

ANNUAL REPORT OF THE
COMPTROLLER GENERAL OF THE UNITED STATES

1966

Annual Report of the

COMPTROLLER GENERAL

of the

UNITED STATES

For the Fiscal Year Ended June 30, 1966



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



JANUARY 10, 1967.

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, 1966.

A handwritten signature in dark ink, reading "Thomas B. Staats". The signature is fluid and cursive, with a large initial "T" and "S".

*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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Highlights of Activities for the Year

Scope of Audit Activities

During the fiscal year 1966 our staff carried out its work at 2,833 locations throughout the world, including 43 foreign countries in which we performed assignments at 288 locations. Approximately 3,000 audits and reviews of selected activities and programs were made involving every major governmental department and, with certain exceptions, independent governmental agencies, commissions, and corporations.

In the civil departments and agencies, we made 1,496 reviews of selected activities and programs at 1,467 locations within the United States, including 361 non-Federal locations, such as state and local governments, universities, and various other recipients of Federal grants, loans, and funds.

We made 831 reviews of selected defense activities and 241 reviews of selected international activities and programs at 860 military installations and 149 nonmilitary locations, including 17 agencies of foreign governments and 75 other locations in foreign countries.

We made 466 examinations at 254 plants and offices of contractors and subcontractors holding contracts with the Armed Forces, and at 103 plants and offices of contractors and subcontractors holding contracts with civil departments and agencies of the Government.

Financial Savings

Refunds, collections, and other measurable financial savings or additional revenues resulting from the recommendations of the General Accounting Office in fiscal year 1966 amounted to \$130,637,000. Of this total actual refunds and collections made by or through our efforts during the year amounted to \$17,192,000. Approximately \$40 million of the savings or additional revenues are recurring in nature and will continue in future years. In addition, many significant financial benefits in the form of cost savings are realized each year by the Federal Government which are attributable to the work of our Office even though they are not fully or readily measurable in financial terms. These savings result from actions taken by the Federal agencies to effect improvements where the needs therefor were brought to their attention in connection with our audit work. The principal area in which the greatest measurable financial savings were realized occurred in supply management of Government-

HIGHLIGHTS OF ACTIVITIES

owned materials where \$74.4 million of estimated savings from our work were realized.

Transportation

During the year we audited 4.8 million bills of lading covering freight shipments, for which the Government had paid about \$944 million, and 2.7 million transportation requests for passenger travel, for which the Government had paid about \$530 million. This represented an increase of nearly 20 percent in payments audited over the prior year.

From our audit of transportation payments in fiscal year 1966, we issued 86,970 claims against commercial carriers for overcharges totaling \$10.7 million. We also settled 29,413 claims from carriers against the Government for \$33.4 million, or \$3.7 million less than claimed. In addition to these direct settlements, we furnished assistance to the Department of Justice in some 47 legal actions involving claims against the United States for \$0.9 million covering over 3,600 shipments. Fifty-one suits, the subject of reports in this or prior years, were settled for nearly \$0.7 million, or about \$1.4 million less than claimed.

We also received from the Department of Justice notice of the filing of 93 suits by carriers covering approximately 160,000 shipments. Most of the suits were on overseas movements of household goods by the Department of Defense. The amount sued for was not stated in the petitions filed on these suits but we estimate that the liability of the United States, if the carriers prevail on all of the issues, will exceed \$30 million.

Legal Services

Due to the broad responsibilities of the General Accounting Office the legal work goes far beyond those areas of the law which are normally within the province of a single agency of the Government. Our legal work extends across the whole range of activity of the executive branch and in some areas of the legislative and judicial branches. It involves problems arising under international law and laws of foreign countries as well as Federal and State statutes, administrative regulations, court decisions, and other precedents.

In our legal work, we handled 4,797 decisions and other legal matters. Included in the total were 633 legislative and legal reports submitted to committees and Members of Congress on information of interest to them and 99 reports to the Director of the Bureau of the Budget on proposed, pending, or enrolled bills and other legal matters.

Claims Settlement and Debt Collection

We settled and disposed of a total of 8,274 general claims against the United States, consisting of 339 claims involving Government contracts,

4,499 involving compensation to civilian personnel and pay and allowances to military personnel, 422 involving retired pay, 1,672 involving travel, transportation and per diem matters, and 1,342 miscellaneous claims of Government personnel and other public creditors. In the settlement and disposition we certified the amount of \$52,596,937 for payment. In addition, we adjusted and settled 33,977 claims by the United States and collected \$4,128,554. At the end of the fiscal year we had 11,472 claims under collection representing accounts receivable in the total amount of \$5,852,033. We reported 3,299 claims to the Department of Justice for collection by suit and as of June 30, 1966, there were 7,189 claims under collection by that Department, representing accounts receivable in the amount of \$4,222,972.

Public Law 89-508, The Federal Claims Collection Act of 1966, approved July 19, 1966, will affect the claims work of the General Accounting Office, as it may result in fewer debt claims being referred to our Office for collection. Action was initiated to collaborate with the Attorney General in the development of joint standards as provided under the act. A group composed of selected senior management officials in our Office was designated to study the effect of the new law on our work, including such organizational and procedural changes as might be indicated to carry out certain broadened responsibilities under the act.

Audit Reports Issued

During the fiscal year 1966, we issued 927 audit reports to the Congress, committees or Members of Congress, and agency officials. We submitted 181 reports on audits or investigations to the Congress and 146 reports to congressional committees, officers of the Congress, or individual Members of Congress on audits or investigations made at their request. Of the 181 congressional reports, 105 related to activities of the civil departments and agencies of the Government, 47 pertained to activities in the Department of Defense and the three military departments, 25 related to international activities, including military and economic assistance to foreign countries, 2 reports to governmentwide activities, and 2 reports related to organizations outside the Federal Government.

We issued 600 reports to officials of the various departments and agencies, including 297 on civil activities, 279 on defense activities, and 24 on international and governmentwide activities. Copies of these reports were furnished in many cases to congressional committees or interested Members of the Congress.

Assistance to Congress and Congressional Committees

Our representatives testified before congressional committees on 28 occasions and on a variety of subjects related to our reports and work during

HIGHLIGHTS OF ACTIVITIES

the fiscal year. One hundred and eighteen members of our staff were assigned to the staffs of 20 congressional committees or subcommittees, including the House Office Building Commission, during the 1966 fiscal year. Approximately 13,000 man days of technical assistance were provided for work directly with and under the control of congressional committees. We furnished at the request of various committee chairmen a total of 374 reports on pending bills, including 185 to Senate committees and 189 to House committees.

During the year, the Congress enacted 9 legislative recommendations made in our reports, including 4 which were made in audit reports in prior years. Nine new legislative recommendations were made in our audit reports which were either under consideration or were not acted on by the Congress.

Assistance on Improvements of Agency Management Practices

During the latter part of the fiscal year, the Comptroller General, the Assistant Comptroller General, and our top management staff, met with officials of 11 departments and 2 independent agencies to discuss the status of their financial management improvement programs. We inquired into problems these agencies are having and ways or means of encouraging further progress.

On June 3, 1966, the Comptroller General issued a memorandum (see page 131, Appendix) to the heads of the divisions and offices of the General Accounting Office which provided that our accounting and auditing staff place greater emphasis on financial management improvement work and on cooperating with the Federal departments and agencies in the development of their accounting systems. This memorandum sets forth our policy and concepts with respect to the discharge of our accounting responsibilities.

Under the Joint Financial Management Improvement Program, the Comptroller General, the Secretary of the Treasury, and the Director of the Bureau of the Budget met for the purpose of developing ways and means to accelerate the pace of the program. The Chairman of the Civil Service Commission also participated in this meeting to assist in solving the problems of recruiting, classifying and training of people engaged in accounting and other financial management work. On May 24, 1966, the President released a written statement endorsing the reinvigoration of the Joint Program and calling upon the heads of departments and agencies for positive action in the development of business-like financial systems throughout the Federal Government.

Specific programs and plans were developed for increasing our cooperative efforts and assistance to the agencies. Two hundred and fifteen members of our staff have been assigned during the first half of fiscal year 1967 to carry out our responsibilities in this area.

During the fiscal year we issued 12 reports to the Congress containing comments on agency accounting systems matters resulting from our reviews of financial management activities. At June 30, 1966, we had 26 accounting systems on hand for review, 14 of which were submitted during May and June 1966.

Training and Career Development

During the fiscal year 1966, over 1,200 of our professional staff were provided with special training through our internal facilities and nearly 140 professional staff members participated in training or career development programs conducted in other agency or non-government facilities. These training programs have been developed on a coordinated basis, as a part of our planned professional development, and are designed to meet the varied needs of the staff members at each level of responsibility. Also, 52 members of our staff passed the CPA examination given by State boards during the fiscal year. Three hundred and ninety-nine members hold the CPA certificate and 70 others who have passed the required examination will receive their certificates upon completion of their experience requirement.

Expenses and Staffing

Our operating expenses for the year amounted to \$46.2 million, of which \$41.8 million, or 90%, was for personnel compensation and benefits. Our staff at the end of the year totaled 4,148 as compared with 4,278 at June 30, 1965, a net decrease of 130. During the past 10 years, our staff has been reduced by 1,404, or over 25 percent. Our professional accounting and auditing staff has increased during this same period by 758 to a total of 2,280.

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Assistance to the Congress

Past Comptrollers General and other General Accounting Office officials have developed a close working relationship with the Congress. In letters to each Committee Chairman shortly after taking office in March 1966, I pledged anew the continuation and strengthening of this relationship.

A great portion of our Office's total effort is aimed directly or indirectly toward assisting Congress in maintaining the surveillance so necessary for effective legislative oversight of a vast complex of governmental programs and operations. It was largely for this purpose that the General Accounting Office was created by the Budget and Accounting Act of 1921. This chapter summarizes the means our Office employs in seeking to fulfill this responsibility.

Our assistance is furnished principally through (1) audit reports to Congress (2) special reports as requested by Committees and individual Members of Congress (3) direct staff assistance to Committees (4) reports to Committees on pending legislation (5) advisory assistance in legal and legislative matters (6) testimony at hearings and (7) recommendations for legislation.

