Foster City, Calif. (request of chairman, House Committee on Government Operations)-. ...	158554		7-31-67	
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Review of the policies and practices of the Department of State and related agencies, regarding the granting of family visitation to U.S. Government personnel in Vietnam (request of Senator George Murphy)	163037	-----	2-19-68	-----
Review of the policies and practices of the Department of State and related agencies, regarding the granting of family visitation to U.S. Government personnel in Vietnam (request of Senator Thomas H. Kuchel)	163037	-----	2-19-68	-----

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<b>INTERNATIONAL ACTIVITIES—continued</b>				
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Information concerning studies done by the Hudson Institute of Croton-on-Hudson, N.Y., or other contract research organizations, on international relations or foreign policy (request of chairman, Senate Committee on Foreign Relations) . . . . .	133209	-----	4-29-68	-----
Review of the feasibility of merging automatic data processing systems, Department of State and Agency for International Development. . . . .	158259	-----	-----	7-14-67
Review of the need for requiring commitment for continued Government service subsequent to university training at Government expense. . . . .	133310	-----	-----	8-29-67
Review of administrative activities of the U.S. Embassy and selected consulates in Australia. . . . .	159601	-----	-----	9-12-67
Review of certain aspects of the U.S. Escapee Program . . . . .	162143	-----	-----	9-18-67
Review of procedures and controls employed in the domestic payroll system, Department of State. . . . .	146703	-----	-----	9-22-67
Review of selected administrative activities of the American Embassy, Rome, Italy, and of the Consulate, Naples, Italy . . . . .	-----	-----	-----	9-22-67
Need for improvement in the controls and management of travel by Foreign Service personnel for the purpose of taking home leave. . . . .	162042	-----	-----	10-30-67
Review of administrative activities of the U.S. Embassy in the United Arab Republic . . . . .	-----	-----	-----	11-15-67
Information relating to a proposed modification of the U.S. Government bill of lading (Form No. 1103) . . . . .	-----	-----	-----	12-21-67
Review of activities of the U.S. Military Liquidation Section, Paris, France . . . . .	153368	-----	-----	1-16-68
Review of accounting, disbursing, and automatic data processing operations of Regional Finance and Data Processing Center at Paris, France. . . . .	146702	-----	-----	1-31-68
Questionable per diem payments to employees transferred from Karachi, Pakistan, to Rawalpindi, Pakistan, and their return to Karachi in a temporary duty status. . . . .	-----	-----	-----	2-26-68
Information relating to a modification of requirements for the use of Government bills of lading in connection with shipments of diplomatic pouches to foreign service posts by air carriers. . . . .	2422	-----	-----	3- 1-68
Review of administrative activities of the U.S. Embassy and selected constituent posts in Brazil. . . . .	163322	-----	-----	5-23-68
<b>United States Information Agency:</b>				
Review of selected operations of the United States Information Service in the United Arab Republic . . . . .	-----	-----	-----	9-20-67
<b>Peace Corps:</b>				
Limited examination into a reorganization involving the internal audit function of the Peace Corps. . . . .	160756	-----	-----	12-27-67
Limited survey of Peace Corps acquisition of automatic data processing equipment and management of ADP operations. . . . .	163611	-----	-----	2-27-68
<b>Independent Agencies:</b>				
<b>Export-Import Bank:</b>				
Audit of Export-Import Bank of Washington, fiscal year 1967 . . . . .	11482	5- 1-61	-----	-----
Examination of the statement of assets and liabilities of the Export-Import Bank of Washington, fiscal year 1967. . . . .	11482:	-----	-----	10-20-67

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Selected significant audit findings in the civil departments and agencies of the Government (request of chairman, House Committee on Appropriations) .....	106190	.....	1-18-68	-----
Implementation of the President's program to improve communications with and service to the public at selected field locations of certain Federal agencies- .....	130730	.....	.....	7 - 28 7
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Survey of use by Federal agencies of the discounting techniques in evaluating future programs. ....	162719	.....	1-29-68	.....
Information concerning support services in Federal agencies (request of acting chairman, Subcommittee on Special Studies, House Committee on Government Operations) .....	133394	.....	6- 4-68	.....
Use of contractor-furnished personnel in the Government (request of Congressman Charles A. Vanik) .....	164587	.....	6-24-68	.....
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Processing and payment of bills for transportation of freight and passengers. ....	159335	.....	.....	12-13-67
ORGANIZATIONS OUTSIDE THE FEDERAL GOVERNMENT				
Gorgas Memorial Institute of Tropical and Preventive Medicine, Inc.: Examination of financial statements (1967) .....	114865	12-27-67	.....	.....
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APPENDIX C-3

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 2E8 through 311.

[Reports of general interest only are included]

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Civil disturbances neighborhood emergency fund (S. 2258).	S. Banking & Currency.....	9-19-67	B-162218
Civil disturbances, insurance program (S. 2270)	S. Banking & Currency.....	10-12-67	B-162218
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Education, higher assistance (S. 3098, H.R. 16729).	H. Labor & Public Welfare...	5-7-68	B-114836
Education, more effective schools (S. 3445)...	S. Labor & Public Welfare..	<del>6-25-68</del>	B-114836
Education, preschool aid (S. 3546).....	S. Labor & Public Welfare..	6-14-68	B-148513
Education, vocational.....	S. Labor & Public Welfare..	<del>6-26-68</del>	B-148513
Grants-in-aid, generally (H.R. 14558).....	S. Labor & Public Welfare..	5-7-68	B-164198
Handicapped children assistance (S. 3446).....	H. Education & Labor.....	4-30-68	B-155352
Health manpower (H.R. 15757, S. 3095).....	S. Labor & Public Welfare..	5-27-68	B-148515
	H. Interstate & Foreign Commerce.	P17-68	B-163774
	S. Labor & Public Welfare..	5-13-68	B-163774
Health partnership (S. 1131, H.R. 6418).....	S. Labor & Public Welfare..	10-5-67	B-157924
Hospital modernization and improvement (H.R. 11297).	H. Interstate & Foreign Commerce	9-14-67	B-143181
Housing for low and moderate income projects (S. 3029, H.R. 15624).	S. Banking & Currency.....	4-15-68	B-161338
Manpower employment and training (S. 3063, S. 3249).	H. Banking & Currency.....	5-15-68	<del>D-161338</del>
Maritime, new program (H.R. 13940, H.R. 13941).	S. Labor & Public Welfare..	6-18-68	B-163922
Maritime, reserve fleet establishment (H.R. 1640).	H. Merchant Marine & Fisheries.	3-19-68	B-162926
Radiation emission from electronic products (S. 2067, H.R. 10790).	H. Merchant Marine & Fisheries.	5-13-68	B-162926
Radiation health safety (H.R. 10790).....	S. Commerce.....	<del>8-28-67</del>	B-155352
	S. Commerce.....	5-9-68	B-155352
Radiation injuries in uranium mines (H.R. 14558).	H. Interstate & Foreign Commerce.	10-2-67	B-155352
Railroads financial assistance (S. 2329).....	H. Education & Labor.....	4-30-68	B-155352
Transplantation commission (H.R. 14937, S. 3616).	S. Commerce.....	10-12-67	B-139052
	H. Interstate & Foreign Commerce.	3-20-68	B-163460
	S. Labor & Public Welfare..	5-7-68	B-164198
Upper Colorado River, weather modification (S. 2058).	S. Commerce.....	9-5-67	<del>B-100063</del>
Accounting systems: Status disclosure (H.R. 12998).	H. Government Operations..	11-6-67	B-127287

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Agriculture: Rutabaga crop loss.....	Sen. William Proxmire.....	10-16-67	B-160780
<b>Aircraft:</b>			
Supersonic airplane construction contracts payment and royalty provisions.	Rep. Sidney R. Yates.....	11-13-67	B-159141
Supersonic airplane construction authorizer (H.R. 15933).	H. Interstate & Foreign Commerce.	5-6-68	B-159141
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National Capitol Airport Corp, creation (S 1632).	Sen. Mike Mansfield.....		
Trust fund establishment (S. 2379).....	Sen. Daniel B. Brewster.....		It 7-67
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	H. Administration..	4-23-68	B-163773
<b>Architects and engineers:</b> Fee limitation..	S. Government Operations..	3-11-68	B-152306
	Rep. Sidney R. Yates.....	4-24-68	B-152306
	Rep. Roman C. Pucinski.....	5-17-68	B-152306
<b>Arlington National Cemetery:</b> Limitation of burials, regulation sufficiency.	H. Comm. on Veterans Affairs.	12-12-67	B-162804
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Dependency benefits for second wife, re validity of foreign divorce from first wife.	Sen. Spessard L. Holland....	9-22-67	B-162409
Dislocation allowance.....	Sen. George Murphy.....	5-21-68	B-162767
Double compensation: Concurrent retired pay and civilian disability compensation.	Sen. John J. Sparkman.....	9-11-67	B-162179
Family separation allowance entitlement.....	Numerous Representatives & Senators.	11-20-67 1-124 4-11 8 12-67 4-224 5-8 8 9-67	B-162767 B-162767 B-157586 B-157586 B-157586
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Aviation incentive pay.....	Rep. William L. Dickinson....	10-4-67	B-145095
Combat.....	Sen. Robert F. Kennedy.....	9-1-67	B-159562
During confinement by civil authorities.....	Rep. Charles E. Bennett.....	9-20-67	B-160588
World War I service.....	Rep. John V. Tunney.....	5-15-68	A-30169
World War II service.....	Sen. Edward M. Kennedy.....	10-12-67	B-162588
Quarters allowances, dependent mother.....	Sen. John J. Sparkman.....	12-12-67	B-163049
Rations allowance.....	Rep. Samuel S. Stratton.....	12-13-67	B-162953
Record correction.....	Rep. Frank A. Stubblefield....	3-18-68	B-161564
	Rep. John E. Moss.....	5-6 &	B-160096
	Sen. Edward M. Kennedy.....	7-68	
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Reenlistment bonus variable.....	Rep. Lawrence J. Burton.....	5-21-68	B-160096
<b>Retired pay:</b>			
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Six month's death gratuity entitlement..	Rep. Speedy O. Long.....	5-14-68	B-163554
Subsistence allowances:			
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Entitlement incident to Philippine insurrection.	Rep. Carl D. Perkins.....	9- 7-67	B-162301
Stale claim.....	Rep. Porter Hardy, Jr.....	11-14-67	B-162785
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	Rep. Andrew Jacobs, Jr.....	6- 1-68	B-163908
Entitlement.....	Rep. Bob Wilson.....	11- 1-67	B-162677
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Travel allowances.....	Rep. Lester L. Wolff.....	6-18-68	B-164410
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Negotiation propriety.....	Rep. Joseph M. McDade.....	2- 2-68	B-162947
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<b>Claims:</b> Travel allowance barred by act of Oct. 9, 1940.	Rep. Edwin W. Edwards....	P22-62	B-163992
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<b>Commissary stores:</b> Prices for food staples sold by Armed Forces of the Republic of Vietnam.	H. Government Operations..	9- M i	B-162133
<b>Comsat:</b> Funds for Intelsat.....	Sen. George Murphy.....	11-14-67	B-162801
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Prevailing wages (H.R. 16667).....	E. Post Office & Civil Service.	8-15-68	B-125151
Quality increase, effecton within grade.....	Rep. Lee H. Hamilton .....	5- 7-68	B-160137
Saved pay entitlement.....	Sen. Daniel K. Inouye.....	9- 5-67	B-162174
			B-132133
Withholding union dues.....	Sen. Ralph W. Yarborough..	12-28-67	B-40342
Customs inspectors, classification (S. 2306)...	S. Post Office & Civil Service	9-28-67	B-127923
Deceased, widows entitlement to Federal employees compensation.	H. Government Operations. .	4-15-68	B-142963
Housing, limitation on rent cost.....	Rep. Patsy T. Mink.....	10-17-67	B-162477
Increases, number since 1945.....	Rep. Roy A. Taylor.....	9-26-67	B-162300
Leaves of absence, annual, military service credit.	S. Labor & Public Welfare....		
	Rep. James C. Wright, Jr., et al.	3-13-68	B-136412
	Sen. Thomas H. Kuchel.....	3-21-68	B-136412
	Sen. Henry M. Jackson.....	3-27-68	B-136412
	Rep. Charles E. Gubser.....	3-29-68	B-136412
	Rep. William L. Scott.....	4- 1-68	B-136412
Parking meter fines, reimbursement.....	Sen. Walter F. Mondale.....	4-18-68	B-147420
Per diem, temporary quarters, new appointees.	Sen. Ernest Gruening.....	12-26-67	B-162608
Removals, etc., probationary period.....	Sen. E. L. Bartlett.....	5- 6-68	B-163986
Retirement:			
Deduction of retirement annuity from fees as U.S. Commissioner.	Sen Richard B. Russell.....	6-24-68	B-78220 B-119133
Federal Works Agency service.....	Rep. Henry B. Gonzalez.....	12-28-67	B-162860
International organization service credit (S. 2284, S. 3281).	S. Post Office & Civil Service.	9-18-67	B-135075
Lump-sum payment entitlement.....	S. Post Office & Civil Service.	6-18-68	B-135075
	Rep. Peter H. B. Frelinghuysen.	1-11-68	B-157005
Military service inclusion in survivor annuity computation.	Sen. John Stennis.....	10-11-67	B-162482
Modernization act (H.R. 16288, S. 3276).....	H. Post Office & Civil Service	5-27-68	B-130150
	S. Post Office & Civil Service.	5-27-68	B-130150
Twenty-five years without age (S. 3404).....	S. Post Office & Civil Service.	6-13-68	B-93671 B-94946
Severance pay entitlement.....	Rep. Edward P. Boland.....	2- 8-68	B-157753
Severance pay and moving expenses incident to RIF action.	Rep. James G. O'Hara.....	3-11-68	R-163640
Training service obligation breach.....	Rep. Peter H. B. Frelinghuysen.	9- 1-67	B-160977
	Sen. Joseph D. Tydings.....	9- 1-67	B-162265

