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REPORT TO THE CONGRESS

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

B-162578

Department of Defense

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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AUG. 9, 1974



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-162578

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

This is our 13th report on the audit of payments from the special bank account to the Lockheed Aircraft Corporation for the C-5A aircraft program. This report covers the quarter ended June 30, 1974.

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

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

Since June 16, 1971, the Department of the Air Force has paid Lockheed \$653,830,529 from the special bank account against the total appropriated amount of \$657.5 million. (See app.) Based on the weekly average of payments in this quarter, the remaining \$3.67 million should be paid to Lockheed in July 1974. The amounts deposited in and withdrawn from the special bank account during the quarter ended June 30, 1974, follow.

	Special bank <u>account</u>	Funds authorized by Public Law 93-155 (<u>note a</u>)
Balance, April 1, 1974	\$ 102,233	\$23,249,213
Deposits during the quarter	19,778,016	-
Withdrawals during the quarter	-	19,778,016
Labor	\$5,489,628	
Overhead	7,662,940	
Material and other charges	6,434,425	
Intercompany transactions	-	-
Charges	\$95,138	-
Credits	<u>156</u>	<u>-</u>
	<u>19,681,975</u>	<u>-</u>
Balance at June 30, 1974	\$ <u>198,274</u>	\$ <u>3,471,197</u>

^aAll funds appropriated pursuant to the authorizations under Public Laws 91-441, 92-156, and 92-436 were expended as of the quarter ended Mar. 31, 1974. (See app.)

As previously stated, \$4.4 million of the amount authorized under Public Law 92-436 could be paid to Lockheed for reasonable and allocable depreciation and amortization costs. Through June 30, 1974, the Air Force had paid Lockheed about \$2 million of the \$4.4 million for depreciation and amortization costs from funds authorized by this law.

Since the total funds appropriated pursuant to Public Law 92-436 have now been spent (see app.), the \$4.4 million ceiling on depreciation and amortization will not be exceeded.

The first payment from funds Public Law 93-155 authorized was made on March 13, 1974. Through June 30, 1974, the Air Force had paid Lockheed about \$348,000 of the \$1.7 million permitted for depreciation and amortization costs from the funds Public Law 93-155 authorized.

SCOPE OF AUDIT

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

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

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

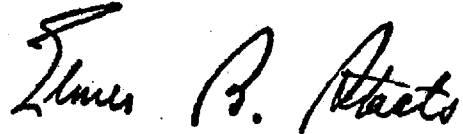
CONCLUSIONS

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

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

A handwritten signature in black ink, reading "James B. Axtell". The signature is written in a cursive style with a large initial "J" and "A".

Comptroller General
of the United States

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