Beginning with the 90th Congress, we expect to participate actively in the seminar for new Members of the House of Representatives sponsored by the membership and the American Political Science Association. Our purpose there will be to acquaint new members particularly with the governmental role assigned to our Office in the legislative branch, and will supplement the efforts our legislative liaison attorneys have made in the past, and expect to continue, to contact each new member personally to discuss with him in greater detail the types of assistance which he may look toward our Office to receive.

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 various Committees to discuss matters of mutual interest and to coordinate our efforts most effectively to meet the Committees' requirements. This office also serves as the point of contact through which individual members and their staffs, as well as the staffs of the various Committees, may

ASSISTANCE TO THE CONGRESS

channel their inquiries and requests for assistance in order that our responses may be made with the maximum effectiveness.

AUDIT REPORTS TO CONGRESS

The reports issued to Congress as the result of our audits and reviews of agency operations constitute one of our most important means of assisting the Congress. During fiscal year 1966 we made 181 reports of this type.

The information contained in our reports is intended to give the Congress, as well as the agency heads, an objective appraisal of phases of the operations of the agency or activity covered which appear to need congressional or management attention with a view toward improvement. By this means, we endeavor to aid the legislative committees and staffs in carrying out their oversight responsibilities over the operation of the agencies and to assist the Appropriations Committees considering agency budget requests.

While it is not considered to be our function, nor within our capability, to make complete and continuous audits of all Government activities, our reports cover a wide range of subject matter. In selecting areas for audit, we make every effort to include subjects in which we have reason to believe Congress is particularly interested. For instance, the meetings between our staff and the staffs of the various Appropriations Subcommittees which occur annually are designed to pinpoint areas which the Subcommittees believe need further exploration. One such audit effort, originated in conferences with the House Appropriations Committee staff, has resulted in eight reports to Congress on the F-4 aircraft program. Meetings are now being held with some Subcommittees after, as well as before, the budget hearings to alert our staff to questions of Subcommittee interest arising at the hearings and enable the preparation of reports before the following session.

Other examples of our audit work, to which the interest of congressional committees has lent special impetus, include the efforts currently in progress in our Office to obtain a comprehensive analysis of Government agencies' accounting systems and our efforts to conduct a review of the internal audit activities of the various agencies. The special interest of two Subcommittees of the House Committee on Government Operations—the Subcommittee on Executive and Legislative Reorganization and the Subcommittee on Government Activities, respectively—is reflected strongly in our efforts in these two areas.

In the belief that the direction and guidance derived from regular discussions such as the annual meetings with Appropriations Committee staff members will result in reports more closely keyed to the needs of Congress,

I have urged our staff to seek more opportunities to meet with congressional committees and discuss potential areas for reporting.

The Committees on Government Operations, under the Legislative Reorganization Act of 1946, give active consideration to the findings and recommendations contained in each report submitted by our Office to Congress. Since it is not within our jurisdiction generally to direct agencies to take corrective action on administrative deficiencies of a management nature discovered in our audit, it is often the follow-up action by these Committees which results in proper administrative steps being taken to correct and preclude such deficiencies.

The House Committee on Government Operations issued its report this year, resulting from hearings by the Military Operations Subcommittee, on our audits of defense contracts and our reports to Congress on these audits. The report included a number of constructive recommendations which we have adopted to improve the effectiveness of our reports in this area.

The Appropriations Committees also make frequent use of our reports in hearings on agencies' budget requests. In one such case, for example, the Chairman of the Senate Subcommittee on Public Works, requested the Chief of Engineers, Department of the Army, to review and to schedule revetment construction work in such a way to avoid, to the maximum extent possible, overtime work in excess of a 40 hour week as recommended in our report entitled "Opportunity for Savings by Reducing Overtime on Revetment Construction and Maintenance Work Performed by the Corps of Engineers on the Lower Mississippi River." Congressional support of this type for our work is an important factor in our efforts to improve Government operations.

This year we issued to the House Appropriations Committee the 12th annual report of selected significant findings developed during the course of audits in the military and civilian agencies. The practice of making such a report each year before the beginning of appropriation hearings was originated at the request of the Committee.

The Joint Economic Committee again, in comprehensive hearings on the economic impact of Federal procurement, reviewed numerous General Accounting Office reports and questioned agency representatives on the points raised in the reports. While this Committee's consideration of our reports on procurement and supply management is a significant example of how our work assists in the public hearings aspect of a Committee's function, other committees having legislative oversight functions frequently consider our reports in their day-to-day operations as well as in hearings.

The Subcommittee on Manpower of the House Post Office and Civil Service Committee relies heavily on reports of our Office on personnel and manpower utilization in Government agencies. The Chairman gave considerable credit to one of our reports for action taken by the Department

ASSISTANCE TO THE CONGRESS

of Defense to reduce the number of military personnel assigned to non-military jobs. (For further details see page 28.)

SPECIAL REPORTS REQUESTED BY COMMITTEES OR INDIVIDUAL MEMBERS

During fiscal year 1966 we furnished 146 special reports to Committees and individual members in response to their specific requests.

These requests result generally from the Committees' or individual members' needs for current information from time to time on some phase of a program administered by an agency. We consider it an important part of our responsibility under the Budget and Accounting Act of 1921 and subsequent legislation to perform spot reviews and to furnish timely reports on such requests to the limit of our ability. We recognize that, although the factual information is perhaps readily available within the agency, the Committee or member may need the added assurance of completeness and accuracy which an impartial and objective analysis by our Office might provide.

An example of such a report is the special report we made to the Subcommittee on Refugees and Escapees of the Senate Judiciary Committee on the management policy and related controls and procedures the Agency for International Development employed in its administration of refugee movement and programs of assistance for refugees in South Viet Nam and Laos. Several of the findings related by the Subcommittee in its report (Senate Report No. 1058, 89th Cong.) in support of its recommendations for improving deficiencies in the program were based on findings in our report which "stressed the urgent need for operational procedures and for disciplined coordination of all relief efforts to assure that available personnel and resources would be applied promptly, effectively and economically."

Another special report resulted from a review requested by the Senate Committee on Interior and Insular Affairs of a proposal by the Department of the Interior to refund excess oil and gas lease royalty payments under the Outer Continental Shelf Lands Act. Our special report reassured the Committee as to the reasonableness of the proposal in both law and fact but we pointed out the questionable practice the Department utilized in reporting to the Committee only with respect to cash refunds without revealing significant refunds effected through offset against later royalty payments.

Our special report to the Senate Committee on Public Works was used in connection with its consideration of the bill S. 3174 which would provide permanent authority to the Post Office Department for long-term leasing of post office buildings. Our representatives appeared and testified before

the Committee on this bill and made a number of recommendations to amend the bill to provide more adequate congressional controls over the program, as well as to establish definite standards which would be required to be met by the Post Office Department. In his opening statement at the hearings on this subject, the Chairman of the Subcommittee on Public Buildings and Grounds expressed the belief that the Committee could not have accomplished its task in the time available without our help.

Other examples include a report to the Chairman of the House Armed Services Committee evaluating the Department of Defense's estimate of savings to be realized from closing the San Diego Ship Repair Facility; a report to the Chairman of the Senate Armed Services Committee on the hospitalization of a high-ranking officer's dependent for extended nursing care contrary to regulations; and numerous special reports to members and Committees on some aspect or another of the poverty programs. Our special reports to Committees, as well as those made at the request of individual Members, may be identified readily in the list of reports beginning at page 150 of the Appendix.

DIRECT STAFF ASSISTANCE TO COMMITTEES

We furnish assistance to the Committees of Congress by assigning qualified staff members to assist the Committees directly in their studies and investigations.

When assigned to Committees, our personnel work under the exclusive control and direction of the Committee Chairmen and staffs. We exercise no supervision nor do we make any review of the material produced on such assignments. Although such assignments are considered primarily for the benefit of the Committees, we regard the experience and knowledge gained by our personnel on these assignments as being of great potential benefit to the General Accounting Office as well as to the employees themselves.

In the course of such assignments during the past year, our employees participated in reviews and investigation relating to supply controls in Viet Nam, administrative practices regarding Government loans to small business investment companies, disposal of surplus property overseas by the military departments, and manpower utilization, to name only a few of the many assignments. In fiscal year 1966, these assignments contributed over 13,000 man-days of productive assistance to Committee efforts.

The following summary shows the number of personnel assigned to the various Committees at one time or another during the fiscal year 1966 and the cost of such services to the Committee or to the General Accounting Office:

ASSISTANCE TO THE CONGRESS

Summary of Assignments of Personnel to Congressional Committees—Fiscal Year 1966

Committee	Staff Assigned	Reimbursed by Committee	Net Expenditures by GAO
UNITED STATES SENATE			
Committee on Appropriations:			
Subcommittee on Department of Agriculture and Related Agencies.....	2	\$9,130.40	0
Subcommittee on Departments of State, Justice, Commerce, The Judiciary, and Related Agencies.....	2	19,341.92	0
Committee on Commerce.....	2	670.40	\$468.16
Committee on Government Operations:			
Permanent Subcommittee on Investigations.....	18	0	136,149.63
Subcommittee on Foreign Aid Expenditures.....	15	0	101,089.52
Committee on Rules and Administration.....	1	1,022.72	0
Select Committee on Standards and Conduct...	1	4,674.00	0
U.S. HOUSE OF REPRESENTATIVES			
Committee on Appropriations.....	18	21,547.86	150,098.22
Committee on Armed Services.....	34	0	120,187.80
Committee on Banking and Currency.....	2	0	35,239.68
Committee on Government Operations:			
Subcommittee on Executive and Legislative Reorganization.....	1	0	1,661.52
Subcommittee on Foreign Operations and Government Information.....	5	0	19,241.48
Subcommittee on Government Activities....	1	0	131.04
Committee on Interstate and Foreign Commerce: Special Subcommittee on Investigations.....	2	0	11,281.68
Committee on Post Office and Civil Service:			
Subcommittee on Manpower Utilization....	3	6,388.80	31,783.92
Committee on Un-American Activities.....	1	5,817.60	0
Select Committee on Small Business.....	4	0	3,293.12
House Office Building Commission.....	4	6,308.54	19,087.20
JOINT			
Joint Committee on Atomic Energy.....	1	0	13,769.64
Joint Committee on Internal Revenue Taxation.	1	0	445.36
Totals.....	118	75,652.24	643,927.97

REPORTS ON PENDING LEGISLATION

In fiscal year 1966, we furnished at the request of various Committee Chairmen a total of 374 reports on pending bills. Primary responsibility for the preparation of these reports rests in our General Counsel's office. The reports are prepared on the basis of original legal research augmented by the advice and comments of our accounting and auditing staffs.