Subject	To	Date	Reference No.
<b>Employees—Continued</b>			
Transfers:			
Public Law 89-516:			
Excess household effects.....	Sen. George A. Smathers.....	10-12-67	B-162564
Home sale purchase expenses (H.R. 12186).....	E. Government Operations.....	9-13-67	B-149785
Income tax deductions.....	Rep. Harvey G. Machen.....	4-17-68	B-163844
Temporary lodgings.....	Rep. Hale Boggs.....	3-20-68	B-163689
Transportation and travel expenses:			
Dependents travel by auto instead of air payment basis.....	Sen. Norris Cotton.....	2-27-68	B-163556
Household effects shipment, weight.....	Rep. Wright Patman.....	2-16-68	B-162567
Household effects storage.....	Rep. James G. O'Hara.....	11-21-67	B-162844
Increase in travel expenses (H.R. 13738).....	S. Government Operations.....	5-27-68	B-5019
Mileage and per diem.....	Sen. Sam J. Ervin, Jr.....	5- 7-68	B-163782
Return from Panama Canal.....	Rep. Watkins M. Abbitt.....	11- 3-67	B-162677
Workweek changes.....	Sen. Peter H. Dominick.....	11-16-67	B-138279
ESSA: Commissioned personnel (S. 2960).....	S. Commerce.....	3-25-68	B-27836 B-108234 B-159522
Estuarine areas (S. 2365).....	S. Commerce.....	10-30-67	B-159522
<b>Federal aid, etc., programs:</b>			
Joint Funding Simplification Act (S. 2981, H.R. 12631).....	S. Government Operations.....	5- 4-68	B-146285
Propriety of state project leader being employed by private firm.....	H. Government Operations.....	5- 4-68	B-146285
	Sen. Carl T. Curtis.....	4-29-68	B-163925
Federal Aviation Act: "Supplemental" air transportation (S. 3566).....	S. Commerce.....	6-11-68	B-155146
Federal Credit Unions: Payroll deductions (S. 1084).....	H. Government Operations.....	11-27-67	B-139147
Federal Security Act: (S. 2778).....	S. Government Operations.....	3- 8-68	B-132376
<b>General Accounting Office:</b>			
Complaint investigation office (H.R. 16754).....	H. Government Operations.....	6-10-68	B-163498
Investigative functions.....	Rep. Jackson E. Betts.....	2-28-68	B-163498
Printing requirements.....	Joint Comm. on Printing.....	6-25-68	B-112960
Tort claims in foreign countries, settlement authority (S. 2999).....	S. Judiciary.....	3-13-68	B-135984
<b>Highways:</b>			
Equal employment opportunity application to contracts.....	Rep. William C. Cramer.....	5-22-68	B-163026
Evaluation of budget requests for implementation of Traffic Motor Vehicle Safety Act.....	H. Interstate & Foreign Commerce.....	3-12-68	B-88925
Relocated road.....	Rep. Arnold Olsen.....	4-30-68	B-163310
	Sen. Lee Metcalf.....		
Upgrading authority.....	Rep. William C. Cramer.....	4-15-68	B-143075
Hospital construction: Revolving fund and interest provisions (H.R. 16154).....	H. Interstate & Foreign Commerce.....	5-15-68	B-143181
<b>Housing:</b>			
Assistance in planning activities, disposition of profits (S. 2680).....	S. Banking & Currency.....	1-17-68	B-145530
Loans, direct (S. 2508).....	S. Banking & Currency.....	11-20-67	B-126944
Slum areas interest payment subsidies (S. 2800, S. 2801).....	S. Banking & Currency.....	2- 9-68	B-145530
<b>Intergovernmental relations:</b>			
Grants-in-aid:			
Administration (S. 698).....	S. Government Operations.....	5- 8-68	B-146285
Deposit of receipts (H.R. 16718).....	H. Government Operations.....	5-29-68	B-146285
Review of financial management (S. 698).....	S. Government Operations.....	6- 2-68	B-146285
<b>Interstate Commerce:</b>			
Attorneys fees (S. 858).....	S. Commerce.....	3- 8-68	B-120670
Exemption authority (S. 756).....	S. commerce.....	3- 6-68	B-140217

Subject	To	Date	Reference No.
<b>Interstate Commerce—Continued</b>			
Exemption for Agricultural Cooperative Associations (S. 752).	S. Commerce.....	4-23-68	B-130900
Loan guaranty program (S. 2328).....	S. Commerce.....	9-11-67	B-136638
Mergers subjected to antitrust laws (S. 2822)....	S. Commerce.....	1- 9-68	B-151116
Railroads, exemption from <b>minimum</b> rate regulation for carriage (S. 2774).	S. Commerce.....	2-26-68	B-119232
Railroads safety (S. 3426).....	S. Commerce.....	5-23-68	B-123346 B-113944
Interstate Commerce Commission: Employee utilization (S. 758).	S. Commerce.....	2- 5-68	B-107445
Justice Department: Independent agency to remove Attorney General from presidential control (H.R. 12194).	H. Government Operations..	4-13-67	B-162284
<b>Leases:</b>			
Reformation-postal facilities.....	Rep. E. S. Johnny Walker....	1-12-68	B-161233
Space for parking of employees cars (Draft 1)....	Rep. Hervey G. Machen.....	1-15-68	B-163133
Lite Project: Comment on H. Rept. 1133.....	H. Government Operations..	3-20-68	B-153751
Maritime:			
Cargo container vessels (S. 2419, H.R. 12954)....	S. Commerce H. Merchant Marine & Fisheries.	10-13-67	B-145455
<b>Cruise</b> limitation removal (H.R. 12639, S. 2360)....	H. Merchant Marine & Fisheries. S. Commerce.....	10-20-67	B-138589
Interest on loans and mortgages (H.R. 14796, S. 3017).	H. Merchant Marine & Fisheries, S. Commerce	3-15-68	B-115403
Program revision (H.R. 13940, H.R. 13941, H.R. 16401).	H. Merchant Marine & Fisheries. H. Merchant Marine & Fisheries.	3-19-68 3-19-68 5-13-68	B-115403 B-162926 B-162926
Meetings: Travel expenses.....	Rep. Charles R. Jonas.....	6- 7-68	B-128527
Meritorious claims: Kings River Conservation District.	Rep. B. F. Sisk.....	9-12-67	B-186046
National Capital Planning Commission: Funds for acquisition of property for George Washington Memorial Parkway.	Rep. Thomas B. Curtis.....	8-31-67	B-159104
National Parks: Concession contract propriety..	Sen. Wayne Morse.....	12-12-67	B-151705
National Science Foundation: Grants to nonprofit education institutions.	S. Government Operations....	4-30-68	B-162525
<b>Natural Gas</b> Act (H.R. 13832).....	H. Interstate & Foreign Commerce.	1-22-68	B-86339
Panama Canal: Improvement (H.R. 13834, H.R. 14179).	H. Merchant Marine & Fisheries.	3- 7-68	A-60428
Patents: Patent policy effect on small business...	Sen. Robert F. Kennedy.....	8-14-67	B-136916
Postal Service:			
Compensation:			
Night differential.....	Rep. Fletcher Thompson.....	12-13-67	B-162934
Overpayment.....	Rep. Joel T. Brodyhill.....	1-22-68	B-162946
Contracts, long-term, price adjustment draft ...	H. Post Office & Civil Service.	6-12-68	B-164192
Postmasters liability.....	Rep. John N. Erlenborn.....	3-21-68	B-162485
Reclassification (S. 2487).....	S. Post Office & Civil Service.	10-17-67	B-99833
Transfers expenses, etc. (S. 2333).....	S. Post Office & Civil Service.	10- 6-67	B-162369
<b>Poverty Program :</b>			
Community action program veto issue.....	Rep. Sam Steiger.....	6-24-68	B-164046
GAO investigation outline.....	S. Labor & Public Welfare H. Education & Labor	2- 9-68	B-130515

Subject	To	Date	Reference No.
<b>Printing:</b>			
Appropriation changes.....	Sen. John J. William.....	2- 1-68	B-163219
Publication by commercial source of riot report.	Sen. John J. Williams.....	5-21-68	3-163887
<b>Private relief:</b>			
Armed service members:			
Monthly allotment overpayments (H.R. 11205).	E. Judiciary.....	8- 7-67	8-161947
Pay overpayments:			
Dual compensation relief (H.R. 14199).....	H. Judiciary.....	1-11-68	8-163044
Erroneous Air Corps Reserve service credit (H.R. 13300).	E. Judiciary.....	2-18-67	8-162899
Erroneous enlisted service credit (H.R. 13374).	H. Judiciary.....	1-22-67	<del>B-162688</del>
Erroneous entry date (H.R. 12206).....	H. Judiciary.....	0-16-67	8-162367
Erroneous medical service credit (H.R. 13354).	H. Judiciary.....	2-18-67	<del>8-162685</del>
Erroneous midshipman service credit (H.R. 13989, H.R. 14199, H.R. 14427, H.R. <del>15063</del> ).	H. Judiciary.....	1-11-68	B-162958
	H. Judiciary.....	1-11-68	<del>B-163044</del>
	H. Judiciary.....	3-11-68	B-163481
	H. Judiciary.....	3-13-68	B-163510
Erroneous National Guard credit (H.R. 9567, H.R. 12501, H.R. 16964).	H. Judiciary.....	7- 6-67	B-161528
	H. Judiciary.....	5-15-68	B-163987
	H. Judiciary.....	<del>5-15-68</del>	B-163987
Erroneous Naval Reserve Officers Corps credit (H.R. 13859).	H. Judiciary.....	<del>2-15-68</del>	B-163014
Excess leave overpayment (H.R. 9019).....	Rep. Donald D. Clancy.....	10- 2-67	B-161496
Reenlistment bonus overpayment (H.R. 14281).	H. Judiciary.....	<del>2- 9-68</del>	B-163306
Retired pay, failure to file claim under Public Law 89-395 (H.R. 17067).	H. Judiciary.....	<del>6- 3-68</del>	A-1068
Submarine duty overpayment (H.R. 14079, H.R. <del>14080</del> , H.R. 14086).	H. Judiciary.....	1-24-68	B-162906
Contracts:			
Loss due to floods (H.R. 8588).....	H. Judiciary.....	<del>6- 5-68</del>	B-152747
Preparatory expense loss (H.R. 16121).....	H. Judiciary.....	4-17-68	B-163962
Surplus sale loss (H.R. 7210).....	Rep. Burt L. Talcott.....	5- 2-68	B-140495
Employees:			
Compensation overpayments:			
Erroneous rates:			
Fort Meade employee, deceased (H.R. 14982).	H. Judiciary.....	<del>3- 6-68</del>	B-163471
NASA employee (H.R. 15323).....	H. Judiciary.....	3-28-68	B-163591
Office of War Information employee (H.R. 8405, H.R. 8405).	H. Judiciary.....	4-24-68	B-163361
	Rep. Hervey G. Machen.....	<del>6-19-68</del>	B-163361
Highest previous salary rate error (H.R. 10505, H.R. 14920).	H. Judiciary.....	9-18-67	B-162008
	H. Judiciary.....	2-20-68	<del>B-163468</del>
Promotion error, GSA employee (H.R. 13160)	H. Judiciary.....	11-24-67	B-162633
Promotion error, National Park Service employee (H.R. 13349).	H. Judiciary.....	12- 5-67	B-162687
Saved pay errors (H.R. 11381, H.R. 14646)...	H. Judiciary.....	8- 7-67	B-161394
	H. Judiciary.....	3-18-68	B-163370
Severance pay (H.R. 13671).....	H. Judiciary.....	4-22-68	B-163783
Wage board conversion, Kirtland Air Force Base employees: (H.R. 12861).	H. Judiciary.....	1-29-68	B-162507
Collection action abatement (H.R. 12861)...	Rep E. S. Johnny Walker....	1-29-68	B-162507
Computation (H.R. 12861).....	H. Judiciary.....	<del>4-29-68</del>	B-162507
Wage board conversion, McGuire Air Force Base employee (H.R. 12978).	H. Judiciary.....	1-24-68	B-163035
Quarters allowance (H.R. 14325).....	H. Judiciary.....	1-23-68	B-158440
Reinstatement benefits (S. 2266).....	S. Post Office & Civil Service	8-25-67	B-162297
Retirement annuity increase (S. 2362).....	S. Post Office & Civil Service-	10- 5-67	B-162392

