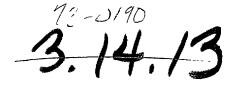
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REPORT TO THE CONGRESS

LM096441

Audit Of Payments From Special Bank Account To Lockheed' Aircraft Corporation For The C-5A Aircraft Program During The Quarter Ended December 31, 1972 B-162578

Department of Defense

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

701451

MARCH 9,1973



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

B-162578

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

This is our seventh 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 December 31, 1972.

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

Public Laws 91-441 and 92-156 provide that (1) the payments be made through a special bank account, (2) the funds be expended 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 (B&P) costs, independent research and development costs, similar unsponsored technical effort costs, and depreciation and amortization costs. Public Law 92-436 contains the same restrictions and controls except that up to \$4.4 million of the amount authorized under this act may be expended for reasonable and allocable depreciation and amortization costs. These laws require the General Accounting Office 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 \$489,102,542 from the special bank account. (See appendix for the cumulative expenditures through December 31, 1972.) The amounts deposited in and withdrawn from the special bank account during the quarter ended December 31, 1972, were as follows: B-162578

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				pecial bank ccount	<u>Funds</u> at 91-441	thorized by <u>92-156</u>	Public Laws 92-436
Beginning balance			\$	•	\$239,479	\$84,139,727	\$107,600,000
Deposits			48	,948,620			
Withdrawals					206,323	48,742,297	
Labor		\$12,147,364					
Overhead		15,758,190					
Material and							
other charges		20,419,470					
Intercompany		,,					
transactions:							
	\$776,539						
Charges		70 70		000 700			
Credits	7,771	768,768	49	,093,792			
Balance as of December 31, 1972				566,872	\$_33,156	\$ <u>35,397,430</u>	\$ <u>107,600,000</u>

SCOPE OF AUDIT

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

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

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

CONCLUSION

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Our review revealed no payments from the special bank account to Lockheed-Georgia during the quarter ended December 31, 1972, that were contrary to Public Laws 91-441, 92-156 and 92-436.

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Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Defense; and the Secretary of the Air Force.

Junes A. Atacto

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Comptroller General of the United States

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APPENDIX •I

TOTAL AMOUNTS DEPOSITED IN AND WITHDRAWN FROM

THE SPECIAL BANK ACCOUNT

DURING THE PERIOD JUNE 16, 1971, TO DECEMBER 31, 1972

Special Funds authorized by Public Laws bank account 91-441 92-156 92-436 **BEGINNING BALANCE** \$200,000,000 \$325,100,000^a \$107,600,000 DEPOSITS \$489,669,414 199,966,844^b 289,702,570^c **WITHDRAWALS** Labor \$ 99,358,356 Overhead 142,786,615 Material and 242,111,594 other charges Intercompany transactions: Charges \$19,899,900 Credits 15,053,923 4,845,977 489,102,542 BALANCE AS OF DECEMBER 31, 1972 566,872 \$____ 33,156 \$ 35,397,430 \$107,600,000 \$

^aPublic Law 92-204 appropriated \$321.5 million which is \$3.6 million less than authorized.

^bInitial payment from this fund was on June 16, 1971.

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