Some bills on which we are asked to report contain provisions directly affecting our operations. (See citations to legislation enacted during the 89th Congress, fiscal year 1966, beginning on page 139 of the appendix.) Others referred to us may have been designed to correct deficiencies reported by our Office or to implement recommendations made by the Comptroller General. In the case of many others, although not relating directly to our own operations, we are able through experience with the agencies concerned and their programs to furnish worthwhile comments to the Congress. These comments usually relate to unanticipated legal effects which particular language employed in the bill may have, as well as to the operational, fiscal, and administrative aspects of the proposed legislation.

Examples are our reports to the Senate and House Committees on Government Operations in favor of two bills, H.R. 13200 and S. 3010 which were very important to the national transportation economy since they proposed to establish a new Department of Transportation. We suggested that certain provisions in the bill be clarified to avoid future problems of interpretation.

In another report to the House Committee on Interstate and Foreign Commerce on the bill H.R. 8120 which would create the National Capital Airport Corporation for the operation of the Washington National Airport and Dulles International Airport, we withdrew an objection we had stated in reports on previous bills for this purpose. We took the position this year that, if the strengthening and clarifying amendments which we suggested were adopted, we believe that the bill, if enacted, would provide Congress with adequate fiscal control over the Corporation's programs and financing requirements.

In reporting on pending bills we consistently urge, with respect to legislation creating loan or grant programs for specific purposes, that Congress include provisions under which the administrative agency and the General Accounting Office will clearly have access to pertinent records of the recipients for the purpose of audit. We consider it a matter of grave importance that the Congress retain for itself the right to review through its own audit and investigatory agency the manner in which such loan and grant funds are ultimately used. We are pleased to note that Congress has

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accepted our recommendations in this respect with increasing frequency in the past few years. (See excerpts from legislation enacted during the 89th Congress, fiscal year 1966, beginning on page 139 of the appendix.)

Many of the private relief bills considered by the Committees concern overpayments by the Government, debts due the Government arising out of contracts, and obligations of accounting and certifying officers for erroneous and improper payments. Because we normally have information relating to most of these types of cases the Committees request our comments on a large percentage of the private relief bills that receive Committee consideration. This year we reported on 65 such bills.

We collaborated with the Department of Justice in the formulation of a legislative proposal which was enacted as the Federal Claims Collection Act of 1966, Public Law 89-508. This act may relieve the legislative burden of Congress with respect to private relief bills to some extent. The act imposes upon Government agencies the obligation to collect debts due the United States as a result of their activities, and affords them the flexibility to compromise claims when compromise is warranted or to suspend or terminate collection action on claims when it appears that no person liable on the claim has the financial ability to pay any significant amount on the claim, or when the cost of collection is likely to exceed the amount of recovery. Agencies are not, however, authorized to compromise, suspend, or terminate collection action on a claim which exceeds a principal amount of \$20,000; nor may they act upon claims where there are indications of fraud or misrepresentation, or which arise out of antitrust violations.

Collection, compromise, or termination action will be carried out by the agency under its own regulations and in conformity with standards promulgated jointly by the Attorney General and the Comptroller General.

Following is a table showing the number of reports on bills furnished to the various Committees during fiscal year 1966:

Senate:	<i>Total</i>
Banking and Currency	6
Commerce	121
District of Columbia	3
Foreign Relations	6
Government Operations	20
Interior and Insular Affairs	5
Judiciary	9
Post Office and Civil Service	11
Public Works	3
Rules and Administration	1

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House:	<i>Total</i>
Armed Services	1
Banking and Currency	2
District of Columbia	1
Government Operations	54
Interior and Insular Affairs	4
Interstate and Foreign Commerce	16
Judiciary	68
Merchant Marine and Fisheries	20
Post Office and Civil Service	9
Public Works	8
Science and Astronautics	6
	<hr/> 189
Total	<hr/> <hr/> 374

ADVISORY ASSISTANCE IN LEGAL AND LEGISLATIVE MATTERS

Our assistance to the Congress in this category is rendered in response to both formal and informal requests from both Committees and individual members. Our efforts in this regard usually take the form of assistance in drafting proposed legislation, or in providing legal advice as to the correct interpretation to be accorded various provisions of law or departmental regulations. Besides informal conferences to accomplish this purpose, we furnished written opinions to Committee Chairmen and members in numerous instances during the year.

Most requests we receive for assistance in drafting legislation are made informally from Committees or individual members, many times to carry out recommendations contained in our audit reports to the Congress. Requests may require drafting an entire bill or a special provision to be included in a bill and sometimes merely appropriate words of definition or limitation to accomplish a very precise purpose. Our goal in such cases is simply to insure that the results intended by the proponents of the legislation will be achieved and, because of the wide experience and competence developed by our legal staff through close association with governmental activities, we feel that our contribution toward this end can be substantial.

During the year, the staffs of the Appropriations Committees requested our legal advice on many questions concerning the use and availability of funds. One question, for example, was whether the Department of the Interior could continue preparation of Bureau of Reclamation feasibility reports after July 1, 1966, under a proposed continuing resolution, in view of the provisions of Section 8 of Public Law 89-72, requiring that such reports be specifically authorized by Congress. We concluded that appropriations for the feasibility reports under the continuing resolution would be sufficient authority within the meaning of Section 8. However, in order

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to preclude any doubt as to the matter we recommended a showing of clear legislative intent and drafted a suitable explanatory statement for that purpose.

In essentially the same category, we analyzed certain proposed changes to the Food and Drug Administration's regulations for the staff of the Senate Small Business Committee concerned with the Government's drug procurement policies. In another case, at the request of the Chairman of the Monopoly Subcommittee, Senate Small Business Committee, we provided a searching legal discussion concerning the authority of Government agencies to grant exclusive licenses and dispose of Government property rights, particularly with regard to patents.

Numerous other examples could be mentioned.

TESTIMONY AT HEARINGS

The Comptroller General or other representatives of the General Accounting Office appeared and testified before congressional Committees on 28 occasions during fiscal year 1966. The hearings involved a wide range of subject matter.

An example of great importance to our own operations is the testimony our representatives presented before both the House and Senate Committees on the District of Columbia supporting H.R. 13558, a bill to provide for regulation and practice of certified public accountants in the District of Columbia. The bill was enacted as Public Law 89-578, and, under its provisions, experience such as that gained by professional personnel in the General Accounting Office may be accepted as qualifying experience for a certificate. Since under previously existing law, no Government experience could be accepted as qualifying in the District, we believe that this recognition of our work will greatly enhance our programs for recruiting and retaining professional accounting personnel.

The Acting Comptroller General testified at length before the Joint Committee on the Organization of Congress concerning our operations and, particularly, the changes and improvements in the Office's audit activities since the Comptroller General testified before this Committee's predecessor in 1945. The resulting increase of information and services available to Congress through our Office was emphasized. We discussed with the Committee also the benefits to be derived from increased oversight coordination and unified congressional Committee reviews of similar or related Governmental programs now under cognizance of two or more legislative Committees.

A complete list of appearances, including identification of the subject matter follows:

*Appearances by General Accounting Office Representatives at Congressional Hearings
During Fiscal Year 1966*

Committee	Date	Subject
U.S. SENATE		
Judiciary:		
Subcommittee on Patents, Trademarks, and Copyrights.	July 6, 1965	Government policy concerning inventions and patents developed through Government financed research and development. (S. 789, S. 1809, S. 1899 and S. 1047.)
Banking and Currency:		
Subcommittee on Small Business.	Oct. 11, 1965	Sale of Small Business Administration loan pool participations (S. 2499).
Post Office and Civil Service. . . .	Feb. 3, 1966	Postal Savings System discontinuance. (S. 1995, H.R. 8030.)
Select Committee on Small Business:		
Subcommittee on Government Procurement.	Mar. 9, 1966	Operation and effectiveness of Boards of Contract Appeals.
Appropriations:		
Subcommittee on Independent Offices.	May 16, 1966	General Accounting Office budget, 1967.
Public Works:		
Subcommittee on Buildings and Grounds.	May 24, 1966	Extending authority of Postmaster General to enter into leases of real property for 30 years (S. 3174).
Finance.	May 25, 1966	Executive hearing regarding proposed hospital reimbursement guidelines for the medicare program.
District of Columbia:		
Subcommittee on Business and Commerce.	June 1, 1966	To provide for regulation of the professional practice of Certified Public Accountants in the District of Columbia (H.R. 13538).
Government Operations:		
Subcommittee on Foreign Aid Expenditures.	June 2, 1966	Administration of Pub. Law 480, Agricultural Trade Development and Assistance Act.

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*Appearances by General Accounting Office Representatives at Congressional Hearings
During Fiscal Year 1966—Continued*

Committee	Date	Subject
HOUSE OF REPRESENTATIVES		
Armed Services.....	July 26, 1965	Exemption of certain contracts with foreign contractors from the requirement for an examination-of-records clause (H.R. 3041).
Government Operations: Subcommittee on Military Operations.	July 8, 1965	Review of GAO's defense contract audit procedures.
Post Office and Civil Service: Subcommittee on Compensation.	July 19, 1965	To terminate cost-of-living allowances for statutory salaried Federal civilian employees in nonforeign areas (H.R. 8390).
Government Operations: Subcommittee on Executive and Legislative Reorganization.	July 21, 1965	To authorize reimbursement between agency appropriations (H.R. 6438).
Government Operations: Subcommittee on Executive and Legislative Reorganization.	Sept. 1, 1965	To liberalize the benefits payable under the Administrative Expenses Act of 1946, to civilian employees when transferred from one official station to another (H.R. 10607).
Armed Services: Subcommittee for Special Investigations.	Sept. 9, 1965	To discuss the review made of supply management at the Air Force Eastern Test Range, Patrick Air Force Base, Florida.
District of Columbia: Subcommittee No. 2.....	Jan. 19, 1966	To provide for regulation of the professional practice of Certified Public Accountants in the District of Columbia (H.R. 7624).
Government Operations: Subcommittee on Foreign Operations and Government Information.	Feb. 3, 1966	Proposed audit in Viet Nam.
Post Office and Civil Service: Subcommittee on Manpower.	Feb. 9, 1966	Requirements for additional supergrades in the Federal Government (S. 2393).