Subject	To	Date	Reference No.
<b>Private relief—Continued</b>			
<b>Employees—Continued</b>			
Retirement benefits on International Refugee Organization service (S. 2283).	S. Post Office & Civil Service.	9-25-67	B-162302
Meritorious claim for costs of transportation of military member's auto (H.R. 17109).	H. Judiciary.....	<del>5-29-68</del>	B-163823
Postage underpayment by publisher (S. 2947)..	S. Judiciary.....	4-22-68	B-157440
Postal Service employees.....	Sen. A. S. Mike Monroney...	4-22-68	B-157440
Compensation overpayment:			
Erroneous rates (H.R. 12244, H.R. 14873, H.R. 15464).	H. Judiciary.....	10-20-67	B-162358
	H. Judiciary.....	<del>3- 6-68</del>	B-163480
	H. Judiciary.....	5- 6-68	B-162358
Tort claim involving automobile accident (H.R. 8240).	Rep. Barber B. Conable, Jr..	10-10-67	B-162545
<b>Procurement:</b>			
Coal for <b>USAE</b> .....	Rep. Daniel J. Flood.....	<del>2- 6-68</del>	B-159868
Federal supply schedules, procedures by military and civilian agencies.	Rep. Thomas M. Pelly.....	4- 2-68	B-163843
Milk prices, <i>Penn Dairies case</i> effect.....	Sen. Thomas H. Kuchel.....	1-14-68	B-162882
<b>Property:</b>			
Surplus, donation (S. 878).....	S. Government Operations...	<del>11-29-67</del>	B-101646
Use of property acquired by Baltimore County for educational purposes (H.R. 11999, S. 2253).	H. Government Operations..	9-11-67	B-162194
	S. Government Operations..	9-22-67	B-162194
<b>Public Health Service:</b>			
Grants under Nurse Training Act of 1964, assistance granted directly to schools of nursing rather than through State.	Rep. Charles E. Goodell....	2-21-68	B-158296
Health service, advancement award.....	H. Government Operations..	<del>8-28-67</del>	B-161769
<b>Reclamation:</b> Electric power contracts, discounts	Sen. Jack Miller.....	9-20-67	B-162380
<b>Regulatory agencies:</b> Budget submission direct to Congress (H.R. 16334).	H. Government Operations..	4- 5-68	B-163696
<b>Riots:</b>			
Insurance (S. 3028).....	S. Banking & Currency-...	4-17-68	B-162218
Loans for small business concerns.....	H. Select Comm. on Small Business.	<del>6-25-68</del>	B-164380
<b>Safety:</b> Standards (H.R. 14816).....	H. Education & Labor.....	5- 8-68	B-163375
<b>Safety and health, occupational:</b> Suggests enlargement of "subcontract" definition and clarification of ineligibility sanctions (S. 2884).	S. Labor & Public Welfare..	<del>2-20-68</del>	B-163375
<b>Transportation:</b>			
American carrier use-balance of payments.....	S. Commerce Res. 58.....	10-19-67	<del>B-162222</del>
		3-14-68	B-163670
Cargo preference, 50 percent ceiling v. floor interpretation (H.R. 13940).	H. Merchant Marine & Fisheries.	6 - 6 4	B-162926
Equipment interchange (S. 3134).....	S. commerce.....	<del>3-29-68</del>	B-163794
Freight charges:			
Loss and damage to household effects.....	Rep. Charles E. Bennett.....	9-1-67	B-161587
Ocean carrier rates.....	H. Judiciary.....	10- 6-67	B-142823
Intermodal joint through rates (S. 3235).....	S. commerce.....	6-10-68	B-104930
Travel: Daily mileage minimums.....	H. Post Office & Civil Service.		
	S. Post Office & Civil Service	3- 1-68	B-163613
	S. Commerce.....	1-11-68	<del>B-88925</del>
<b>Vehicles:</b> Warranties (S. 2727).....			
<b>Vessels:</b>			
cargo container (S. 2419).....	Rep. John M. Murphy.....	<del>2- 6-68</del>	B-145455
Fishing, reimbursement when seized.....	S. Commerce.....	<del>10-30-67</del>	<del>B-108007</del>
Naval, loan to foreign countries.....	S. Foreign Relations.....	<del>4-29-68</del>	B-163943
<b>Veterans:</b>			
Loan default liability.....	Sen. Herman E. Talmadge...	9- 1-65	B-162193
Loans, foreclosure, retirement annuity offset..	Sen. J. W. Nbright.....	5-15-68	B-163976

APPENDIX C-4

PRIME CONTRACTORS AND SUBCONTRACTORS AT WHICH CONTRACT  
AUDIT WORK WAS PERFORMED DURING THE FISCAL YEAR 1968

Examination is made of selected financial aspects of the contracts.  
Reports are not issued on each audit.

CIVIL DEPARTMENTS AND AGENCIES

*Department of Commerce*

Joint Institute for Laboratory Astrophysics, Boulder, Colo.

*Department of Health, Education, and Welfare*

Associated Hospital Service, Inc. (subcontractor), Milwaukee, Wis.  
Associated Hospital Service of New York (subcontractor), New York, N.Y.  
Associated Hospital Service, Inc. (subcontractor), Youngstown, Ohio  
Blue Cross Association, Chicago, Ill.  
Blue Cross of Florida, Inc. (subcontractor), Jacksonville, Fla.  
Blue Cross of Northeast Ohio (subcontractor), Cleveland, Ohio  
Blue Cross of Western Pennsylvania (subcontractor), Pittsburgh, Pa.  
Blue Shield of Florida, Inc., Jacksonville, Fla.  
Bolt, Beranek and Newman, Inc., Cambridge, Mass.  
Crouse-~~Irving~~ Hospital, Syracuse, N.Y.  
Group Hospital Service, Inc. (subcontractor), Dallas, Tex.  
Hospital Service Corp. (subcontractor), Chicago, Ill.  
Hospital Service of California (subcontractor), Oakland, Calif.  
Hospital Service of Southern California (subcontractor), Los Angeles, Calif.  
Hospital Service Plan of New Jersey (subcontractor), Newark, N.J.  
Maryland Hospital Service, Inc. (subcontractor), Towson, Md.  
Massachusetts Medical Service, Boston, Mass.  
St. Elizabeth's Hospital, Youngstown, Ohio  
Salem City Hospital, Salem, Ohio  
The Santa Monica Visiting Nurse Association, Inc., Santa Monica, Calif.  
The Travelers Insurance Co., Hartford, Conn.  
Troga General Hospital, Waverly, N.Y.

*Department of the Interior*

Rand Development Corp., Cleveland, Ohio

*Department of Labor*

American Airlines, Inc., Los Angeles, Calif.  
Douglas Aircraft Co., Long Beach, Calif.  
Los Angeles Joint Custodial Maintenance Council, Los Angeles, Calif.  
Manhattan and Bronx Surface Transit Operating Authority, New York, N.Y.  
New York City Transit Authority, New York, N.Y.  
Northrop Corp., Hawthorne, Calif.  
Youth Pride, Inc., Washington, D.C.

*Agency for International Development*

African-American Institute, New York, N.Y.  
Afro-American Purchasing Center, Inc., New York, N.Y.  
American Institute for Free Labor Development, Washington, D.C.  
Walter Kidde Construction Company, Inc., New York, N.Y.

*Atomic Energy Commission*

Argonne Universities, Argonne National Laboratory, Lemont, Ill.  
Associated Universities, Inc., Brookhaven National Laboratory, Upton, N.Y.  
Atlantic Richfield Hansford Co., Richland, Wash.  
Battelle Memorial Institute, Pacific Northwest Laboratory, Richland, Wash.  
Bendix Corp., Kansas City Division, Kansas City, Kans.  
California Institute of Technology, Pasadena, Calif.  
Computer Sciences Corp., Northwest Operations, Richland, Wash.  
Douglas United Nuclear, Inc., Richland, Wash.  
Dow Chemical Co. Inc., Rocky Flats, Colo.  
Edgerton, Germeshausen & Grier, Inc. (subcontractor), Mercury, Nev.  
E. I. duPont de Nemours & Co., Savannah River Laboratory, Aiken, S.C.  
E. I. duPont de Nemours & Co., Savannah River Plant, Aiken, S.C.  
Gulf General Atomic, Gulf Oil Co., San Diego, Calif.

Hansford Environmental Health Foundation (subcontractor), Richland, Wash.  
 Idaho Nuclear Corp. (subcontractor), Idaho Falls, Idaho  
 Isochem, Inc., Richland, Wash.  
 ITT Federal Support Services, Richland, Wash.  
 Lucius Pitkin, Inc., Grand Junction, Colo.  
 Management Services, Inc. (subcontractor), Oak Ridge, Tenn.  
 Pan American World Airways, Inc., Jackass Flats, Nev.  
 Phillips Petroleum Co., Idaho Falls, Idaho  
 Public Service Co., of Colorado, Denver, Colo.  
 Reynolds Electrical & Engineering Co., Inc., Mercury, Nev.  
 Sandia Corp., Albuquerque, N. Mex.  
 Sandia Corp., Livermore, Calif.  
 Union Carbide Corp., Nuclear Division, Oak Ridge National Laboratory, Oak Ridge, Tenn.  
 Union Carbide Corp., Nuclear Division, Oak Ridge Production Facilities, Oak Ridge, Tenn.  
 United States Testing Co. Inc. (subcontractor), Richland, Wash.  
 University of California, Lawrence Radiation Laboratory, Berkeley, Calif.  
 University of California, Lawrence Radiation Laboratory, Livermore, Calif.  
 University of California, Los Alamos Scientific Laboratory, Los Alamos, N. Mex.  
 University of California, Argonne National Laboratory (subcontractor), Lemont, Ill.  
 University of Stanford, Stanford Linear Accelerator Center, Palo Alto, Calif.  
 University Research Association, Inc., National Accelerator Center, Weston, Ill.  
 Zia Corp., Los Alamos, N. Mex.

*Civil Service Commission*

Associated Hospital Service (subcontractor), New York, N.Y.  
 Blue Cross Association, Chicago, Ill.  
 Blue Cross-Blue Shield of Alabama (subcontractor), Birmingham, Ala.  
 Group Hospitalization, Inc. (subcontractor), Washington, D.C.  
 National Association of Blue Shield Plans, Chicago, Ill.  
 Shenandoah Life Insurance Co., Roanoke, Va.  
 United Medical Service, Inc. (subcontractor), New York, N.Y.

*National Aeronautics and Space Administration*

Ball Brothers Research Corp., Missile and Space Systems Division, Huntington Beach, Fla.

Bendix Field Engineering Corp., Baltimore, Md.  
 The Boeing Co., New Orleans, La.  
 Brown Engineering Co., Huntsville, Ala.  
 General Motors Corp., AC Electronics Division, Milwaukee, Wis.  
 Grumman Aircraft Engineering Corp., Bethpage, Long Island, N.Y.  
 Hayes International Corp., Birmingham, Ala.  
 International Business Machines, Inc., Huntsville, Ala.  
 Ling-Temco-Vought, Inc., Kennedy Space Center, Fla.  
 Massachusetts Institute of Technology Instrumentation Laboratory, Cambridge, Mass.  
 McDonnell-Douglas Corp., Missile and Space Systems Division, Huntington Beach, Calif.  
 North American Rockwell Corp., Rocketdyne Division, Canoga Park, Calif.  
 North American Rockwell Corp., Space Division, Downey, Calif.  
 North American Rockwell Corp., Space Division, Seal Beach, Calif.  
 Northrop Corp., Ventura Division (subcontractor), Newbury Park, Calif.  
 Systems Engineering Laboratories, Fort Landerdale, Fla.  
 Technicolor Corp., Kennedy Space Center, Fla.  
 Trans-World Airlines, Inc., Kennedy Space Center, Fla.  
 Wackenhut Corp. (subcontractor), Kennedy Space Center, Fla.

*National Science Foundation*

Brown & Root, Inc., Houston, Tex.

*Office of Economic Opportunity*

Burroughs Corp., Omaha Job Corps Center, Omaha, Nebr.  
 Educational Projects, Inc., Washington, D.C.  
 Federal Electric Corp., Kilmer Job Corps Center, Edison, N.J.  
 Hull House, VISTA Regional Training Center, Chicago, Ill.  
 Litton Systems, Inc., Parks Job Corps Center, Pleasanton, Calif.  
 Packard Bell Electronics Corp., Albuquerque Job Corps Center, Albuquerque, N. Mex.  
 RCA Service Co., Keystone Job Corps Center, Drums, Pa.  
 Training Corporation of America, Inc., Excelsior Springs Job Corps Center, Excelsior Springs, Mo.  
 University of Oklahoma, VISTA Regional Training Center, Norman, Okla.

Westinghouse Learning Corp., Atterbury  
Job Corps Center, Edinbury, Ind.

## MILITARY DEPARTMENTS

Adage, Inc., Boston, Mass.  
Aero Corp., Lake City, Fla.  
Aerojet-General Corp., Downey, Calif.  
Aerojet-General Corp., Nimbus, Calif.  
Alaska Barge and Transport, Inc., Anchorage, Alaska  
Alaska Barge and Transport, Inc., Saigon, Vietnam  
Aleo Valve Co., St. Louis, Mo.  
American Electric Co., La Mirada, Calif.  
American Electronics Laboratory, Colmar, Pa.  
American Machine and Foundry Corp., Pork, Pa.  
American Manufacturing Co., Fort Worth, Tex.  
American Shipbuilding Co., Lorain, Ohio  
Amron Corp., Waukesha, Wis.  
Applied Technology, Inc., Paló Alto, Calif.  
Arde, Inc., Huntsville, Ala.  
Arkansas Wood Products Co. (subcontractor), Camden, Ark.  
Arco Corp., Lycoming Division, Stratford, Conn.  
Arco Corp., Ordnance Division, Richmond, Ind.  
Avondale Shipyards, Inc., New Orleans, La.  
Baifield Industries, Inc., Carrollton, Tes.  
Baifield Industries, Inc., Dallas, Tex.  
Baifield Industries, Inc., Shreveport, La.  
Barbour Boat Works, Inc., New Bern, N.C.  
Bell Aerospace Corp., Wheatfield, N.Y.  
Bell Helicopter Co., Fort Worth, Tex.  
Bell Telephone Laboratories, Whippany, N.J.  
Bendix Aviation Corp., Teterboro, N.J.  
Bermite Powder Co., Saugus, Calif.  
Black, E. E., Inc., Manila, Philippines  
Boeing Co., The, Seattle, Wash.  
Boeing Co., The, Vertd Division, Morton, Pa.  
Boeing Co., The, Wichita, Kans.  
Boland Machine & Manufacturing Co., Inc., New Orleans, La.  
Borg-Warner Corp., Spring Division, Bellwood, Ill.  
Bowen-McLaughlin-York, Inc., York, Pa.  
Brown Engineering Co., Huntsville, Ala.  
Buck Kreihls Co., Inc., New Orleans, La.  
Butler Manufacturing Co., Kansas City, Mo.  
Cadillac Gage Co., Warren, Mich.  
Caltex Petroleum Co., Bangkok, Thailand  
Camden Manufacturing Co., Camden, Ark.  
Cameron Iron Works, Inc., Houston, Tex.  
Carrier Corp., Syracuse, N.Y.  
Carter Carburetor Co., St. Louis, Mo.  
Cessna Aircraft Co., Wichita, Kans.  
Chrysler Corp., Defense Operations Division, Warren, Mich.  
Cleveland Pneumatic Tool Co., Cleveland, Ohio  
Collins Radio Co., Dallas, Tex.  
Collins Radio Co., Richardson, Tex.  
Colt Industries, Inc., Hartford, Conn.  
Columbia University, New York, N.Y.  
Consolidated Diesel Electric Corp., Stamford, Conn.  
Continental Air Services, Saigon, Vietnam  
Cullman Metalcraft Co., Cullman, Ala.  
Curtiss-Wright Corp., Wood-Ridge, N.J.  
Dalmo Victor Co. (subcontractor), Belmont, Calif.  
Defense Metal Products Co., Sylacauga, Ala.  
Dell Industries, Waycross, Ga.  
Dillingham-Zachary-Kaiser (joint venture), Bangkok, Thailand  
Ernest Holmes Co., Chattanooga, Tenn.  
Esso Petroleum Co., Bangkok, Thailand  
Explosive Technology, Inc. (subcontractor), Fairfield, Calif.  
Fairchild-Hiller Corp., Republic Aviation Division, Farmingdale, Long Island, N.Y.  
Fairchild-Hiller Corp., St. Augustine, Fla.  
Farmers Tool and Supply Corp., Denver, Colo.  
Federal Electric Corp., Paramus, N.J.  
Firestone Tire and Rubber Co., Akron, Ohio  
FMC Corp., San Jose, Calif.  
Ford Motor Co., Atlanta, Ga.  
Ford Motor Co., Charlotte, N.C.  
Franklin Institute, Philadelphia, Pa.  
General American Transportation Corp., Niles, Ill.  
General Dynamics Corp., Electric Boat Division, Groton, Conn.  
General Dynamics Corp., Fort Worth, Tex.  
General Electric Co., Arkansas City, Kans.  
General Electric Co., Evandale, Ohio  
General Electric Co., Flight Propulsion Division, Lynn, Mass.  
General Electric Co., Ordnance Dept., Pittsfield, Mass.  
General Electric Co., Syracuse, N.Y.  
General Electric Co., Missile and Space Division, Valley Forge, Pa.  
General Motors Corp., Allison Division, Cleveland, Ohio  
General Motors Corp., Euclid Division (subcontractor), Hudson, Ohio  
General Motors Corp., AC Electronics Division, Milwaukee, Wis.  
General Time Corp., Thomastoo, Conn.  
Geotecb, Garland, Tex.  
Goodyear Aerospace Corp., Akron, Ohio  
Grumman Aircraft Engineering Corp., Bethpage, Long Island, N.Y.  
Hayes Albion Corp., Albion, Mich.  
Hayes International Corp., Birmingham, Ala.



