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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

PROCUREMENT AND SYSTEMS
ACQUISITION DIVISION

JAN 26 1976

B-39995

Mr. Arthur Schoenhaut
Executive Secretary
Cost Accounting Standards Board

Dear Mr. Schoenhaut:

As we advised you in our letter of April 8, 1975, we inquired into why certain companies had not filed Disclosure Statements of their cost accounting practices. Your records showed that these companies appeared to have met the filing requirements in either fiscal year 1972 or 1973. From the list of companies you provided, we selected six for examination on the basis of significance of contract awards. These six companies are N. W. Ayer & Son, Inc., Gulf and Western Industries, Inc., Kisco Company, Inc., Systems Development Corporation, Talley Industries, Inc., and United States Steel Corporation. A report regarding another company on the list, Hewlett-Packard, was sent to you on April 8, 1975.

Of the six contractors surveyed, we found that only three were required to file a Disclosure Statement as a result of meeting the established dollar threshold for fiscal year 1972 or 1973, and all did so within 2 months after the effective date of April 1, 1974. The remaining companies have or will file Disclosure Statements for subsequent fiscal years. The enclosed summary contains further details on our work.

If we can be of further assistance, please let us know.

Sincerely yours,

R. W. Gutmann
Director

Enclosure

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SUMMARY--REVIEW OF COMPLIANCE
WITH DISCLOSURE STATEMENT REQUIREMENTS

Talley Industries, Inc.

Talley did not meet the \$30 million threshold for filing a Disclosure Statement for fiscal year 1971. It did, however, meet the \$10 million threshold for fiscal year 1972 or 1973, and accordingly, filed a Disclosure Statement with the cognizant Government office on May 17, 1974. After two revisions, the Statement was declared adequate on February 24, 1975. We found no evidence that Talley was awarded any covered contracts between April 1, 1974, the date after which awards could not be made without submission of the required Statement or the granting of a waiver of submission, and the date of filing, May 17, 1974.

Talley submitted a copy of its Statement to the Board on May 2, 1975. We were told Talley waited until all five of its Statements (corporate and subsidiaries) were declared adequate before submitting them to the Board.

System Development Corporation

System Development Corporation did not meet the \$30 million threshold for filing a Disclosure Statement for fiscal year 1971. The company, however, did file a Statement on April 30, 1974, after meeting the \$10 million threshold for fiscal year 1972 or 1973.

We found no evidence of covered contracts awarded the Company between April 1, 1974, and the initial date of the Statement's submission. After a number of revisions, the Statement was declared adequate on March 12, 1975, and a copy was received by the Board on March 31, 1975.

Kisco Company, Inc.

Kisco did not meet the \$30 million threshold for fiscal year 1971. However, the company did submit a Statement on April 17, 1974, to the St. Louis Defense Contracts Administration Services Region after meeting the \$10 million threshold for fiscal year 1972 or 1973. The Defense Department's records do not indicate that the company received any covered contracts between April 1, 1974, and the initial date of filing. After submitting two revisions, the Statement was declared adequate on March 6, 1975. Company officials neglected to send a copy of the Statement to the Board within 10 days after adequacy was declared. A copy, however, was submitted to the Board on June 2, 1975.

N. W. Ayer & Son

N. W. Ayer did not meet the threshold for filing a Disclosure Statement for the fiscal year 1971, 1972, or 1973. The contract amounts reported by the Defense Department for fiscal years 1972 and 1973 represented modifications to a fiscal year 1971 contract which was exempt from Cost Accounting Standards. However, the company filed a Statement for fiscal year 1975 which was received by the Board on March 13, 1975.

Gulf and Western Industries, Inc.

Gulf and Western, according to its records, did not meet the threshold requirements for fiscal year 1972 or 1973, and therefore was not required to file a Disclosure Statement.

Gulf and Western officials stated, however, that the company had exceeded the Statement threshold levels for fiscal years 1974 and 1975 and will file a Disclosure Statement early in 1976.

United States Steel Corporation

According to the Cost Accounting Standards monitor in Philadelphia and an administrative contracting officer in Pittsburgh for the Defense Contracts Administration Services Region, U.S. Steel has not had any covered contracts which would require the company to file a Disclosure Statement. However, in August 1975, U.S. Steel agreed to follow Cost Accounting Standards rules and regulations (where a waiver is unavailable), and in October 1975 submitted a Disclosure Statement to the Energy Research and Development Administration. The determination of adequacy is pending.