*Appearances by General Accounting Office Representatives at Congressional Hearings
During Fiscal Year 1966—Continued*

Committee	Date	Subject
HOUSE OF REPRESENTATIVES—		
Continued		
Judiciary:		
Subcommittee No. 2	Feb. 24, 1966	To amend the act of Aug. 24, 1935 (Miller Act) to require certain contractors with the U.S. to give an affidavit with respect to payment to subcontractors. (H.R. 4497 and private relief bill H.R. 4580.)
Banking and Currency:		
Subcommittee on Domestic Finance.	Mar. 8, 1966	Destruction of unfit Federal Reserve notes (H.R. 5305).
Appropriations:		
Subcommittee on Independent Offices.	Mar. 10, 1966	General Accounting Office budget, 1967.
Banking and Currency	April 1, 1966	Sale of Small Business Administration loan pool participations (S. 2499).
Government Operations:		
Subcommittee on Government Activities.	April 27, 1966	Traffic control operations of the Federal Aviation Agency.
Ways and Means	May 25, 1966	To extend the Renegotiation Act of 1951 (H.R. 13431).
Judiciary:		
Subcommittee No. 2	June 9, 1966	For the relief of the estate of Major John W. Roy (H.R. 6035) B-145064.
Post Office and Civil Service:		
Subcommittee on Census and Statistics.	June 29, 1966	Electronic Data Processing Systems in State and local Governments.
JOINT		
Organization of the Congress	Aug. 5, 1965	Congressional Reorganization.
Economic:		
Subcommittee on Federal Procurement and Regulation.	Mar. 24, 1966	Significant matters disclosed in reports relating to the Department of Defense activities.

RECOMMENDATIONS FOR LEGISLATION IN AUDIT REPORTS

One of the important duties of the Comptroller General under the Budget and Accounting Act, 1921, is to make recommendations to the Congress "looking to greater economy and efficiency in public expenditures." To

fulfill this obligation we give careful attention in preparing our audit reports to the need for legislative action to correct, improve or eliminate uneconomical practices and procedures of the departments and agencies. As part of our legislative program we discuss these suggestions with staff members of the legislative committees having jurisdiction of the subject to obtain legislation in either the form recommended or modified as deemed necessary by the Committees upon further study.

Recommendations Made During Current Fiscal Year Considered Favorably

The following legislative recommendations made in our reports during fiscal year 1966 were enacted by the Congress:

1. *Payment of self-employment tax in installments.*—We found that if the Internal Revenue Code (26 U.S.C. 1) was amended to require self-employed individuals to pay estimated self-employment taxes on a pay-as-you-go basis through the tax year, the Internal Revenue Service could improve its administration of the billing and collection of unpaid taxes and the Government could save interest on borrowings estimated to be, at a minimum, about \$5 million annually.

In a draft report submitted to the Secretary of the Treasury and the Commissioner of Internal Revenue in October 1965, we proposed a recommendation to the Congress that the Code be amended to provide that self-employed individuals make an estimate of self-employment taxes payable for the current year at the time the taxpayer is required to file a declaration of estimated income tax and pay the tax in installments during the year.

Our proposed recommendation was made a part of the Administration's 1966 tax recommendations to the Congress, and the Congress, subsequent to issuance of our report, included a provision in Public Law 89-368 requiring the payment of self-employment taxes in installments during taxable years beginning after December 31, 1966. (Review of Self-Employment Tax Payment and Collection Practices, Internal Revenue Service, Treasury Department, B-15615-4, March 3, 1966.)

2. *Lease of FHA-owned houses by Coast Guard as public quarters.*—We reported to the Congress that annual savings of about \$244,000 could be realized through the use of houses owned by the Federal Housing Administration as Government quarters for certain Coast Guard members who are or will be assigned to Coast Guard installations in the St. Petersburg and Miami, Florida, areas.

The Congress included a provision in Public Law 89-381 which provided that during fiscal years 1967 through and including 1968 the Coast Guard is authorized to lease existing housing facilities at or near Coast Guard installations in the United States and Puerto Rico for assignment as public quarters to military personnel and their dependents, if any. (Potential

Savings Through the Use of Houses Owned by the Federal Housing Administration as Government Quarters for Certain Coast Guard Members in the St. Petersburg and Miami, Florida, Areas, B-146987, December 17, 1965.)

3. *Equitable claim for salary and travel expenses.*—We reported to the Congress an equitable claim recommending private relief legislation under 31 U.S.C. 236 for unpaid travel and salary expenses of an appointee to a Government position. Our recommendation was favorably considered and enacted as Private Law 89-309.

4. *Clarification of entitlement to submarine pay.*—In another instance Congress took action to clarify entitlement of off-board based submarine command staff members to receive incentive pay authorized for submarine personnel. The questionable payments were brought to light in an audit finding of our Office which resulted in a decision by the Comptroller General holding that under existing law such personnel who do not perform the majority of their assigned duties on a submarine are not legally entitled to incentive pay on a continuous basis. Public Law 89-278 approved October 20, 1965, specifies the service requirements on a submarine during underway operations in order to qualify for incentive pay. (Illegal Payments of Hazardous Duty Submarine Pay to Military Personnel Assigned to Submarine Force Command Staffs, B-154092, December 22, 1964.)

Prior Year Recommendations Considered Favorably in Fiscal Year 1966

During the year recommendations made in audit reports in prior years also were enacted by the Congress:

1. *Centralized management of automatic data processing equipment.*—Our Office has been concerned for several years about automatic data processing developments in the Federal Government. Our first comprehensive report on this important activity was submitted in 1958 and a second overall report in 1960. These reports included numerous suggestions to improve agency automatic data processing programs and Government-wide management of the new technology for its most efficient use. Included was a recommendation that necessary steps be taken to fully coordinate the procurement and utilization of data processing equipment among the Government agencies. Legislation to accomplish this recommendation by providing for a centralized management of automatic data processing equipment was enacted as Public Law 89-306.

2. *Discontinuance of Postal Savings System.*—We appeared and testified before the Senate Post Office and Civil Service Committee on legislation to discontinue the Postal Savings System. This legislation enacted as Public Law 89-337 carried out recommendations in our audit reports beginning in 1952 when we suggested that the Congress give consideration to the question of whether the System should be continued.

3. *Requirement for provision in international agreements for better utilization and convertibility of foreign currencies.*—A recommendation made in our audit reports relating to the use of United States-owned foreign currencies was adopted by Congress in the form of an amendment to the Interest Equalization Tax Extension Act of 1965, enacted as Public Law 89-243 approved October 9, 1965. This amendment, designed to assist in the balance of payments problem, requires future international agreements under which foreign currencies accrue to this Country's credit to contain provisions permitting greater use and convertibility of such funds to the extent deemed necessary by the Secretary of the Treasury. Agreements under Public Law 480, however, were exempted and the provision was limited in duration to two years, the period by which the Interest Equalization Tax Act was extended.

We believe, and our reports continue to show, that there is a need for permanent comprehensive legislation to require that programs generating foreign currencies for the United States' use be administered so that to the maximum extent feasible those currencies are, in fact, available for the Government's legitimate use.

4. *Better utilization of U.S.-owned foreign currencies.*—As in prior years the Congress included in the Public Works Appropriation Act, 1966, Public Law 89-299, Section 508, a provision which we recommended in our report to the Congress in October 1962 on the administration and utilization of United States-owned foreign currencies by departments and agencies. This provision permits "any foreign currencies held by the United States which have been or may be reserved or set aside for specified programs or activities of any agency to be carried on the books of the Treasury in unfunded accounts." As explained in House Document No. 134, 88th Congress, this permits foreign currencies on hand to be used for current needs, which would otherwise require dollars, with such foreign currencies to be replaced as needed later, thereby helping to improve the balance of payments situation.¹

5. *Excessive interest costs incurred on certain income tax refunds by the Internal Revenue Service.*—We reported to the Congress that excessive interest costs were being incurred by the Government because under provisions of the Internal Revenue Code the Internal Revenue Service could not, in most cases, make interest-free refunds to taxpayers who either delayed filing initial tax returns until after prescribed due dates or filed under granted extensions of time. The Service is currently required to pay interest at 6 percent per annum from the prescribed due dates of the returns on overpayments not refunded within 45 days thereof regardless of whether extensions of time for filing may have been granted or whether taxpayers delay filing returns until after the expiration of the 45-day period.

¹ Permanent legislation (Public Law 89-677) accomplishing this purpose was enacted after the close of the fiscal year and approved October 15, 1966.

In view of the increased number of extensions granted, the late filings, and the substantial interest cost incurred by the Government on refunds, we recommended that the Congress consider amending section 6611(e) of the 1954 Internal Revenue Code to provide that the Service have available a period of 45 days starting either from the prescribed due date or from the date of filing the returns, whichever is later, to make interest-free refunds. We recommended that the amendment further provide that, where the Service is unable to refund the overpayment within 45 days, interest at 6 percent per annum should commence with the prescribed due date of the return or with the date of filing, whichever is later.

Two identical bills, H.R. 11660 and H.R. 11661, directed to this problem were introduced in October 1965.¹ (Excessive Interest Costs Incurred on Certain Income Tax Refunds by the Internal Revenue Service, B-137762, May 25, 1965; Page 40, Annual Report of the Comptroller General for fiscal year 1965.)

Recommendations Made During Current Fiscal Year Not Acted on by Congress

The following are new legislative recommendations made in our audit reports during fiscal year 1966 which were not acted on by the Congress:

1. *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 United States Treasury on the Virgin Islands products transported to the United States, which are 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 Comptroller from the funds which are otherwise transferable to the insular government as Federal grants.

This recommendation suggests action similar to that taken by Congress whereby funds derived from internal revenue collections earmarked for Federal grants to the insular government were used instead of appropriations from the general fund of the United States Treasury to cover operating losses of the Virgin Islands Corporation in 1960, 1961, and 1962. (Page 24, House Report No. 233, 87th Congress; 75 Stat. 263.) (Review of the Activities of the Office of the Government Comptroller of the Virgin Islands, B-114808, April 28, 1966.)