Henderson, Black and Greene (subcontractor), Troy, Ala.  
Hercules Co., Hercules, Calif.  
Holley Carburetor Co., Warren, Mich.  
Horne Brothers, Inc., Newport News, Va.  
Hycon Manufacturing Co. (subcontractor), Monrovia, Calif.  
Ingalls Shipbuilding Corp., Pascagoula, Miss.  
Ingraham Industries, Bristol, Conn.  
Intercontinental Manufacturing Co., Garland, Tex.  
ITT Gilfillan Inc., Los Angeles, Calif.  
Jet Propulsion Laboratory, Pasadena, Calif.  
Kaman Aircraft, Bloomfield, Conn.  
Kelsey-Hayes, Heintz Division, Philadelphia, Pa.  
Koch, H., and Sons, Inc., Corte Madera, Calif.  
Lansdowne Steel and Iron Co., Morton, Pa.  
Laundry Fabricators, San Francisco, Calif.  
Le Tourneau, R. G., Inc., Longview, Tex.  
Libby Welding Co., Kansas City, Mo.  
Litton Systems, Inc., Guidance and Control Division, Woodland Hills, Calif.  
Litton Systems, Inc., Data Systems Division, Van Nuys, Calif.  
Lockheed Aircraft Corp., Marietta, Ga.  
Lockheed-California Co., Burbank, Calif.  
Lockheed Missiles and Space Co., Sunnyvale, Calif.  
Lockheed Shipbuilding and Construction Co., Seattle, Wash.  
LT Industries, Inc., Dallas, Tex.  
LTV Aerospace Corp., Grand Prairie, Tex.  
LTV Aerospace Corp., Sterling Township, Mich.  
LTV ElectroSystems, Inc., Greenville, Ter.  
Maremont Corp., New England Division, Saco, Maine  
Marquardt Corp., Ogden, Utah  
Martin-Xarietta Corp., Denver, Colo.  
Martin-Marietta Corp., Orlando, Fla.  
Massachusetts Institute of Technology, Lincoln Laboratories, Lexington, Mass.  
Massachusetts Institute of Technology, Lincoln Laboratories, Tyngsboro, Mass.  
Maxxon Electronics Corp., Rfacon, Ga.  
M-B Electronics, New Haven, Conn.  
McCauley, Charles H., and Associates (subcontractor), Birmingham, Ala.  
McCormick, B. B., and Sons, Jacksonville, Fla.  
McDonnell-Douglas Corp., Long Beach, Calif.  
McDonnell-Douglas Corp., St. Louis, Mo.  
Menasco Manufacturing Co., Fort Worth, Tex.  
Microwave Associates, Sunnyvale, Calif.  
Mitre Corp., Bedford, Mass.  
Murdock Machine and Engineering Co. (subcontractor), Irving, Tex.  
National Presto Industries, Inc., Eau Claire, Wis.  
New Bern Shipyards, Inc., New Bern, N.C.  
Newport News Shipbuilding and Dry Dock Co., Newport News, Va.  
New York University, New York, N.Y.  
Norfolk Shipbuilding and Dry Dock Corp., Norfolk, Va.  
Norris Industries, Inc., Vernon, Calif.  
North American Rockwell Corp., Autonetics Division, Anaheim, Calif.  
North American Rockwell Corp., Los Angeles Division, Los Angeles, Calif.  
Olin Mathieson Chemical Corp., East Alton, Ill.  
Otis Elevator Co., Atlanta, Ga.  
Otis Elevator Co. (subcontractor), New York, N.Y.  
Oxwell Manufacturing Co., Wellington, Kans.  
Pacific Architects and Engineers, Inc., Saigon, Vietnam  
Pak-Mor Manufacturing Co., San Antonio, Tex.  
Page Airways, Inc., Rochester, N.P.  
Page Communications Engineers, Inc., Saigon, Vietnam  
Pan American Airways, Patrick Air Force Base, Fla.  
Philco Ford Corp., Anniston, Ala.  
Philco Ford Corp., Palo Alto, Calif.  
Pittsburgh Plate Glass Co. (subcontractor), Barberton, Ohio  
Poor and Co., Inc., Pioneer Engineering Division, Minneapolis, Minn.  
Portable Electric Tools, Inc., Geneva, Ill  
Princeton University, Princeton, N.J.  
Quality Overhaul Co., Eastaboga, Ala.  
Radio Corp. of America, Defense Electronic Products Division, Camden, N.J.  
Ramco Hydraulics, Willits, Calif.  
Raymond Engineering Laboratory, Middletown, Conn.  
Raytheon Co., Missile Systems Division, Andover, Mass.  
Raytheon Co., Missile Systems Division, Bedford, Mass.  
Raytheon Co., Equipment Division, Wayland, Mass.  
RCA Service, Camden, N.J.  
Remington Arms, Inc., Bridgeport, Conn.  
RMK-BRJ (joint venture), Bruno, Calif.  
RMK-BRJ (joint venture), Saigon, Vietnam  
Ryan Aeronautical Co. (subcontractor), San Diego, Calif.  
Safety Shoe Co., Huntsville, Ala.  
Sargent Fletcher Co., El Monte, Calif.  
Scientific Atlanta, Inc., Atlanta, Ga.  
Shell Petroleum Co., Bangkok, Thailand  
Simplex Wire and Cable Co., Hydrospace Division, Newington, N.H.  
Smith, A. O., Corp., Waco, Tex.

Sperry Rand Corp., Sperry Gyroscope Co. Division, Long Island, N.Y.  
 Standard Container Corp., Homersville, Ga.  
 Standard Kollsman Industries, Inc., Melrose Park, Ill.  
 Stanford Research Institute, Menlo Park, Calif.  
 Stewart-Warner, Lebanon, Ind.  
 Sylvania Electric Products, Inc., Mountain View, Calif.  
 Teledyne Systems Co., El Segundo, Calif.  
 Teledyne Systems Co., Hawthorne, Calif.  
 Temco, Inc., Nashville, Tenn.  
 Texas Dynatronics, Inc., Dallas, Tex.  
 Texas Instruments, Inc. (subcontractor), Dallas, Tex.  
 TRW, Inc., Redondo Beach, Calif.  
 TRW, Inc., Cleveland, Ohio  
 Tumpene Divisional Headquarters, Ankara, Turkey  
 United Aircraft Corp., Hamilton Standard Division, Windsor Locks, Conn.  
 United Aircraft Corp., Norden Division, Norwalk, Conn.  
 United Aircraft Corp., Pratt & Whitney Division, Hartford, Conn.  
 United Aircraft Corp., Sikorsky Division, Stratford, Conn.  
 United States Steel Corp., McKeesport, Pa.  
 U.S. Time Corp., Waterbury, Conn.  
 United Technology Corp., Sunnyvale, Calif.  
 Universal Cyclops Corp., Pittsburgh, Pa.  
 Utah-Martin-Day (joint venture), Bangkok, Thailand  
 Varian, Eimac Division, San Carlos, Calif.  
 Varo, Inc., Garland, Tex.  
 Varo, Inc., Mexia, Tex.  
 Vinnell Corp., Cam Ranh, Vietnam  
 Vinnell Corp., Manila, Philippines  
 Wah Chang Corp., Huntsville, Ala.  
 Waltham Precision Instruments Corp., Waltham, Mass.  
 Wells Marine, Inc., El Segundo, Calif.  
 Wells, R. M., Inc., Quanah, Tex.  
 Western Electric Co., Burlington, N.C.  
 Westinghouse Electric Corp., Defense and Space Center, Baltimore, Md.  
 Westinghouse Electric Corp., Sunnyvale, Calif.  
 Wilcox Electric Co., Kansas City Mo.  
 William Langer Jewel Bearing Plant, Rolla, N. Dak.  
 Willow Hill Industries (subcontractor), Willoughby, Ohio  
 Yankee Telecommunications Laboratories, Inc., Meriden, Conn.  
 Zeller Corp., Defiance, Ohio

## APPENDIX C-5

## GAO BID PROTEST PROCEDURES

Title 4 of the Code of Federal Regulations, Part 20<sup>1</sup>**Section 20.1 Procedure for protest.**

An interested party wishing to protest the proposed award of a contract, or the award of a contract, by an agency of the Federal Government whose accounts *are* subject to settlement by the U.S. General Accounting Office may do so by addressing a telegram or letter to the Comptroller General of the United States, U.S. General Accounting Office, Washington, D.C. 20548, identifying the procurement or sale and the agency concerned and stating the specific grounds upon which the protest is based. To assist in expediting resolution of the protest the protester is requested to provide simultaneously to the contracting officer of the agency involved in the protest a copy of the telegram or letter addressed to the Comptroller General.

**Section 20.2 Notice of profesf.**

When it appears, upon initial consideration, that the protest may require action by the General Accounting Office which would adversely affect the interests of (a) the contractor, or (b) any bidders or offerors who, in the opinion of the General Accounting Office, appear to have a substantial and reasonable prospect of receiving the award, notice and a reasonable opportunity to present views will be given to such contractor or bidders (offerors) **prior** to reaching a decision on the protest unless the Comptroller General or the Assistant Comptroller General certifies that time and circumstances do not permit. The party filing a protest, and those parties entitled to the above notice, may request a conference with the General Accounting Office attorney who has been assigned primary responsibility for handling the protest.

**Section 20.3 Furnishing of information on protests.**

The General Accounting Office will, upon request, furnish to any party mentioned in the preceding paragraph any information relating to the protest submitted by any party or Government agency except to the extent that disclosure of such information would be inconsistent with the regulations set forth in 4 CFR 81.6.

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<sup>1</sup> 33 Federal Register 12288 (Aug. 31, 1968)

APPENDIX C-6

DECISIONS AND OTHER LEGAL MATTERS HANDLED DURING  
THE FISCAL YEAR 1968

<b>Assignment areas:</b>	
Appropriations and miscellaneous .....	804
Civilian personnel.....	926
Contracts.....	1,552
Military pay and allowances.....	572
Transportation.....	726
	<hr/>
	4,580
Private inquiries, etc.....	323
	<hr/>
<b>Total. ....</b>	<b>4,903</b>

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<sup>1</sup>

<b>To the committees of the Congress:</b>	
Legislative reports.....	356
Legal matters.....	86
<b>To Members of the Congress:</b>	
Legal matters.....	205
	<hr/>
	647
<b>To the Bureau of the Budget.....</b>	<b>61</b>
	<hr/>
<b>Total.....</b>	<b>708</b>

# Appendix D

TRANSPORTATION AUDIT AND CLAIMS ADJUDICATION

APPENDIX D-1

BILLS OF LADING AND TRANSPORTATION REQUESTS EXAMINED  
DURING THE FISCAL YEAR 1968

	Number	Amount paid	Notices of overcharge issued	
			Number	Amount
<b>Audit:</b>				
Bills of lading .....	4,947,933	\$1,231,640,683	96,895	\$14,224,822
Transportation requests..	2,944,856	843,717,445	15,411	1,249,823
Total .....	7,892,789	2,075,358,128	112,306	15,474,645

APPENDIX D-2

TRANSPORTATION CLAIMS RECEIVED AND SETTLED DURING  
THE FISCAL YEAR 1968

Class of claims	On hand July 1, 1967	Received	Settled			On hand June 30, 1968
			Number of claims	Amount claimed	Amount allowed	
Freight.....	11,006	16,307	20,825	\$4,690,312	\$2,873,011	6,488
Passenger.....	924	1,680	2,004	6,645,558	6,444,107	600
Total .....	11,930	17,987	22,829	11,335,870	19,317,118	7,088

<sup>1</sup> Includes allowance of \$6,143,787 for Military Airlift Command movements audited before payment.

APPENDIX D-3

TRANSPORTATION AUDIT AND COLLECTIONS. FISCAL YEARS 1959-68

Fiscal year	Bills of lading and transportation requests audited	Amount paid	Notices of overcharge issued		Total collections <sup>1</sup>
			Number	Amount	
1959.....	10,829. 724	\$2,001.198. 613	84. 515	\$26.307. 785	\$29.535. 058
1960.....	8,942. 516	1,826.979. 997	88, 580	25.814. 190	21, 544, 880
1961.....	6,984. 818	1, 289. 995. 041	63. 630	21.110. 735	24,070. 443
1962.....	6,740. 370	1,185.694. 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
1965.....	6,811. 821	1,184.661. 622	70. 199	10,102. 405	9,657. 360
1966.....	7,555. 366	1, 474, 220, 901	86. 970	10,694. 257	8,494. 453
1967.....	8,574. 043	1,898.670. 184	113. 010	14,043. 159	12,963. 744
1968.....	7,892. 789	2, 075, 358, 128	112. 306	15,474. 645	14,681. 476
Total.....	78,756. 160	15, 589, 538, 850	848, 297	177,448. 710	175,566. 679

<sup>1</sup> Includes amounts collected in our adjudication of claims reported by other Government agencies.

APPENDIX D-4

TRANSPORTATION CLAIMS SETTLED DURING FISCAL YEARS 1959-68

Fiscal year	Number of claims	Amount claimed	Amount allowed
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, 942	6,774, 930
1964.....	22. 673	19,133, 508	14,985, 277
1965.....	28. 959	26,974, 966	23,495, 481
1966.....	29. 413	37,130, 274	33, 440, 430
1967.....	26. 133	86,982, 712	83,893, 435
1968.....	22. 829	11,335, 870	<sup>1</sup> 9,317, 118
Total.....	277. 379	239,027, 091	194,318, 547

<sup>1</sup>Includes allowance of \$6,143, 787 for Military Airlift **Command** movements audited before payment.

## **Appendix E**

**GENERAL CLAIMS SETTLED  
DURING THE FISCAL YEAR 1968**

## **Appendix F**

**COLLECTIONS BY OR THROUGH THE EFFORTS  
OF THE GENERAL ACCOUNTING OFFICE, 1959-68**



## APPENDIX E

## GENERAL CLAIMS SETTLED DURING THE FISCAL YEAR 1968

Class of claims	On hand July 1, 1967	Received	Settled	On hand June 30, 1968
Claims against the United States.....	1,048	13,941	13,812	1,177
Claims by the United States.....	26,358	4,760	16,282	14,836
Total general claims..	27,406	18,701	30,094	16,013

## APPENDIX F

COLLECTIONS BY OR THROUGH THE EFFORTS OF THE GENERAL  
ACCOUNTING OFFICE, 1959-68

[000 omitted]

Fiscal year	General audit	Transporta- tion audit	General claims	Total collections
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
1965 .....	11,222	9,657	4,070	24,949
1966 .....	4,568	8,495	4,129	17,192
1967 .....	6,828	12,963	3,627	23,418
1968 .....	2,037	14,681	2,939	19,657
<b>Total</b> .....	<b>99,696</b>	<b>175,566</b>	<b>52,423</b>	<b>327,685</b>

## **Appendix G**

**SUMMARY OF FINANCIAL SAVINGS ATTRIBUTABLE  
TO THE WORK OF THE GENERAL ACCOUNTING OFFICE  
IDENTIFIED DURING THE FISCAL YEAR 1968**

## APPENDIX G-1

## COLLECTIONS AND OTHER MEASURABLE SAVINGS

(000 omitted)

	Collections	Other measurable savings	Total
<b>DEPARTMENTS</b>			
Army .....	\$829	\$99,628	\$100,457
Navy .....	376	5,453	5,829
Air Force .....	142	39,110	39,252
Defense .....	97	1 42,968	43,065
Agriculture .....	1	2,466	2,467
Commerce .....	11	464	475
Health, Education, and Welfare .....	104	784	888
Housing and Urban Development .....		1,375	1,375
Interior .....	1	2,315	2,316
Labor .....	49	366	415
Post office .....		470	470
State (including AID, Peace Corps, and USIA) .....	15	824	839
Transportation .....	110	1,057	1,167
Treasury .....		13	13
<b>AGENCIES</b>			
Atomic Energy Commission .....		57	57
Civil Service Commission .....	1	2,257	2,258
Executive Office of the President .....	253	975	1,228
General Services Administration .....		8,166	8,166
National Aeronautics and Space Administration .....	45	3,513	3,558
Panama Canal Company .....		177	177
Selective Service System .....		74	74
Veterans Administration .....	3	652	655
Legislative and other .....		13	13
Total for departments and agencies .....	2,037	213,177	215,214
		.....	14,681
		.....	2,939
		213,177	232,834

1 Includes \$33,557,000 resulting from reviews of Defense international activities.

## APPENDIX G-2

## DETAILS OF OTHER MEASURABLE SAVINGS

Details of other measurable financial savings including additional revenues attributable to the work of the General Accounting Office during the fiscal year 1968 totaling \$213,177,000 are listed below. Approximately \$30 million of the savings or additional revenues are recurring in nature and will continue in future years. The items listed consist largely of realized or potential savings in Government operations attributable to action taken or planned on findings developed in our 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.

<i>Action taken or planned</i>	<i>Estimated savings</i>
<b>Supply Management:</b>	
Savings due to a reduction in inventories resulting from a reduction in the time allowance for obtaining stock for use in Vietnam. Time experienced in obtaining stock had been substantially less than that used in establishing stockage objectives and enable bonding reductions in procurement funds required and appropriated—Army (nonrecurring). . . . .	\$83,100,000
Military Assistance Program (MAP) property held for long periods for anticipated requirements that were not expected to materialize in foreseeable future years has been released to meet military and MAP current and firm future requirements—Defense (nonrecurring). . . . .	32,600,000
Cancellation of plans to procure equipment in excess of needs—Army (nonrecurring). . . . .	7,501,000
Adjustment of prices under existing contracts or proposed amendments—Army, Navy and Air Force (nonrecurring). . . . .	4,354,000
Savings through earlier use of formal advertising procedures in establishing Federal Supply Schedule contracts for magnetic computer tape—General Services Administration (nonrecurring). . . . .	4,000,000
Savings through competitive procurement of certain helicopter parts—Army (nonrecurring) . . . . .	2,105,000
Savings resulting from negotiated reductions in Federal Supply Schedule contract prices for lamps—General Services Administration (estimated annual savings). . . . .	1,900,000
Savings resulting from lower negotiated prices for additional quantity of bomb fuzes—Army (nonrecurring). . . . .	1,335,000
Savings on repair and maintenance of office machines resulting from phaseout of higher priced national Federal Supply Schedule contracts with machine manufacturers and expanded use of lower priced GSA regional contracts awarded on a competitive bid basis to local repair firms—General Services Administration (estimated annual savings). . . . .	1,200,000
Avoidance of procurement through increased recapping of aircraft tires—Navy (estimated annual savings). . . . .	1,084,000
Savings resulting from use of less costly rations by the Army in Europe and overstocked "C" rations made available to meet requirements in Vietnam—Army (nonrecurring) . . . . .	943,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
<b>Supply Management—Continued</b>	
Savings achieved by obtaining gasoline from Government outlets instead of from commercial outlets—General Services Administration (estimated annual savings).....	\$747,000
Cancellation of outstanding orders for medical equipment and supplies which were excess to the requirements for the pacification program in Vietnam—Agency for International Development (nonrecurring).....	700,000
Recovery of excess bombs and associated hardware to satisfy other United States needs—Defense (nonrecurring).....	553,000
Termination of contract for liquid hydrogen in excess of anticipated requirements—National Aeronautics and Space Administration (nonrecurring).....	382,000
Acquisition and utilization of excess military assistance program jet engines in lieu of more costly overhaul of less modern engines—Defense (nonrecurring).....	352,000
Disposal by the Army of obsolete telephone cable through sales to commercial users and transfers to Federal agencies—Army (nonrecurring).....	318,000
Savings in costs for storage of processed commodities by revising payment provisions in storage contracts to eliminate payments for unused storage periods—Agriculture (estimated annual savings).....	<b>312,000</b>
Cancellation of plans to procure new equipment for contractor's use—Navy (nonrecurring).....	250,000
Use of items scheduled for disposal as acceptable substitutes for items in current demand—Defense (nonrecurring).....	200,000
Savings obtained as a result of changes in contract terms and improved competition in procurement of propane gas—General Services Administration (estimated annual savings).....	185,000
Avoidance of procurement through discovery of available items—Army (nonrecurring).....	143,000
Reduction in requirements for Apollo earth landing sequence controllers by diverting unused excess units and locating and diverting lost units—National Aeronautics and Space Administration (nonrecurring).....	131,000
Savings resulting from transfer of excess materials to agencies in lieu of new procurements—General Services Administration (nonrecurring).....	68,000
Avoidance of procurement through redistribution of excess material on hand overseas to locations at which needed—Air Force (nonrecurring).....	52,000
Avoidance of procurement through redistribution of excess equipment to location at which needed—Defense (nonrecurring).....	29,000
Miscellaneous (estimated annual savings, \$43,000; nonrecurring, \$62,000).....	105,000
<b>Payments to Government Employees and Other Individuals:</b>	
Savings due to discontinuance of free medical care to Public Health Service civilian field employees—Health, Education, and Welfare (estimated annual savings).....	275,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
<b>Payments to Government Employees and Other Individuals—Con.</b>	
The Department of State revised the Foreign Service Travel Regulations to provide for a reduction in the maximum rate of per diem for certain travel outside the continental United States (estimated annual savings). . . . .	\$124,000
Savings resulting from discontinuance of improper method of computing compensation payable to partially disabled Federal employees—Labor (estimated annual savings). . . . .	100,000
Savings resulting from improvement of procedures governing the prompt adjustment of disability compensation payments to injured Federal employees from temporary total disability to partial disability rates—Labor (estimated annual savings). . . . .	75,000
Miscellaneous (estimated annual savings, \$12,000; nonrecurring, \$13,000). . . . .	25,000
<b>Loans, Contributions, and Grants:</b>	
Reduction in Government contributions to local housing authorities attributable to maximizing investment of <b>excess</b> funds held by local housing authorities—Housing and Urban Development (estimated annual savings). . . . .	1,200,000
Cancellation of funds tentatively allocated for <b>airport development</b> because analysis of airport income and expenditures showed that work could be completed without Federal financial participation—Transportation (nonrecurring) . . . . .	580,000
Reduction of grant approved for construction of technical <b>vocational</b> institute due to reevaluation of grantee’s contribution—Commerce (nonrecurring). . . . .	464,000
Reduction in grant for educational programs resulting from reevaluation of rates used to claim Federal reimbursement for indirect costs—Office of Economic Opportunity, Executive Office of the President (nonrecurring). . . . .	367,000
Savings resulting from greater use of resources through increased Headstart class size—Office of Economic Opportunity, Executive Office of the President (estimated annual savings). . . . .	365,000
Reduction in costs through elimination of ineligible students from the Headstart and Upward Bound programs—Office of Economic Opportunity, Executive Office of the President (nonrecurring). . . . .	243,000
Reduction of Federal participation in the cost of excavation on a Federal-aid Interstate Highway project—Transportation (non-recurring). . . . .	234,000
Reduction in Federal financial participation in cost of land not needed for airport purposes by amending grant agreement—Transportation (nonrecurring). . . . .	205,000
Reduction of hospital billing rate used by a county hospital in charging for hospital care provided to recipients under the Medical Assistance for Aged program—Health, Education, and Welfare (non-recurring).. . . .	200,000
Reduction in Federal financial participation in the cost of public assistance programs as a result of adjustments for payments made during periods when recipients were not eligible for assistance—Health, Education, and Welfare (estimated annual savings). . . . .	179,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
Loan, Contributions, and Grants — Continued	
Reduction of grants awarded to institutions of higher education as a result of amending grant agreements to conform with the provisions of approved State plans—Health, Education, and Welfare (non-recurring) .....	\$84,000
Miscellaneous (estimated annual savings, \$4,000; nonrecurring, \$34,000).....	38,000
Interest Costs:	
Savings in interest costs resulting from revised procedures for advancing Government funds to States under programs of the Federal Extension Service and Cooperative State Research Service—Agriculture (estimated annual savings).....	790,000
Savings in interest costs resulting from adoption of procedures providing for expeditious deposit of funds into the United States Treasury—Agriculture (estimated annual savings).....	231,000
Reduction in interest costs resulting from clarification of an ambiguous term in Cotton Cooperative Loan Agreements—Agriculture (estimated annual savings).....	12,000
Leasing and Rental Costs:	
Unnecessary leasing costs eliminated when leases for communications circuits in Europe were discontinued and military communications were rerouted over Government-owned circuits or spare circuits—Defense (estimated annual savings, \$47,000; non-recurring, \$302,000).....	349,000
Savings resulting from purchasing rather than continuing to lease vehicles for use by contractors at Vandenberg Air Force Base—Air Force (estimated annual savings).....	313,000
Savings resulting from obtaining more favorable terms in four leasing agreements for reproduction equipment; Rock Island Arsenal—Army (estimated annual savings).....	25,000
Rental Income:	
Additional rental income for use of Government-owned equipment in possession of contractors—Defense (estimated annual savings) ..	24,000
Construction, Repair, and Improvement Costs:	
Savings resulting from Congress not appropriating funds for additional barracks requested for Naval Air Station, Oceana, Va., in the fiscal year 1968 construction program—Navy (nonrecurring).....	1,200,000
Savings by using existing storage facilities in United Kingdom and canceling plans to construct warehouse in Federal Republic of Germany—Army (nonrecurring).....	540,000
Savings resulting from reduction in the size of facility approved for fiscal year 1968 Military Construction Program for Canip Pendleton, Calif.—Marine Corps (nonrecurring).....	45,000
Manpower Utilization:	
Decrease in labor costs at Naval Ammunition Depot, Bangor, Wash., through reduction in overtime—Navy (estimated annual savings).....	1,158,000
Reduction in personnel required for repair and overhaul of generators under Air Force base maintenance contract—Air Force (non-recurring).....	195,000