¹ Public Law 89-721, approved November 2, 1966, after the end of fiscal year 1966, amended section 6611(e) of the 1954 Internal Revenue Code to provide that no interest is to be paid with respect to the refund of an overpayment of income tax if the refund is made within 45 days after the date the return is actually filed.

2. *Recovery of expenditures incurred in the management and operation of forest enterprises.*—In 1944 the Department of the Interior established a policy of deducting a maximum fee of 10 percent of timber sale proceeds as a means of recovering costs incurred by Bureau of Indian Affairs offices in the management and operations of Indian forest enterprises. Since that time, however, the Department has not increased the stipulated percentage despite a rapidly increasing Federal deficit in the management and operation of Indian forest enterprises in recent years and despite the fact that on several reservations income from forest enterprises was substantial.

Our review of six selected Indian reservations disclosed that, during the 5-year period ended June 30, 1965, unrecovered agency office expenditures totaled over \$1.4 million for five of the six selected reservations, even though the net income accruing to the Indians from these five forest enterprises totaled over \$30 million. We therefore brought the results of our review to the attention of the Congress in a report issued in March 1966 in the event the Congress wished to express its views on the matter. (*Examination Into Policies for the Recovery of Government Expenditures Incurred in the Management and Operation of Indian Forest Enterprises, Bureau of Indian Affairs, B-114868, March 24, 1966.*)

3. *Apparently nonessential services provided by State employment offices.*—In three reports to the Congress in recent years we commented on apparently nonessential services being provided by certain State employment offices. The most recent of these reports expressed the view that most of the work of the Wisconsin Teacher Placement Division, which was clerical in nature and involved the maintenance of teacher credentials, was not essential to the employment of teachers in view of the abundance of teaching positions available and open to their selection. We suggested that these clerical activities be discontinued and the other more essential teacher placement services be merged into an existing Professional Placement Division.

The Department did not agree that the activities which we cited were not appropriate for the expenditure of Federal funds. Therefore, in view of the questions raised in connection with this report and the previous reports as to whether some of the activities being carried out by the public employment service are in harmony with congressional intent, we have suggested that the Congress may wish to consider the appropriateness of using Federal funds to finance the activities in question. (*Potential Savings Through Consolidation and Reduction of Certain Employment Service Activities in Wisconsin, Bureau of Employment Security, Department of Labor, B-133182, dated May 3, 1966.*)

4. *Need for more positive controls over food donations under Title II, P.L. 480.*—We found that under Title II of Public Law 480, the Agency for International Development granted about 186,000 metric tons of corn costing over \$23,700,000 to the United Arab Republic in December 1961

on the basis of representations made by the United Arab Republic that a famine would occur as a result of crop failure.

The grant was made without adequate verification of the actual need for the requested assistance. Official statistics of the United Arab Republic, which were subsequently accepted by United States agencies, showed that the corn crop had not failed and most of the corn was undelivered many months after it arrived in Egypt.

In addition, responsible United States agencies did not check on the distribution of 85 percent of the corn and do not know whether this quantity of corn ever reached intended recipients. The limited distribution checks which were made disclosed that substantial quantities, which the United Arab Republic had agreed to give to needy people, were sold.

We suggested that the Congress may wish to consider enacting legislation which would require that commodities be donated under Title II of Public Law 480 only upon a certification by the United States Chief of Mission that he has verified the need for such commodities or upon the determination by the Secretary of State that such food donations are in the interests of the United States.

We recommended also that the Congress may wish to consider whether it would be more appropriate to require that the expense of providing surplus agricultural commodities to foreign governments to meet United States foreign policy objectives be met from appropriations made available to the Department of State or the Agency for International Development, rather than from Department of Agriculture appropriations. (Questionable Grant of Corn to the United Arab Republic Under Title II, Agricultural Trade Development and Assistance Act of 1954, B-146820, July 16, 1965.)

5. *Displacement of commercial dollar sales of agricultural commodities.*—We reported to the Congress that United States commercial dollar sales of tallow to the United Arab Republic have been displaced by sales of surplus tallow for foreign currency under Title I, Public Law 480, programs. We estimate that commercial sales totaling about \$5.5 million were displaced between 1962 and 1964 and that under existing agreements, additional sales were likely to be displaced in 1965. This situation resulted because United States agencies made increasing amounts of Title I surplus tallow available without establishing realistic commercial import requirements for the United Arab Republic. Commercial import requirements are specified in each Public Law 480 sales agreement as a means of ensuring that Title I sales do not displace normal commercial sales.

We suggested that the Congress may wish to clarify the provisions of Public Law 480 to express more specifically its intentions regarding the displacement of United States commercial sales by Public Law 480 programs for foreign policy considerations. (Displacement of Commercial Dollar Sales of Tallow to the United Arab Republic, B-156922, July 20, 1965. See also

the classified report: Effects of Foreign Currency Sales on Commercial Sales of Wheat to the United Arab Republic, B-157438, March 11, 1966.)

6. *Contributions for the binational educational exchange program.*—The Mutual Educational and Cultural Exchange Act of 1961 provides that foreign governments shall be encouraged to participate to the maximum extent feasible in carrying out the act and to contribute funds, property, and services for carrying out the purposes of the act. One of the purposes of the act is carried out by means of the binational educational exchange program.

The Department of State, on the whole, has had only limited success thus far in obtaining financial participation in the binational educational exchange program by other countries. We believe that, in part, there has been a lack of timely action by the Department, since enactment of the Mutual Educational and Cultural Exchange Act in September 1961, to encourage participation by countries sharing in the benefits of the program. The limited success in obtaining financial participation appears to be particularly noteworthy with regard to the relatively prosperous countries of Western Europe.

Subsequent to the completion of our review, the Department announced a policy to nurture, develop, and negotiate arrangements wherein contributions by foreign governments and foreign private donors for financing educational and cultural activities will be maximized.

We suggested that the Congress may wish to consider with the Department the actual success achieved under this new policy and, if needed, to suggest more specific criteria for expediting financial participation by other countries to the maximum extent feasible. (*Limited Success in Obtaining Contributions for the Binational Educational Exchange Program*, B-145541, April 29, 1966.)

7. *Reduction in dollar outflow possible through use of American-made building materials in embassy and related construction projects.*—We reported to the Congress that our examination into selected purchases of building materials for embassy and related construction projects overseas disclosed a number of instances where foreign-made materials were used in lieu of American-made materials. Purchases of foreign-made materials with no excess foreign currencies or dollars have an adverse effect on the United States balance-of-payments.

In commenting on our draft report, the Department advised us by letter dated December 29, 1965, that it was in general agreement with our findings and with the conclusions reached and stated that it had undertaken to review and alter the policies leading to a greater use of American-manufactured products within the limits of practicality in contracts executed after March 1, 1966.

We suggested that the Congress may wish to consider changing the language used in the annual appropriation act to the effect that the use of foreign currencies for constructing and operating foreign buildings is made

mandatory only in those instances where such usage will be beneficial to the United States balance-of-payments. (Reduction in Dollar Outflow Possible Through More Extensive Use of American-Made Building Materials in Embassy and Related Construction Projects, B-158662, April 29, 1966.)

8. *Reemployment leave travel benefits—Civil Service employees in Alaska and Hawaii.*—We reported to the Congress that certain civilian employees in Alaska and Hawaii were obtaining reemployment leave travel benefits on the basis of administrative determinations which appeared to be questionable.

Under the law the Government pays the expenses of round-trip travel of certain employees and the transportation of their immediate families from their posts of duty in Alaska or Hawaii to their designated residences at time of appointment or transfer, for the purpose of taking leave between tours of duty. These benefits are provided to attract employees with needed skills to duty posts outside the continental United States and to induce them to extend their duty tours at such posts.

We found that many Federal employees were obtaining these travel benefits although they had lived for many years in, had registered to vote in, and had bought homes in Alaska or Hawaii. Under existing laws, these employees, because they were considered to be nonresidents of Alaska or Hawaii at the time of their appointment or transfer, are permanently entitled to reemployment travel benefits; whereas employees who are considered to be permanent residents of Alaska or Hawaii when they are hired are not entitled to these benefits.

Although entitlement to reemployment leave travel benefits is based upon the employees' actual residence at the time of appointment or transfer, the implementing Bureau of the Budget regulations do not define actual residence. As a result many employees are obtaining benefits on the basis of administrative determinations which appear to be questionable. We recommended that the Bureau of the Budget specify criteria for determining "actual residence at the time of appointment or transfer" for the guidance of administrative personnel responsible for determining the entitlement of employees to reemployment leave travel benefits.

We also suggested that, because conditions affecting recruitment and retention of Civil Service employees in Alaska and Hawaii have changed since enactment of the legislation providing for reemployment leave travel benefits and because there is no provision for terminating such benefits in the light of changed conditions, the Congress might wish to consider legislation providing for discontinuing reemployment leave travel benefits when they are no longer appropriate. (Reemployment Leave Travel Benefits Granted Certain Civil Service Employees in States of Alaska and Hawaii, Department of Defense and Other Government Agencies, B-122796, April 21, 1966.)

9. *Assignment of enlisted personnel to nonmilitary activities.*—We reported to the Congress that our review indicated that the Army, Navy, and Air Force were using about 9,000 enlisted personnel in nonmilitary activities, such as officers' and noncommissioned officers' clubs, hobby shops, bowling alleys, golf courses, and commissary sales stores, rather than employing civilians. We estimated that these enlisted personnel received about \$40.5 million annually in pay and allowances. In our report we suggested that the Congress might wish to consider the desirability of establishing legislative guidelines concerning the employment of enlisted personnel in the type of activities in question.

After completion of our review the Secretary of Defense announced a major new program to speed up the reassignment of military personnel who were assigned to noncombat support-type activities. On July 15, 1966, the Chairman, Subcommittee on Manpower, House Committee on Post Office and Civil Service, announced that he had been informed by the Assistant Secretary of Defense for Manpower that the Department of Defense was in the process of replacing about 3,500 military personnel with civilians in commissary stores, officers' clubs, bowling alleys, golf courses, theatres, etc., and that this substitution was in addition to a program, started last year largely at the request of the Subcommittee, whereby 74,000 military personnel were being replaced in support-type jobs with 60,500 civilians.