<i>Action taken or planned</i>	<i>Estimated swings</i>
<b>Transportation:</b>	
Better utilization of expensive airlift capacity for shipment of high priority cargo to Southeast Asia—Defense (estimated annual savings).....	\$7,300,000
Reduction in cost of overseas shipment of cargo by commercial air service resulting from tariff revision—Defense (estimated annual savings).....	1,500,000
Elimination of transportation costs through direct delivery of petroleum, oil, and lubricant products to Korea—Army (estimated annual savings).....	1,200,000
Savings resulting from changing procedures to provide for shipping certain military supply parcels by more economical modes than air parcel post—Air Force (estimated annual savings).....	371,000
Transportation costs reduced by the Army in Europe as a result of use of military tractors and refrigerator semitrailers in lieu of commercial transportation—Army (estimated annual savings) . . .	129,000
<b>Other Items:</b>	
Savings through resolicitation of contract proposals and proper award of contract following a decision rendered by the Comptroller General pursuant to a bid protest against Air Force procurement of electronic data processing equipment (nonrecurring).	36,000,000
Savings resulting from reduction in personnel and equipment by consolidating photographic operations at the John F. Kennedy Space Center and the Air Force Eastern Test Range—National Aeronautics and Space Administration (estimated annual savings, \$1,400,000; nonrecurring, \$1,600,000). . . . .	3,000,000
Reduction in cost of revising maps of the National Topographic Map Series—Interior (estimated annual savings). . . . .	2,150,000
Savings in cost of Federal Employees' Group Life Insurance program achieved through recommended amendment of the insurance contract to provide for the reduction of rates—Civil Service Commission (estimated annual savings). . . . .	1,450,000
Minimum flight pay requirements changed from a monthly to an annual basis to permit more orderly scheduling of flights and more economical use of aircraft—Air Force (estimated annual savings). . . . .	1,275,000
Additional revenue resulting from revised timber appraisal procedures which will increase the appraised value of timber offered for sale by the Bureau of Land Management—Agriculture (estimated annual savings). . . . .	1,100,000
Revision of procedures and practices in accounting for reimbursable costs of investigations disclosed a surplus in the Civil Service Commission's revolving fund for investigations which was then deposited in miscellaneous receipts of the Treasury as was required by law, thus making these funds unavailable for expenditure (nonrecurring).....	784,000
Termination of payment of proficiency pay to Navy enlisted personnel attending full-time college degree programs—Navy (estimated annual savings). . . . .	500,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
<b>Other Items—Continued</b>	
Savings in operating costs resulting from modifications of the accelerated business collection and delivery program at <b>45</b> participating offices—Post Office Department (estimated annual savings).	<b>\$350,000</b>
Savings and improved management of the guardianship program resulting from improved procedures over internal field investigations—Veterans Administration (estimated annual savings). . . .	<b>350,000</b>
Savings resulting from use of available Government-owned laundry facilities instead of contracting commercially for such services and from expansion of services in some hospitals to provide service to others—Veterans Administration (estimated annual savings). . .	<b>300,000</b>
Reduction of labor costs in the contracts of a federally assisted low-rent public housing project because of more realistic wage rate determinations—Labor (nonrecurring). . . . .	<b>191,000</b>
Increase in interest payments to the <b>United States Treasury</b> due to correction of understated Government's investment in the Panama Canal Company (estimated annual savings, <b>\$42,000</b> ; nonrecurring, \$135,000). . . . .	<b>177,000</b>
Reduction in costs for documentary stamp tax because of adoption of nominal bid procedures at foreclosure sales—Housing and Urban Development (estimated annual savings), . . . . .	171,000
Savings due to cancellation of plans to purchase peripheral lands through reevaluation of land needs at <b>two</b> migratory waterfowl refuges—Interior (nonrecurring). . . . .	<b>165,000</b>
Additional revenue resulting from the correcting of revised procedures for calculating transit service charges against foreign countries—Post Office Department (estimated annual savings). . . . .	<b>120,000</b>
Savings resulting from use of substitute electrical power to fulfill contractual commitments thereby avoiding cash penalties—Atomic Energy Commission (nonrecurring). . . . .	<b>57,000</b>
Additional billings to the Federal Republic of Germany because of undercharges for material furnished under the cooperative logistics program—Defense (nonrecurring). . . . .	<b>52,000</b>
Savings obtained as a result of changes in rates for electric service at Paine Field, Washington—Air Force (estimated annual savings). .	<b>37,000</b>
Prevention of overpayments by correction of military leave records—Defense (nonrecurring). . . . .	<b>16,000</b>
Reduction by the Navy in cost of consulting services due to cancellation of plans to hire outside consultants and, instead, utilize services already available within the Department of Agriculture (nonrecurring). . . . .	11,000
Miscellaneous items (estimated annual savings, \$109,000; non-recurring, <b>\$23,000</b> ). . . . .	<b>132,000</b>
Total other measurable savings. . . . .	<b>213, 177,000</b>

## APPENDIX G-3

ADDITIONAL FINANCIAL SAVINGS NOT FULLY OR  
READILY MEASURABLE

Many significant financial benefits, either one-time savings or recurring savings, that are attributable to the work of the General Accounting Office are not fully or readily measurable in financial terms. These benefits result from actions that are taken or that are to be taken by the departments and agencies to eliminate unnecessary expenditures or otherwise correct deficiencies brought to light in our audit reports. A few examples of these actions identified during the fiscal year 1968 are described below.

## Changes in Agency Policies, Procedures, and Practices

*Savings by Reduction in Shipments of Materiel Between  
Air Force Bases and Depots*

Our report to the Congress in January 1968 disclosed that during the last 3 months of 1966 an estimated 34 percent of the total shipments of material received from bases by three Air Force depots were unnecessary or uneconomical because the material was already in a long supply or excess position, or it was material which had a value that was less than the costs incurred to process its return. Estimated packaging, handling, and other administrative costs incurred in connection with these uneconomical shipments totaled about \$1,259,000 for the 3 months. In addition, substantial transportation costs were incurred in connection with these uneconomical shipments, which we did not attempt to estimate because of many unknown factors.

We proposed that the Secretary of the Air Force consider establishing reasonable retention levels for items managed on economic order quantity basis so that bases could retain limited quantities over their requisitioning objective. We made no recommendation for other items since the Air Force had implemented or was to implement new systems for other items which in our opinion should prevent uneconomical returns to the depot for many of these items.

Air Force officials concurred in our proposal and advised us of new procedures that were being established covering the retention, reporting, and return of these items. The Air Force stated it would establish retention levels requiring bases to retain up to a 365-day level of supply over the requisitioning objective. The action taken should result in substantial savings.

*Army Procedures and Controls Improved to Provide More  
Assurance that Unserviceable Repairables Will Be  
Returned to the Supply System for Repair and Reissue*

Our review of about 12,000 issues of spare parts at seven military installations, that should have resulted in the return of a like quantity of unserviceable parts, showed that some 70 percent of these parts were not returned to maintenance activities for repair and reissue. Many of the parts that were not recovered were, at various times, critical items in short supply Army-wide. The failure to return repairable parts results

in unnecessary costs to procure new parts to meet requirements. If the recoverable parts had been returned, a large percentage could have been repaired at a substantially lower cost than that involved in procuring new assets. We believe that the recovery of repairable parts that are currently being "lost"—not available—to the Army supply system would result in substantial savings. For example, from July 1964 through March 1966, the Army procured \$7.9 million worth of 13 parts that were included among the parts in our review. We found that significant quantities of these parts were not being recovered because of erroneous recoverability publications. These matters were disclosed in our report to the Congress in January 1968.

The Deputy Assistant Secretary of the Army (Installations and Logistics) informed us of the actions taken by the Department of the Army relative to our findings and proposals. He stated that Headquarters, Army Materiel Command, would instruct the National Inventory Control Points to review appropriate procedures and design new procedures where necessary to ensure compatibility of recoverability information in technical manuals, supply catalogs, and related publications and that this program would be closely monitored by the Department of the Army. He further stated that the Army had taken action to establish the necessary local controls which, when properly implemented, would ensure that unserviceable reparable items are returned to the proper repair agencies expeditiously so that they can be repaired and returned to the supply system as efficiently as practicable. We believe that the Army's proposed actions, properly carried out, should improve substantially the recovery of repairable items and reduce procurement costs.

#### *Savings by Reduction in Size of Air Force Construction Project for Bachelor Officer Quarters*

At Mather Air Force Base, Sacramento, we questioned the requirement to construct two increments of bachelor officer quarters totaling 460 units, estimated to cost \$3.4 million, because there appeared to be a large number of vacancies in private housing in the nearby community which could have taken care of at least part of the need. An FHA official also informed us that FHA owned, at the time, through default, a 565-unit apartment complex in Sacramento. In our opinion, greater consideration of the community support available was appropriate, especially in view of the then recently established Department of Defense policy to permit greater numbers of bachelor officers and higher grade enlisted personnel to reside in the community. Additionally, the amount to be invested, estimated at \$7,000 per unit, was significant enough that further consideration of the matter was warranted.

In view of the imminence of the award of the construction contract for the first increment, we informally advised officials of the Department of Defense and the Air Force in April 1967 of our findings, requesting that they carefully reconsider the need for the project before making a final decision to proceed. By letter dated June 4, 1968, we were informed by the Assistant Secretary of Defense (Installations and Logistics) that, as a result of further study after the new off-base policy was announced, the Air Force had reduced the net requirement for new construction from 460 to 350 units. The letter further stated that this revised requirement was, in turn, reduced by the Deputy Assistant Secretary of Defense for Properties and Installations to 288 units by a more stringent application of criteria and to insure against the possibility of overbuilding. We were also informed that a supplemental reporting system has since been established to provide more complete and accurate data on

requirements for bachelor housing. The action taken should result in substantial savings.

#### *Recovery of Improper and Incorrect Payments of Loan Proceeds*

Our examination of various loan transactions under the AID Commodity Import Program showed that (a) certain commodities that were imported by the recipient country were not eligible for financing under the terms of the loan agreement, (b) an advance under a certain loan agreement was in excess of the value of the commodities accepted for financing under the loan, and (c) duplicate payments were made to a recipient country for commodities imported under their loan agreement. On the basis of our findings, AID has issued bills for collection to the recipient countries to recover \$875,000, the amount of the improper payments.

Had these transactions gone undetected, the amounts involved would have been eventually recovered by AID as repayments of loan principal or by an adjustment in the repayment schedule of the loan. However, the recovery action taken by AID at this time will return these funds to current year operations for use in AID foreign assistance programs.

AID has advised us that action has been taken to strengthen their surveillance over commodity import transactions.

#### *Balance of Payments— Conversion of Foreign Currency Resources in Australia to U.S. Dollars*

We found that the United States had Australian currency equivalent to about a third of a million dollars in lend-lease settlement funds, although it had financial requirements for property and improvements and was making payments in U.S. dollars for an educational program. These funds were not being used to meet U.S. requirements and it appeared that they would remain unused for some time in the future.

The funds had been made available pursuant to a 1946 agreement between the Governments of Australia and the United States pertaining to lend-lease and surplus war property; and, at the time of our review, the funds were in an "Acquisition of Properties Account." No payments had been made from this account since September 1961.

We recommended that, to help alleviate the U.S. balance-of-payments problem, the Department take the earliest possible action to seek the use of the lend-lease funds to meet the planned requirements of the Department or other U.S. Government agencies in Australia, in lieu of spending dollars.

On April 11, 1968, we were informed by the Department of State that the Government of Australia had paid the U.S. Government \$365,515 in payment of the lend-lease balance, and that this payment had been transmitted to the U.S. Treasury for deposit to miscellaneous receipts.

#### *Possible Savings in the Procurement of Measles Vaccine by the Agency for International Development*

Our review of the procurement practices followed by the Afro-American Purchasing Center, Inc., with the Agency for International Development's funds disclosed

that the implementing documents concerning the procurement of measles vaccine, for use in African countries, did not require that formal competitive bid procedures be followed. Consequently, the contractor followed the commercial practice of not revealing the award price to unsuccessful bidders.

We recommended that in order to ensure effective competition and an equal opportunity to vendors in supplying the needs of the Government at fair and reasonable prices, the Agency for International Development (AID) should incorporate a provision with respect to the expenditure of AID funds requiring that established United States Government procurement practices be followed, including disclosure of prices paid, unless compelling circumstances dictate otherwise.

We were informed by the Assistant Administrator for Administration, AID, that the Afro-American Purchasing Center, Inc., has now agreed that on all new AID-financed business it will utilize the formal competitive bid procedures, requiring public opening of bids, for any purchase contract estimated to exceed \$50,000 unless waived by AID in specific cases. This action should encourage more effective competition and will provide an equal opportunity to vendors in supplying the needs of the Government at fair and reasonable prices.

*Improved Efforts by Agency for International Development  
to Ensure That Alternate Free World Financing  
Is Considered Prior to Authorization of Loans*

Our examination of 35 loans totaling about \$347 million made by the Agency for International Development (AID) to 15 Latin American countries during calendar years 1963 through 1965 showed that, on the majority of these loans, the records did not demonstrate that AID had taken into consideration the borrower's ability to obtain financing from other free world sources prior to authorization of the loan.

We found that, with the exception of formal solicitation of the Export-Import Bank's interest in 32 of the 35 loans, there was no formal documentation on the majority of the loans reviewed of any efforts by AID or loan recipients to solicit private and other free world sources of finance. Without formal solicitation of other sources and documentation thereof, a void is created which denies to management a vital decisionmaking tool in the processing of loan proposals.

Moreover, if AID loans are made when financing from other free world sources can be obtained, loan funds may not be available to help other applicants who are solely dependent on AID for financial assistance; or, if such funds are not needed elsewhere, AID's future appropriations can be reduced.

The Agency for International Development concurred with our proposals and stated that procedures would be established to (1) prescribe the documentation required to evidence formal solicitation of U.S. private sources of financing, and (2) require a full explanation of the basis for a determination of nonavailability of alternate financing in the absence of formal solicitations to U.S. private lenders. We also were advised that AID would require that future loan applications contain statements indicating the applicant's efforts to obtain financing from other free world sources, including private sources of financing in the United States, and that steps were being taken to ensure the availability of more complete evidence of Agency efforts to determine alternative sources of financing.

Subsequently, AID circularized all Missions in the Latin American Bureau reaffirming the procedures to be followed concerning alternative sources of financing for proposed capital projects.