The Chairman stated that the Department of Defense expected the substitution of the 3,500 military personnel with civilians to be completed by December 1967 and that, at that time, a review would be made by Defense Manpower officials to determine the need for continuing the use of military trained personnel in about 10,800 civilian-type jobs in commissary stores and welfare and recreation activities. The Chairman pointed out that this action reflects the results of the General Accounting Office study and the continued efforts of the Subcommittee. We feel, however, that because of the continuing nature of this problem Congress still may wish to consider establishing stronger guidelines governing such assignments. (Review of the Assignment of Enlisted Personnel to Nonmilitary Activities, B-146890, December 27, 1965.)

Restatement of Prior Year Recommendations Not Acted on by Congress

There are several legislative recommendations made in our audit reports of prior years which we feel still warrant favorable consideration by the Congress and on which no action has been taken:

1. *Free medical service to Public Health Service field employees.*—We suggested that the Congress may wish to consider amending section 322 (a) (7) of the Public Health Service Act to (1) discontinue the authority for furnishing medical services without charge to Public Health Service civilian field employees at locations where private medical care is available and (2)

provide for furnishing such services on a reimbursable basis to employees at isolated locations where there is a lack of private medical facilities and services. (Need to Consider Modification of Law Relating to Medical Services Furnished Without Charge to Civilian Field Employees of the Public Health Service, Department of Health, Education, and Welfare, p. 8, B-135038, April 27, 1965; Page 36, Annual Report of the Comptroller General for fiscal year 1965.)

2. *Rental rates paid to fourth-class postmasters.*—We recommended that the Congress give consideration to the enactment of legislation requiring the Postmaster General to negotiate fair rental agreements with postmasters of fourth-class post offices having 18 or more revenue units, when they furnish space and utilities at the request of the Department, or to prescribe some other method of paying for these items which would be more economical and equitable than the present system. We also recommended that the Post Office Department be required to make a study of the advisability of changing the method of establishing the rental paid to postmasters of fourth-class post offices having less than 18 revenue units. (Substantial Savings Available Through Change in Method of Obtaining Space and Utilities for Small Post Offices, B-85584, June 3, 1965; Page 39, Annual Report of the Comptroller General of the United States for fiscal year 1965.)

3. *Repeal of mandatory bonding requirements for Federal employees.*—We recommended that the Congress enact legislation which would repeal the mandatory requirements for fidelity bonding and require each agency to absorb any fidelity losses incurred. A bill to accomplish the objective of our recommendation, H.R. 11900, 87th Congress, Second Session, was introduced in May 1962 but was opposed by the Post Office Department.

We reviewed the Department's objections but because we believed that savings of about \$190,000 annually, of which about \$128,000 would apply to the Post Office Department, could be achieved we again recommended that the Congress give consideration to repealing the mandatory requirements for bonding of Federal employees and requiring each agency to absorb its own fidelity losses. (Review of Bonding Program for Employees of the Federal Government, B-8201, March 29, 1962. Potential Savings to the Government if Bonding of Federal Employees is Discontinued, B-8201, December 30, 1964; Page 39-40, Annual Report of the Comptroller General of the United States for fiscal year 1965.)

4. *Exemption of U.S.-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. (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, March 8, 1965; Page 40-41, Annual Report of the Comptroller General for fiscal year 1965.)

5. *Cost of providing retirement disability and compensation benefits for Federal Deposit Insurance Corporation employees.*—We recommended that the Federal Deposit Insurance Act be amended to require the Federal Deposit Insurance Corporation to assume all costs of providing retirement, disability, and compensation benefits for its employees and that the requirement for an annual audit by the General Accounting Office be changed from a fiscal year to a calendar year basis.

Proposed draft legislation, supported by the Federal Deposit Insurance Corporation, incorporating these recommendations and providing that the Corporation pay interest on certain specifically recommended payments to the civil service retirement and disability fund and to the employees' compensation fund was considered by the Banking and Currency Committee of the House of Representatives (88th Cong., 2d sess.); however, it did not come before the Congress for action prior to adjournment of that session of the Congress. The proposed legislation was not introduced during the 89th Congress. (Audit of Federal Deposit Insurance Corporation Year Ended June 30, 1963, B-114831, February 7, 1964, and Audit of Federal Deposit Insurance Corporation Year Ended June 30, 1964, B-114831, February 28, 1966.)

6. *Unemployment compensation payments to former civilian employees and ex-servicemen.*—We suggested that the Congress consider enacting Federal legislation to prevent the payment of a second series of unemployment benefits to former Federal civilian employees and ex-servicemen, as well as former employees of private industry, based on one termination of employment. Such payments are made because of the method used by 22 States in obtaining earnings information from employers. A provision in section 121(a) of H.R. 15119, 89th Congress, required that as a condition for the approval of State laws by the Secretary of Labor the State laws must provide that an individual who has received benefits during his benefit year be required to have worked since the beginning of that benefit year in order to qualify for benefits in a succeeding year.

H.R. 15119 was passed by the House of Representatives and passed the Senate with amendments not relating to this provision. However, the differences between the two versions of H.R. 15119 were not resolved and the bill was not enacted into law in the Eighty-ninth Congress. (Unemployment Compensation Payments to Former Federal Civilian Employees and Ex-Servicemen for More Than One Benefit Year Based Upon Only One Termination of Employment, Department of Labor, p. 24, B-133285, June 7, 1963.)

Assistance on Improvement of Agency Management Practices

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) performance of audit work culminating in findings and recommendations to agency officials, (2) cooperation in the development of improved financial management systems, (3) promulgation of principles, standards, policies, and procedures, (4) consulting advice in acquiring and using automatic data processing systems, (5) advisory assistance in traffic and transportation problems, (6) settling claims, and (7) legal decisions and advice.

This chapter is concerned primarily with our assistance to the agencies in the area of accounting and other aspects of financial management. Our assistance in other areas of management are discussed in chapters 4 through 7 with regard to findings and recommendations for corrective action resulting from our audit work and chapters 8 through 10 with regard to our assistance in the areas of transportation, claims, and legal services.

ASSISTANCE IN THE IMPROVEMENT OF FINANCIAL MANAGEMENT

The ever-increasing scope, complexity, and cost of the Government's activities increases 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 \$125 billion. New programs have been developed 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 and other programs and the related decentralization of activities adds to the responsibilities of the Government's managers. Thus, the managers in Federal service need all available tools to help them 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; current cost information on operations; and other information of value to management officials. The availability of reliable cost information, particularly when related to assignments of management responsibility, is also of great value in promoting in responsible officials and employees desirable attitudes of cost consciousness which are so important to conducting Government operations economically.

Although it is not feasible, because of the many ramifications involved, to estimate the potential savings that could be realized by developing adequate accounting systems, the savings should be very substantial. Their attainment certainly warrants the unremitting efforts of all agency officials.

Our accounting and auditing staffs are under instructions to place greater emphasis on financial management improvement work and on cooperating with the Federal departments and agencies in the development of their accounting systems.

It must be kept in mind, however, that the head of each executive agency is responsible, inherently and as provided by law, for establishing and maintaining adequate accounting systems. It is not our purpose in lending cooperative assistance to replace agency staffs in the design, development, and revision of their systems. It is not our job to write agency manuals or procedural instructions. In carrying out our cooperative assistance responsibilities, it is our policy to:

1. Develop a continuing day-to-day working relationship with agency officials and staffs to facilitate our cooperative systems development efforts.
2. Keep currently well informed on what improvement efforts each agency is making.
3. Identify for the agency head, or his designated official, the specific areas in which we believe improvements need to be made.
4. Work closely enough with agency officials and their staffs to enable us to reach a common understanding of the concepts of the accounting system to be developed.
5. Provide technical assistance and guidance as needed in the design and development of agency accounting systems and furnish advice on obtaining professional consulting assistance where necessary to initiate or expedite systems development work.
6. Be available at all times to encourage improvement efforts and to help resolve problems.
7. Communicate with the agency officials on problems being encountered as they are identified and work with the agency staffs on a continuing basis on their solutions.

8. Advise agency officials on any need for staff training, as determined through our observations and experience gained in working with the staffs of the agencies.
9. Cooperate with the agencies and the Civil Service Commission in developing and conducting Government-wide training programs in the field of financial management.

Joint Financial Management Improvement Program

The General Accounting Office relationship with the Bureau of the Budget and the Treasury Department has played a major part in the development of much of the Government's basic financial management legislation. We all have the same goal—efficient Government within the laws enacted by the Congress. By working together in the area of financial management improvement, a more effective contribution can be made to the achievement of this goal.

General Accounting Office representatives have continued to participate in the Joint Financial Management Improvement Program—a cooperative program endorsed by the Congress in the Budget and Accounting Procedures Act of 1950. The Program is a Government-wide cooperative effort of all agencies under the joint leadership of the Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget to establish and maintain systems of financial management for maximum usefulness throughout the Federal Government. A report highlighting improvement activities under the Program is prepared annually.

Recent annual reports on the Joint Financial Management Improvement Program have stated that, while much progress has been made under the Program, much remains to be done. On May 9, 1966, the Comptroller General met with the Secretary of the Treasury and the Director of the Bureau of the Budget to consider ways of reinvigorating the Program. The Chairman of the Civil Service Commission also participated in this meeting and will be invited to future meetings since more direct participation of the Commission in this Program is desirable.

Competent financial management employees are needed in the Federal agencies to improve and maintain financial management systems that are adequate to the needs of our increasingly complex Government. The shortage of qualified and trained staff is one of the most pressing problems. The more direct association of the Civil Service Commission with the Joint Program will enable that agency to be better informed as to the recruitment and training needs of the Federal agencies for financial management personnel and thereby be in a better position to assist in meeting these needs.

A very important ingredient to progress under this kind of program is the support of the top management. On May 24, 1966, the President issued

a statement to the heads of Federal departments and agencies specifically requesting them to take the following immediate actions:

- ④ Insure that the system of accounting and internal control in their agencies meets management needs and conforms to the principles, standards, and related requirements prescribed by the Comptroller General.
- ⑤ Work with the Civil Service Commission in developing a more vigorous program for recruiting and developing the professional personnel to design and operate effective financial management systems.
- ⑥ Assure that financial reports and cost data provide adequate support for the planning-programming-budgeting system.
- ⑦ See that the agencies' managers are given the basic tools they need—responsibility-centered cost-based operating budgets and financial reports—for setting and achieving maximum cost reduction goals.

The President's direct support is a very important factor in the future course of financial management improvement work and the effect of this memorandum will be felt for some time to come.

Cooperative Work With the Agencies on the Development of Accounting Systems

During the fiscal year we significantly increased our review and cooperative assistance efforts in the development and implementation of adequate agency financial management systems. As a part of these efforts, specific attention was given, through advice and guidance, to encouraging agencies to expedite the development of adequate accounting and reporting systems as an integral part of the over-all plan of financial management so as to achieve the objectives for Federal agency accounting prescribed by the Congress. This work is done pursuant to section 112 of the Budget and Accounting Procedures Act of 1950, which states in part that:

"The General Accounting Office shall cooperate with the executive agencies in the development of their accounting systems * * *."

"Such accounting systems shall be approved by the Comptroller General when deemed by him to be adequate and in conformity with the principles, standards, and related requirements prescribed by him."

"The General Accounting Office shall from time to time review the accounting systems of the executive agencies * * *."

Two years ago, the Executive and Legislative Reorganization Subcommittee of the House Government Operations Committee became interested in the results attained under the Budget and Accounting Procedures Act of 1950. Their interest was stimulated by the Comptroller General's letter of May 19, 1964, which focused attention on the lagging progress in developing

agency accounting systems to the point where they could be approved by our Office.

In 1964, the Committee held hearings for the purpose of obtaining information about the lack of progress under the act and why so few agencies had approved accounting systems. Based on these hearings, the Committee issued a report in March 1965 containing recommendations for increased action by the General Accounting Office, the Bureau of the Budget, the Civil Service Commission, and the agencies themselves.

The Committee specifically recommended that our Office vigorously and expeditiously implement our announced plan to intensify our review of agency accounting systems and make reports on such reviews to the Congress. The Committee also recommended that we undertake to assist and encourage the agencies, through personal efforts of our staff, to expedite the development of their accounting systems to the degree necessary to obtain approval.

During the latter part of the fiscal year, the Comptroller General held a series of meetings with top officials of several major departments and agencies to review the status of their financial management improvement work and to urge prompt attention to positive, affirmative, and constructive action to actually achieve the development of an adequate financial management system.

One major organization step taken in June 1966 to strengthen our efforts in the financial management area was the creation of a separate management control systems group within the Defense Accounting and Auditing Division, to be responsible for our cooperative and review efforts regarding planning, programming, budgeting and accounting systems in the Department of Defense and in the Departments of the Army, Navy, and Air Force. This organizational arrangement will provide a focal point within the Office which can devote its efforts primarily to the financial management improvement program as it relates to all parts of the Department of Defense.

Review and Approval of Agency Accounting Systems

Our approval of an accounting system submitted by an agency 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 aspects with our prescribed principles and standards. Our general practice is to submit reports on the results of our reviews of financial management activities to the Congress or, depending on the nature of our findings, to agency officials. During the 2 years ended June 30, 1966, we issued 26 reports to the Congress and 40 reports to agency officials, which contain comments on accounting systems matters. We also submitted 24 reports to the Congress during the same period which contain comments on agency internal audit activities.

After an agency's accounting system is approved, we have the continuing task of providing consultative assistance on further refinements and of reviewing approved systems from time to time to evaluate their continued usefulness.

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." At June 30, 1966, the accounting systems of 55 organizational entities among the civil departments and agencies had been approved. In addition, approvals are outstanding on 11 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, then any prior approvals of segments are dropped from our count of 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.

During the fiscal year 1966 the General Accounting Office had under review 38 complete and 6 parts or segments of systems submitted by civil departments and agencies. Four complete systems were approved during the year and 18 complete systems (5 of which were subsequently resubmitted during the year) and one partial system were returned to the agencies for further development. At the end of the year 21 complete and 5 segments of systems submitted for approval were in various stages of review. There is included in the appendix, beginning on page 247, a tabulation of the accounting systems of the civilian agencies of the Government showing current status of approval of systems submitted or target dates established by agency officials for later submission of systems to the Comptroller General for approval.

The Prescribing of Accounting Principles and Standards

One of the important accounting responsibilities 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.

Because 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 techniques, and the requirements of newly enacted legislation. A 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.

The several purposes of the restatement were to consolidate into one comprehensive statement pronouncements made in different documents over the years, to clarify the statement of principles where experience indicated a need, to make the stated principles and standards more specific, to incorporate statements of principle on matters not previously covered, and to revamp the organization of the statement to produce a more cohesive document. The restatement of title 7, Standardized Fiscal Procedures, in terms of principles and standards was in process at the end of the fiscal year.

In April of this fiscal year, a review guide designed as a convenient mechanism for systematically considering or reviewing an accounting system in relation to our prescribed principles and standards was issued for the use of the departments and agencies. The principal purpose of the review guide is to provide additional assistance to Federal agencies in developing their accounting systems to the point where they are adequate and in conformity with our principles and standards.

Other Factors Affecting Accounting Systems Development

Two other major factors should be mentioned because of their impact on the future development of adequate accounting systems in the Federal departments and agencies.

First, about a year ago, the President directed the development of an integrated planning-programming-budgeting system in the agencies of the executive branch. He placed emphasis on the importance of "high quality, business-type information systems." This system requires the use of realistic cost information in making estimates of future costs and in appraising current performance against approved plans.

Thus, this system has given added and renewed strength to the primary objectives of Federal agency accounting which are set forth in the Budget and Accounting Act of 1950.

Second, the widespread use of computers and other high-speed equipment has speeded up the processing and analysis of financial and other data for use by managers. Such equipment has made possible the combination and breakdown of data which have added significantly to the quality of the cost information essential to keeping top officials informed, in both financial and nonfinancial terms, about the status of their operations in relation to plans, objectives, and targets.

AUTOMATIC DATA PROCESSING IN THE FEDERAL GOVERNMENT

The acquisition and installation of automatic data processing systems by Federal Government agencies are still increasing at a rapid rate. During the past year over 400 additional computers were applied to a wide range of

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operations throughout the Government. The August 1966 Bureau of the Budget inventory of automatic data processing equipment shows that 2,623 computers were on hand as of June 30, 1966, compared to 2,188 in use at the close of fiscal year 1965 and 1,326 as of June 30, 1963. 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.

Of the 2,623 computers on hand at the end of June 1966, 1,967 were installed in the Department of Defense and 656 in civil agencies. In the Department of Defense, the principal business applications of electronic equipment continue to be in supply and logistics programs and related financial management operations. In these Defense supply management activities computer systems are now processing millions of transactions monthly in inventory control, distribution, cataloging, requirements forecasting, and financial accounting operations. Extensive communication networks have been established to transmit data between using organizations and computer centers. In addition, small-scale computers have been installed more extensively throughout field organizations for base-level operations.

In the civilian agencies many of the large-scale automatic data processing programs are of the single-purpose type where voluminous paperwork and related data processing operations are part of major accounting, statistical, and agency program operations.

Some of these major programs are as follows:

1. Wage record processing, benefit payment activities, and medicare operations in the Social Security Administration.
2. Savings bond accounting and auditing operations in the Bureau of the Public Debt of the Treasury Department.
3. U. S. Treasury check issuance, payment, and reconciliation operations.
4. Benefit payment and insurance accounting operations of the Veterans Administration.
5. Inventory accounting operations in the commodity programs of the Department of Agriculture.
6. Statistical activities of the Census Bureau.
7. Post Office money order and payroll and accounting operations.
8. Internal Revenue income tax processing in the Treasury Department.

In many of the programs, in both the Defense and civilian agencies, there has been a continuation of the trend toward more centralization of data processing operations. Also, there has been an increase in the inter-

change of magnetic tape records between Government automatic data processing systems and between Government and industry automatic data processing systems. In addition, numerous programs have been established to provide for the use of source data automation techniques to automatically capture data at the source of origin. Also, several programs have been organized to provide for the establishment of data banks containing accumulations of specific data files in electronic systems which will then be available for use in analysis systems and in information retrieval systems.

The General Accounting Office, as part of its continuing operations, provides advice and assistance to Federal agencies and to the Congress with respect to the acquisition, utilization, and management of automatic data processing systems. Also, in carrying out our review and evaluation responsibilities in this field, we assist agencies by reviewing with agency officials problems encountered during our audits relating to the planning for and the use of such systems.

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 Government-wide studies that were the subject of comprehensive reports to the Congress in June 1958 and December 1960. Copies of these reports were widely distributed to Government agencies to assist them in the development of their automatic data processing programs. Also, from a Government-wide standpoint, these reports called attention to the need for improvement in the management and utilization of automatic data processing resources in the Federal Government. Our most recent Government-wide report was issued to the Congress on August 31, 1965. This report contained our views on the Bureau of the Budget's report on the management of automatic data processing in the Federal Government which was approved by the President and transmitted to the Congress on March 2, 1965.

In our report we pointed out that we consider the Bureau's report to be a useful document for highlighting many of the automatic data processing management problems requiring attention in the interests of achieving greater efficiency, economy, and effectiveness in the application of public funds.

During the past year we also provided assistance to the Congress in connection with congressional consideration of H.R. 4845, a bill to authorize the Administrator of the General Services Administration to coordinate and otherwise provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of automatic data processing equipment by Federal departments and agencies. This bill was enacted into law as of October 30, 1965 (Public Law 89-306, October 30, 1965).

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Audit of Civil Operations and Programs

Audits of operations and programs of the civil departments and agencies in the executive branch are performed by the Civil Accounting and Auditing Division. This Division also make audits of financial transactions of certain organizations of the judicial and legislative branches. For a complete list of the departments and agencies subject to audit by the General Accounting Office and the nature of the audit work performed in each, see page 147 of the appendix.

Our work during the year was directed primarily to those agency operations and programs having major significance and evidence of interest to the Congress. Where appropriate, we also made concurrent and coordinated reviews of selected phases of research and development, construction, and other matters of a Government-wide nature or related to more than one department or agency. Several of these reviews originated with congressional requests.

Specific matters of congressional origin in the area of research and development included federally financed travel, federally financed research in foreign countries, progress reporting, and the publication of abstracts of scientific reports. We also made studies at congressional request of obligations or actuarial liabilities on certain annuity and insurance programs, federally sponsored independent audits, and alleged religious favoritism in allocating Federal grant funds.