*Establishment of Procedures for Recovery of Excess  
Military Assistance Program Property*

We found that the Department of Defense, the U.S. European Command, and the Military Assistance Advisory Group had not effectively implemented an existing system, which in itself was not wholly adequate, for obtaining the return to U.S. control of ammunition and weapons which had become excess to the recipient country's requirements.

In compliance with our proposals, the Office of the Assistant Secretary of Defense (International Security Affairs) notified the Departments of the Army, Navy, and Air Force and all unified commands of the existing urgent need to obtain declarations of excess U.S.-furnished material from countries where it was no longer required. Subsequently, this notification was incorporated in the Military Assistance Manual, establishing procedures for reporting excesses and resolving cases where the Military Assistance Advisory Groups encounter difficulties in inducing recipient countries to relinquish excess military assistance program property.

*Clarification of Criteria for Federal Participation in Cost  
of Constructing Buildings for Field Maintenance  
Equipment*

In a report sent to the Administrator, Federal Aviation Administration (FAA), in July 1967, we commented on the inconsistency of the eligibility criteria for Federal participation in the cost of constructing buildings for field maintenance equipment, under the Federal-aid airport program administered by FAA. FAA regulations provided that all airports located in any of 15 specifically named States were eligible for Federal participation in buildings of this nature, whereas airports located in the other 35 States had to meet specific temperature criteria to qualify for eligibility.

The eligibility of all airports in the 15 States was based on FAA's assumption that if it had been determined that the specified climatic conditions had been experienced at any weather station in a State, it was likely that similar conditions had been experienced at all airport locations in that State.

Airport developments recommended by FAA for the 5-year period 1966-70 provided for the construction of field maintenance equipment buildings at 49 airports in 12 of the 15 designated States. FAA estimated that it would cost about \$1.2 million to construct the buildings at 25 of the 49 airports. Of this amount, 50 to 62½ percent would be paid for by the Federal Government.

Our review of climatological data showed that the conditions at the 25 airports did not meet the criteria applicable in the remaining 35 States. We therefore recommended that FAA revise its regulations to provide that only those airports, in any State, which experience the prescribed climatic conditions shall be eligible for Federal financial participation in the cost of constructing field maintenance equipment buildings.

FAA agreed with our conclusions and recommendation and revised its regulations to remove the blanket eligibility provided the 15 specifically named States.

*Procedures Revised to Provide for More Effective Controls  
Over the Construction of Nondwelling Structures  
by Local Housing Authorities*

During our review of selected aspects of project development activities in the low-rent public housing program administered by the Housing Assistance Administration (HAA), Department of Housing and Urban Development, we noted that HAA procedures relating to the construction of office buildings and other nondwelling facilities for local housing authorities (LHAs) did not require a timely reevaluation of the need for such structures prior to the solicitation of competitive bids and award of the construction contract. We found that HAA had approved a contract for the construction of a new central office building for an LHA without adequately considering that the LHA had reduced and decentralized a large part of its central office staff during the 3½-year period between HAA's conditional approval of the need for the building and the award of the construction contract. As a result, the office building that was constructed was larger than needed for the administration of the LHA's Federal low-rent housing program.

The new building increased development costs under the LHA's housing program by a total of approximately \$800,000, including financing costs. Since HAA has been paying a major part of the development costs applicable to the LHA's low-rent housing program, the \$800,000 can be expected to ultimately be borne principally by the Federal Government.

In view of the numerous nondwelling structures proposed for construction at federally aided low-rent housing projects, we recommended in a report issued to the Secretary of Housing and Urban Development in September 1966 that existing procedures be revised to provide that, if more than a year has elapsed since HAA's approval of a development program for a nondwelling facility, HAA should reevaluate the need for a facility of the size and type proposed before authorizing the LHA to issue invitations for bids, and should disapprove the construction of any proposed facility for which need is not justified by circumstances existing at the time of the reevaluation. Revised procedures, along the lines recommended in our report, were subsequently issued.

*Issuance of Instructions and Establishment of Criteria  
for Purchases of Office Furnishings by Local Housing  
Authorities*

During our review of financial management of low-rent public housing projects administered by a local housing authority (LHA), we noted that the Housing Assistance Administration (HAA), Department of Housing and Urban Development, did not have appropriate criteria as to the type and cost of office furnishings that should be considered eligible for Federal participation under the low-rent public housing program. We pointed out that such criteria was needed to help insure consistent and uniform determinations by HAA regional officials reviewing proposed purchases of office furnishings as presented in LHA budgets.

At the time of our review, about 1600 LHAs were authorized to purchase office furnishings with HAA approval. The annual contributions contract between an LHA and HAA provides for reducing the maximum annual Federal contribution (subsidy) by the amount of residual receipts available from the operation of low-rent public housing projects. Thus, any reduction in an LHA's operating costs through more



economical purchases tends to increase residual receipts and correspondingly decrease the Federal Government's liability for annual contributions.

In our April 1966 report to the Acting Deputy Assistant Secretary for Housing Assistance and in subsequent correspondence with the Department, we stated our opinion that appropriate criteria should be established as a basis for the approval or disapproval by HAA of planned purchases of office furnishings by LHAs.

Subsequently, the Department's regional offices were instructed to use the Federal Property Management Regulations covering use standards for office furnishings and the Federal Supply Schedules as guides in reviewing proposed purchases of office furnishings by LHAs. The instructions also pointed out that contracts were being negotiated with certain contractors supplying the Federal Government to extend their contract prices to LHAs.

### *Improvements in Purchasing Practices*

In a report to the Veterans Administration in September 1967, we pointed out that our review at seven VA hospitals indicated that the agency would have a more effective supply program and might also have considerable monetary savings if supply officials adhered more closely to procedures prescribed by VA for determining the correct source of supply and for justifying and obtaining approvals for purchases from sources of supply other than designated sources when deviations are warranted.

In reviewing purchase orders for supplies costing about \$400,000, we found that the field stations had purchased items costing about \$30,000 from other than designated sources and that the items on which required procedures were not followed cost about \$6,500 more than they would have cost if they had been purchased from designated sources. We believe that if the practices we observed were representative of those followed in other VA hospitals, their correction could result in considerable savings to VA. The amount of the savings, however, would not be readily measurable.

The agency agreed with our recommendation that action be taken to require supply officials to carry out their assigned responsibilities in the manner prescribed and took various actions to correct the deficiencies.

### *Improvement in Procedures Relating to Construction of Veterans Hospitals*

In a report to the Congress in March 1968 concerning the administration of a contract entered into by the VA for the construction of a veterans hospital in Washington, D.C., we pointed to a need for VA to improve its procedures for onsite supervision of construction work, enforcement of contract requirements, and development of specifications for hospital roadways.

Our findings indicated that (1) the VA did not have adequate assurance that certain material and workmanship in the Washington hospital was of the quality required by the contract, (2) the risk of structural deterioration had been increased, (3) future maintenance and repair costs may be higher than normally expected, and (4) poor design and workmanship were apparently responsible for the VA incurring additional costs of about \$41,600 to reconstruct a large portion of the hospital roadways which deteriorated shortly after the hospital was completed. In view of these basic weaknesses in agency procedures, we concluded that the construction deficiencies found at the Washington hospital could also exist at other VA construction projects.

As a result of our review, VA, in May 1968, informed us that it (1) had adopted

the practice of contracting directly with commercial testing laboratories, (2) had rewritten the resident engineers' handbook outlining the duties and responsibilities of the staff that performs onsite supervision of construction work, (3) had established Field Representative positions for the purpose of, among other things, conducting intermediate inspections of major construction jobs; writing reports on such items as the effectiveness of VA supervision, contract deviations, and the status of construction units; and assisting in expediting actions on outstanding problems, (4) had issued a specific directive emphasizing the necessity for timely determination and enforcement of contract requirements, and (5) had revised its master specifications relating to the construction of hospital roadways. The VA's actions should, if properly implemented, result in significant benefits to the Government.

#### *Consolidation of Requisitions on a Single Government Bill of Lading*

Our report to the General Services Administration in February 1968 disclosed that supplies requisitioned on a low-priority order were generally processed so as to be shipped daily by the warehouse. Our review established that if requisitions were held within the allowable time frames instead of being processed on a daily basis, consolidation of shipments to individual consignees could be improved. This in turn would result in savings through lower transportation costs and reduction in the numbers of bills of lading and related documents prepared and processed.

We recommended that procedures be implemented to specifically require routing requisitions to be held for maximum periods within allowable time frames to reduce the cost of transportation. By letter dated June 21, 1968, the Transportation and Communications Service informed us that the General Services Administration concurred in our finding and had instituted corrective measures which they thought would mitigate the identified condition. They plan to adopt new requisitioning procedures on a nationwide basis; thus, there will be substantial savings in transportation costs and a reduction in the numbers of documents processed.

#### *Savings by Selection of Lowest Cost Carrier for Freight Shipments*

In a report submitted to the Selective Service System, we referred to freight shipments from Washington, D.C., that could have moved at lesser costs had a different type of carrier been selected. In its response in June 1968, Selective Service agreed that significant savings would have been realized by use of the mode suggested by us and stated that it would revise its Fiscal and Procurement Manual to indicate the nationwide availability of transportation assistance by General Services Administration central and regional offices so as to effect even more savings in the future.

# Appendix H

## PERSONNEL STATISTICS

## APPENDIX H-1

## NUMBER OF EMPLOYEES BY DNISION AND OFFICE. JUNE 30, 1968

Office of the Comptroller General . . . . .	21
Office of the General Counsel. . . . .	191
Office of Administrative Services . . . . .	141
Office of Personnel . . . . .	38
Office of Policy and Special Studies . . . . .	57
Civil Division . . . . .	627
Claims Division . . . . .	126
Defense Division . . . . .	271
Field Operations Division . . . . .	1,739
International Division . . . . .	<b>140</b>
European Branch . . . . .	59
Far East Branch . . . . .	64
Report Department . . . . .	75
Transportation Division . . . . .	761
Total . . . . .	<u>4,310</u>

## APPENDIX H-2

## LOCATION OF EMPLOYEES BY DUTY STATION. JUNE 30, 1968

Atlanta. Ga. . . . .	99	New Orleans. La. . . . .	60
Cape Kennedy. Fla. . . . .	6	New York. N.Y. . . . .	98
Huntsville. Ala. . . . .	10	Garden City. L.I. . . . .	<b>1</b>
Warner Robins. Ga. . . . .	5	Syracuse. N.Y. . . . .	2
Boston. Mass. . . . .	98	Norfolk. Va. . . . .	47
Hartford. Conn. . . . .	5	Richmond. Va. . . . .	4
Chicago. Ill. . . . .	79	Philadelphia. Pa. . . . .	122
Rock Island. Ill. . . . .	3	Harrisburg. Pa. . . . .	6
St. Paul. Minn. . . . .	24	Pittsburgh. Pa. . . . .	3
Cincinnati. Ohio. . . . .	52	San Francisco. Calif. . . . .	99
Dayton. Ohio. . . . .	12	Sacramento. Calif. . . . .	8
Indianapolis. Ind. . . . .	46	Seattle. Wash. . . . .	62
Dallas. Tex. . . . .	97	Anchorage. Alaska . . . . .	4
Albuquerque. N. Mex. . . . .	3	Bremerton. Wash. . . . .	2
Houston. Tex. . . . .	4	Portland. Oreg. . . . .	<b>31</b>
San Antonio. Tex. . . . .	7	Richland. Wash. . . . .	1
Denver. Colo. . . . .	114	Frankfurt. Germany . . . . .	52
Billings. Mont. . . . .	2	New Delhi. India . . . . .	7
Ogden. Utah . . . . .	11	Honolulu. Hawaii . . . . .	41
Detroit. Mich. . . . .	75	Manila. Philippines . . . . .	15
Cleveland. Ohio . . . . .	59	Saigon. Vietnam . . . . .	<b>8</b>
Falls Church. Va. . . . .	146		
Kansas City. Mo. . . . .	68	Total Field Staff . . . . .	<u>1,856</u>
Oklahoma City. Okla. . . . .	18	Washington. D.C. . . . .	<u>2,454</u>
St. Louis. Mo. . . . .	35		
Los Angeles, Calif. . . . .	104	Grand Total . . . . .	<u>4,310</u>
San Diego, Calif. . . . .	1		

**APPENDIX H-3**  
**NUMBER OF EMPLOYEES BY GRADE**

	June 30. 1963	June 30. 1964	June 30. 1965	June 30. 1966	June 30. 1967	June 30. 1968
Statutory. ....	3	3	3	3	3	3
General Schedule:						
18.....	4	4	4	4	5	5
17.....	5	6	7	7	9	9
16.....	23	22	24	25	44	47
15.....	60	70	68	74	93	115
14.....	227	233	259	282	302	317
13.....	286	315	340	387	439	515
12.....	499	523	569	569	542	612
11.....	671	664	613	583	581	528
10.....	55	43	31	33	23	13
9.....	655	594	580	564	526	564
8.....	267	207	174	154	135	115
7.....	592	534	539	465	468	460
6.....	83	87	91	105	109	111
5.....	243	201	207	196	231	215
4.....	352	332	305	291	255	269
3.....	452	380	336	289	305	300
2.....	105	72	69	64	82	56
1.....	30	22	24	20	20	20
All other.....	47	38	35	33	44	36
<b>Total.....</b>	<b>4,659</b>	<b>4,350</b>	<b>4,278</b>	<b>4,148</b>	<b>4,216</b>	<b>4,310</b>

APPENDIX H-4

COMPARISON OF FEDERAL CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH AND GAO—1961 TO 1968

As of June 30	EXECUTIVE BRANCH		GAO	
	Total personnel (000 omitted)	Percent of change <sup>1</sup>	Total personnel	Percent of change <sup>1</sup>
1961.....	2,407	-----	4,990	
1962.....	2,485	+3.24	4,763	-4.55
1963.....	2,490	+3.45	4,659	-6.63
1964.....	2,710	+12.59	4,350	-12.83
1965.....	2,496	+3.70	4,278	-14.27
1966.....	2,664	+10.68	4,148	-16.87
1967.....	2,809	+16.70	4,216	-15.51
1968.....	3,014	+25.22	4,310	-13.63

<sup>1</sup> Since 1961.

APPENDIX H-5

GENERAL ACCOUNTING OFFICE PERSONNEL TURNOVER RATE

Fiscal year	Enrolled end of fiscal year	Separations for fiscal year <sup>1</sup>	Turnover (per 100 employees)
1968.....	4,310	717	16.8
1967.....	4,216	683	16.3
1966 <sup>2</sup> .....	4,148	709	16.8
1965.....	4,278	617	14.3
1964.....	4,350	754	16.7
1963.....	4,659	698	14.8
1962.....	4,763	714	14.6
1961.....	4,990	620	12.3
1960.....	5,074	617	12.0

<sup>1</sup> Excludes RIF's: 1965, 2; 1964, 20; 1963, 1; 1962, 1; 1961, 3; 1960, 6.

<sup>2</sup> The Daniels Bill resulted in 130 retirements, 25 of which were professional.

$$\text{Turnover (per 100 empl.)} = \frac{\text{Separations (except RIF)} \times 100}{\frac{1}{2} (\text{enrollment at beginning} + \text{enrollment at end})}$$

## APPENDIX H-6

## SUMMARY OF ASSIGNMENTS OF PERSONNEL TO CONGRESSIONAL COMMITTEES—FISCAL YEAR 1968

Committee	Staff assigned			Salaries	Travel expenses	Total cost	Reim-bursed by committee	Net ex-penditures by QAO
	Profes-sional staff	Other	Total					
U.S. SENATE								
Committee on Commerce.....	---	1	1	\$1,392	-----	\$1,392	-----	51,392
Committee on Government Operations: Permanent Subcommittee on Investigations.	66	-----	66	266,717	\$58,888	325,605	-----	325,605
Committee on Public Works..	2	-----	2	5,104	-----	5,104	-----	5,104
Select Committee on Standards and Conduct .....	2	-----	2	4,062	-----	4,062	\$4,062	
U.S. HOUSE OF REPRESENTATIVES								
Committee on Appropriations. ....	12	4	16	114,716	17,457	132,173	17,457	114,716
Committee on Armed Services.....	3	-----	3	2,260	-----	2,260	-----	2,260
Committee on Banking and Currency- .....	3	-----	3	30,772	-----	30,772	-----	30,772
Committee on Government Operations .....	1	-----	1	5,947	-----	5,947	-----	5,947
Subcommittee on Executive and Legislative Reorganization.. ..	1	-----	1	88	-----	88	-----	88
Subcommittee on Government Activities .....	2	-----	2	2,254	-----	2,254	-----	2,254
Subcommittee on Foreign Operations and Government Information.. ..	2	-----	2	18,819	-----	18,819	-----	18,819
Legal and Monetary Affairs Subcommittee.....	1	-----	1	1,585	-----	1,585	-----	1,585
Subcommittee on Donable Property .....	1	-----	1	4,602	-----	4,602	-----	4,602
Committee on House Administration .....	4	-----	4	1,826	-----	1,836	-----	1,826
Committee on Interstate and Foreign Commerce: Special Subcommittee on Investi-gations .....	3	-----	3	8,570	-----	8,570	-----	8,570
Committee on Post Office and Civil Service.-. ....	3	1	4	27,822	-----	27,822	-----	27,822

Select Committee on Small Business:									
Subcommittee on Foundations.....	2	-----	2	6,060	-----	6,060	-----	6,060	
Subcommittee on Small Business and Government Procurement.....	1	-----	1	2,666	630	3,296	-----	3,296	
Committee on Veterans Affairs.....	2	-----	2	1,459	69	1,528	-----	1,528	
JOINT									
Joint Committee on Atomic Energy.....	2	-----	2	4,382	-----	4,382	-----	4,382	
Joint Committee on Reduction of Nonessential Federal Expenditures.....		-----	1	3,330	-----	3,330	-----	3,330	
Totals.....	113	-----	7	120	514,433	77,044	591,477	21,519	569,968



# **Appendix I**

**FINANCIAL STATEMENTS OF THE  
GENERAL ACCOUNTING OFFICE**

**APPENDIX I-1**  
**U.S. GENERAL ACCOUNTING OFFICE**  
**STATEMENT OF ASSETS AND LIABILITIES, JUNE 30, 1968**

Assets:		
Funds in U.S. Treasury:		
Appropriated funds. ....	\$3,117,458	
Deposit funds.. ..	2,829, 798	
	<hr/>	\$5,947,256
Accounts receivable:		
Other Federal agencies. ....	7, 834	
Employees' travel advances... ..	308,059	
Collections in transit. ....	508	
	<hr/>	316,401
Inventories of supplies. ....		59,587
Furniture, <del>fixtures</del> , and equipment. ....	2,091,654	
<del>Less</del> accumulated depreciation. ....	1,398, 170	
	<hr/>	693,484
Total assets.. ..		<hr/> <hr/> 7, 016, 728
Liabilities:		
Accounts payable .....		2,375,997
Accrued liabilities. ....		315,025
Disbursements in transit. ....		39,574
Funds held for others, principally employees' tax and other payroll deductions....		2, 829, 798
Liability for accrued annual leave of employees. ....		3,617,608
		<hr/>
Total liabilities. ....		9, 178, 001
Investment of U.S. Government (Appendix I-2). ....		- 2, 161,273
		<hr/>
Total liabilities and investment. ....		<hr/> <hr/> 7, 016, 728

Note: Details in the tables of Appendix I may not add to the totals because of rounding.

APPENDIX 1-2

U.S. GENERAL ACCOUNTING OFFICE

SUMMARY OF CHANGES IN INVESTMENT OF UNITED STATES GOVERNMENT, FISCAL YEAR (ENDED JUNE 30, 1968)

Balance, July 1, 1967.....		-\$2, 597, 559
Appropriation for salaries and expenses, 1968.....	\$54, 353, 276	
Reimbursements.....	25,653	
	—————	54,378,929
<b>Total.....</b>		<b>51, 781,369</b>
Less:		
Operating expenses, 1968 (Appendix 1-3).....	53,489,264	
Unobligated balance of 1968 appropriation lapsed.....	415,772	
Adjustment of prior year obligations.....	37,605	
	—————	-53,942,643
<b>Balance, June 30, 1968.....</b>		<b>-2, 161,273</b>
Composition of balances:		
Investment in—	<i>July 1, 1967</i>	<i>June 30, 1968</i>
Inventories of supplies.....	\$68, 749	\$59,587
Furniture, fixtures, and equipment.....	655, 148	693,484
Unexpended appropriation (unpaid undelivered orders).....	109,768	703,264
Deferred liability for accrued annual leave.....	-3,431,225	-3,617,608
	—————	—————
<b>Totals.....</b>	<b>-2,597,559</b>	<b>-2, 161,273</b>

**APPENDIX I-3**  
**U.S. GENERAL ACCOUNTING OFFICE**  
**SUMMARY OF OPERATING EXPENSES FOR THE FISCAL YEAR**  
**ENDED JUNE 30, 1968**

	Total	Salaries	Employee benefits	Travel	Other
Office of the Comptroller General .....	\$361,598	\$286,317	\$23,478	\$9,159	\$42,644
Office of the General Counsel .....	2,541,190	2,213,586	165,272	7,808	154,524
Office of Policy and Special Studies .....	872,263	703,380	54,452	54,262	60,169
Office of Administrative Services .....	1,179,780	953,082	135,759	7,161	83,778
Office of Personnel .....	358,147	310,313	23,204	172	24,458
Civil Division .....	7,902,733	6,863,471	522,844	200,033	316,385
Claims Division .....	1,376,763	1,200,212	92,482	278	83,791
Defense Division .....	3,890,252	3,356,384	272,625	143,895	117,348
Field Operations Division .....	22,655,234	18,445,520	1,414,529	2,411,571	383,614
<b>International Division:</b>					
Washington, D. C. ....	1,972,067	1,568,284	120,571	225,417	57,795
European Branch .....	1,222,439	758,089	62,059	201,712	200,579
Far East Branch .....	1,449,473	850,598	77,496	327,487	193,892
Transportation Division .....	7,057,703	6,370,805	480,535	10,539	195,824
Report Department .....	649,622	466,372	36,214	9	147,027
<b>Total .....</b>	<b>53,489,264</b>	<b>44,346,413</b>	<b>3,481,520</b>	<b>3,599,503</b>	<b>2,061,828</b>

**Reconciliation of accrued expenditures for year with total expenses:**

Accrued expenditures .....	<b>\$53,332,055</b>
Add—	
Increase in accrued annual leave liability .....	<b>186,383</b>
Depreciation of furniture, fixtures, and equipment .....	<b>67,325</b>
Decrease in inventory of supplies .....	<b>9,162</b>
	<b>53,594,926</b>
Deduct—	
Purchases of furniture, fixtures and equipment .....	<b>—105,661</b>
Operating expenses .....	<b>53,489,264</b>

APPENDIX 1-4

U.S. GENERAL ACCOUNTING OFFICE

SUMMARY OF SOURCES AND APPLICATION OF FUNDS. FISCAL YEAR ENDED JUNE 30. 1968

<b>Sources of funds:</b>	
Appropriation <del>for</del> salaries and expenses, 1968.....	\$54,353. 276
Reimbursements.....	25. 653
Unpaid undelivered orders at beginning of year.....	109. 768
Receipts for audit services.....	527. 930
Other receipts.....	7. 036
	<hr/>
<b>Total</b> .....	<b>55,023. 664</b>
	<hr/> <hr/>
<b>Application of funds:</b>	
Accrued expenditures.....	53,332. 055
Unpaid undelivered orders at end of year.....	703. 264
Unobligated balance of 1968 appropriation lapsed.....	415. 772
Receipts deposited in U.S. Treasury.....	534. 967
Adjustment of prior year obligations.....	37. 606
	<hr/>
<b>Total</b> .....	<b>55,023. 664</b>
	<hr/> <hr/>

# Appendix J

DIRECTORY OF THE U.S. GENERAL ACCOUNTING OFFICE

## APPENDIX J

## DIRECTORY OF THE UNITED STATES GENERAL ACCOUNTING OFFICE

## MAIN OFFICE

*Telephone number*

U.S. General Accounting Office Building 441 G Street, NW. Washington, D.C. 20548	202-386 + ext. (FTS Information Operator, ext. 6095)
--	--

## INTERNATIONAL DIVISION

## EUROPEAN BRANCH

c/o U.S. Consulate General Platenstrasse 7 Frankfurt/Main, Germany	770-731, ext. 326
--	-------------------

*Suboffice*

U.S. Embassy  
Shanti Path  
Chanakyapuri  
New Delhi, India

## FAR EAST BRANCH

Room 619 1833 Kalakaua Avenue Honolulu, Hawaii 96815	588-330
--	---------

*Suboffice (Manila)*

Sarmiento Building  
6782 Ayala Avenue  
Makati, Philippines

*Suboffice*

124-B Truong-Minh Giang Saigon, Republic of Vietnam	Tiger 4226
--	------------

## FIELD OPERATIONS DIVISION

## REGIONAL OFFICES

Atlanta Room 204, 161 Peachtree Street, NE. Atlanta, Ga. 30303	404-526-4455
--	--------------

Boston Room 1903, John F. Kennedy Federal Building Government Center Boston, Mass. 02203	617-223-6536
---	--------------

**Chicago**

Room 403, Custom House Building 312-353-6174  
 610 South Canal Street  
 Chicago, Ill. 60607

**St. Paul Suboffice**

Room 1407 612-228-7844  
 U.S. Post Office & Custom House  
 St. Paul, Minn. 55101

**Cincinnati**

8112 Federal Office Building 513-684-2107  
 5th and Main Streets  
 Cincinnati, Ohio 45202

**Dayton Suboffice**

MCLAGA, Building 11, Room 238, 513-255-4505  
 Area B  
 Wright-Patterson Air Force Base,  
 Ohio 45433

**Army Audit Staff**

Fort Benjamin Harrison 317-546-2870  
 Indianapolis, Ind. 46216

**Dallas**

Room 600, Rio Grande National Building 214-749-3437  
 251 North Field Street  
 Dallas, Tex. 75202

**Denver**

7014 Federal Building 303-297-4621  
 1961 Stout Street  
 Denver, Colo. 80202

**Air Force Audit Staff**

3800 York Street 303-825-4411  
 Denver, Colo. 80205

**Detroit**

Room 2006, Washington Boulevard Building 313-226-6044  
 234 State Street  
 Detroit, Mich. 48226

**Cleveland Suboffice**

Room 2933 216-522-4892  
 New Federal Office Building  
 1240 East 9th Street  
 Cleveland, Ohio 44199

**Navy Audit Staff**

Room 2933 216-522-4892  
 New Federal Office Building  
 1240 East 9th Street  
 Cleveland, Ohio 44199



***Kansas City***

1800 Federal Office Building  
 911 Walnut Street  
 Kansas City, Mo. 64106

816-374-5056

***St. Louis Suboffice***

Room 1740, 1520 Market Street  
 St. Louis, Mo. 63103

314-622-4121

***Los Angeles***

Room 7054, Federal Building  
 300 North Los Angeles Street  
 Los Angeles, Calif. 90012

213-688-3813

***New Orleans***

Room T-8040, Federal Office Building  
 701 Loyola Avenue  
 New Orleans, La. 70113

504-527-6115

New York

341 Ninth Avenue  
 New York, N.Y. 10001

212-971-7531

***Norfolk***

423 Federal Building  
 600 Granby Street  
 Norfolk, Va. 23510

703-672-7267

***Philadelphia***

502 U.S. Custom House  
 Second and Chestnut Streets  
 Philadelphia, Pa. 19106

215-597-4333

***San Francisco***

143 Federal Office Building  
 50 Fulton Street  
 San Francisco, Calif. 94102

415-556-6200

***Seattle***

3086 Federal Office Building  
 909 First Avenue  
 Seattle, Wash. 98104

206-583-5356

***Portland Suboffice***

Parker Building, 2nd Floor  
 527 E. Burnside  
 Portland, Oreg. 97214

503-226-1474

***Washington***

Penn Park Building  
 803 West Broad Street  
 Falls Church, Va. 22046

703-557-8920

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