At the close of the fiscal year, we had completed a survey of architect-engineering services and of inspection and testing procedures in the use of concrete in construction projects. Also, at the close of the year, we were engaged in a Government-wide review of compliance with the 6 percent statutory limitations on architect-engineering services, pursuant to a congressional request.

As a result of our work in the civil departments and agencies during the fiscal year 1966, performed at 1567 locations, we submitted 109 reports to the Congress and 89 reports to committees or individual Members of the Congress in response to inquiries on specific subjects. We also submitted 298 reports to agency officials at headquarters offices or to local agency officials. These reports are listed beginning on page 150 of the appendix to this report. Our reports to the Congress are described in the appendix beginning on page 176.

Collections and other measurable financial savings resulting from our work in the civil departments and agencies during the year totaled \$855,670

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and \$53,255,000, respectively (see pages 260 through 265 of the appendix of this report).

The highlights of our work and the more significant results therefrom are summarized below.

DEPARTMENT OF AGRICULTURE

Our reviews of operations and programs of the various agencies and offices of the Department of Agriculture were carried out at the central offices in Washington, D.C., and at 118 field offices.

We submitted 11 reports to the Congress during the year. In addition, we submitted 8 reports to committees or to Members of the Congress on reviews made at their request or in response to inquiries on specific subjects. Seventeen reports were issued to agency headquarters officials, and 18 reports were issued to the heads of agency field installations.

Selected reports and accomplishments resulting from our audit work in the Department of Agriculture are commented on briefly below.

In May 1965, following our review of the manner in which the Commodity Credit Corporation established grain storage rates to be paid for the 1964-65 storage year under the resale loan program—a program for farm storage of grain retained under price-support loans beyond the original period of the loans—the Department announced new storage rates for grain stored in warehouses under the Uniform Grain Storage Agreement and stated that the new rates applied also to grain in farm storage under resale price-support loans. We estimated that the new rates, which were lower than the previous rates for farm storage, would result in savings of approximately \$9.2 million during the 1965-66 storage year. The action taken by the Department was consistent with our proposals. We reported to the Congress on this matter in August 1965.

The results of our reviews of selected activities under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) are commented on in Chapter Six, Audit of International Operations and Programs.

In two reports issued to the Congress on the activities of the Farmers Home Administration (FHA), we showed examples where FHA did not follow its policies and instructions which were promulgated to implement the intent of applicable laws that loan programs be administered in such a manner that they will not supplant or compete with credit available from private or cooperative sources.

In one report, submitted in January 1966, we noted loans made to applicants who might have been able to obtain suitable financing elsewhere than from FHA. In the other report, issued in May 1966, we noted that it appeared that certain borrowers could have refinanced their existing FHA

loans with other credit sources at suitable rates, but that FHA had not requested them to do so. In line with our recommendations and proposals, FHA issued new procedural instructions which, if properly implemented, should ensure that available financing from private and cooperative credit sources will be used to the maximum extent possible in lieu of FHA minimum.

In March 1966, we submitted a report to the Congress in which we said that we estimated that the Government had incurred losses in timber sale revenues of about \$80,000 for sales made at appraised value (minimum acceptable price) and as much as \$550,000 for sales both at and above appraised value during a 2-year period, because Forest Service officials delayed 2 years in taking effective action to correct certain practices used by private scaling bureaus for measuring national forest timber sold by the Forest Service. Also, the Forest Service had not taken effective action to obtain complete revision of other undesirable bureau measuring practices.

The Forest Service agreed with our recommendation that, in the future, if it is unsuccessful in achieving necessary changes in scaling bureau procedures for the measuring of timber or there are unreasonable delays in achieving such changes, action should be taken to discontinue, as soon as practicable, the use of the services of any scaling bureau that does not implement the necessary changes.

During the fiscal year we submitted two reports to the Chairman of the Subcommittee on Department of Agriculture and Related Agencies, Senate Committee on Appropriations, on selected aspects of generation and transmission loans made by the Rural Electrification Administration (REA) to two rural electric cooperatives. We also submitted a report to the Administrator of REA on selected aspects of the REA telephone loan program which pointed out the need for strengthening audits of REA borrowers.

Also, in a report to the Congress in April 1966 concerning a review of safety conditions in certain storage areas in the South Building of the Department of Agriculture and in three other governmental buildings in Washington, D.C., we commented on numerous hazards and unsafe conditions which we noted. The Department of Agriculture and the General Services Administration advised us that they had taken corrective action substantially responsive to our proposals.

DEPARTMENT OF THE ARMY CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Our reviews of the civil functions of the Corps of Engineers during the year resulted in 2 reports to the Congress, 2 reports to individual Members of the Congress on matters of interest to them, and 11 reports to agency officials. Our work at the Corps is also directed toward reviews of opera-

tions in power generating and marketing that are interrelated with the operations of the Department of the Interior; the results of these reviews are dealt with in our comments on our work at the Department of the Interior.

As a result of one of our reports to the Congress, and in response to our recommendations, the Chief of Engineers amended the Corps' regulations to provide greater safeguards over contracting for relocations of facilities made necessary by construction work. In our other report to the Congress, we stated that the Corps could have saved about \$521,000 during fiscal years 1962 through 1965 by eliminating overtime on certain of its construction activities on the Lower Mississippi River, and we recommended that the Chief of Engineers take the action necessary to keep overtime at a minimum.

DEPARTMENT OF COMMERCE

Our audit efforts in the Department of Commerce during the year continued to emphasize reviews of the administration of the Federal-aid highway program by the Bureau of Public Roads, with particular reference to the \$47 billion Interstate System. We also reviewed selected activities of the Maritime Administration and the Environmental Science Services Administration, and we began preliminary reviews of selected programs of the Economic Development Administration—a new agency created by the Public Works and Economic Development Act of 1965 to succeed the Area Redevelopment Administration. An audit was completed of the Saint Lawrence Seaway Development Corporation for calendar year 1964.

Our audit work resulted in 6 reports to the Congress, 8 reports to a Member of the Congress, and 16 reports to agency officials.

Various aspects of the Federal-aid highway program were reviewed in 17 States and the District of Columbia. We examined into the use of standard plans in highway design features, property appraisal and acquisition practices for highway rights-of-way, certain construction practices, policies and standards relating to traffic signs, and various financial and administrative procedures.

At the Maritime Administration we reviewed, among other things, the agency's requirements relating to the obtaining by contractors of performance and payment bonds under the ship construction-differential subsidy program.

Our work at the Environmental Science Services Administration related principally to reviews of the methods used by the agency to acquire various types of electronic equipment.

Significant measurable financial savings resulted in connection with phases of our work on which reports were issued to the Congress during fiscal year 1966. For example, in October 1965 we reported to the Congress that the

Area Redevelopment Administration had approved loans totaling \$1.1 million for the construction of three motels against the recommendations of the Small Business Administration and without, in our opinion, having reasonable assurance of loan repayment. In view of our findings, the project was reevaluated and reduced in size to make it economically feasible, with a consequent reduction of \$200,000 in Federal assistance.

In addition, action was taken during the year by the Bureau of Public Roads to reevaluate Federal participation in the costs of certain right-of-way acquisitions, the support for which we had questioned in an earlier report to the Congress. On the basis of retrospective appraisals obtained by the State and concurred in by the Bureau, Federal participation in the State's acquisition costs for the parcels in question was reduced by about \$161,000.

For information on our review of the administration of the Inter-American Highway Program by the Bureau of Public Roads see page 81, Chapter Six, Audit of International Operations and Programs.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Our work in the Department of Health, Education, and Welfare (HEW) during the fiscal year 1966 included reviews of selected aspects of management of Federal and federally aided programs. Subjects included in our reviews concerned:

- Determinations of the eligibility of welfare recipients.
- Medical care for Indians, welfare recipients, and the aged.
- Cost of drugs dispensed to welfare recipients.
- Charges for services performed for private persons and organizations.
- Rehabilitation services provided to the disabled.
- Administration of health research, training, and development grants.
- Operations of the civil defense medical stockpile.
- Construction of health facilities and of educational facilities.
- Surplus Federal personal property used for educational, public health, and civil defense purposes.
- Various administrative and accounting activities.

A total of 31 reports were issued during the year—5 to the Congress, 11 to committees or individual Members of the Congress and 15 to agency officials. Examples of the significance of these reports follow.

In May 1966 we reported to the Senate Committee on Finance, at its request, on our review of the principles of cost reimbursement to hospitals and nursing homes proposed by the Social Security Administration for use in implementing the Medicare program. As a consequence of our review, a number of changes were made in the proposed principles, the most significant of which was a revision in the planned procedure to make payments to providers of Medicare services. The Chairman of the Committee

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subsequently stated that the changes in principles would save the Government \$95 million during the first 10 years of the program and that many millions of dollars might also be saved through application of the changed payment procedure to other programs.

As a result of our review of operations by the Public Health Service of the civil defense medical stockpile, we reported to the Congress:

In July 1965 concerning the storage of vaccines.

In August 1965 concerning the procurement of equipment and supplies.

In February 1966 concerning the rotation of limited-life and long-supply items.

The agency, in line with our recommendations, converted certain types of vaccines from bulk form to finished products so that the vaccines would be more readily available for use in the event of an emergency and also strategically deployed the vaccines to prevent their total loss in the event of destruction of a storage depot; limited procurement of certain stockpile items to quantities needed to meet approved plans rather than ultimate goals; and, in cooperation with other Federal agencies, arranged for the exchange and transfer for use in current Federal medical programs of limited-life and excess medical supply items in the stockpile to prevent their deterioration and to enable replenishment of the stockpile with fresh stocks. As of June 30, 1966, medical supply items with values totaling about \$8.7 million had been exchanged or transferred.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

During the fiscal year 1966 our work in the former Housing and Home Finance Agency (HHFA) and its constituents and the new Department of Housing and Urban Development (HUD), created on November 9, 1965, resulted in the issuance of a total of 32 reports—11 to the Congress, 12 to committees or individual Members of the Congress at their request, and 9 to agency officials.

Selected reports and accomplishments resulting from our audit work in the housing agencies are discussed briefly below.

In August 1965 and February 1966 we reported that the Urban Renewal Administration (URA) had approved noncash grant-in-aid credits for schools, parks, sewers, and storm drains which, in our opinion, were excessive by about \$4.6 million because the allocations of the costs of the facilities between the project areas and areas outside the project were not on the basis of the relative benefits to be provided. The Federal Government's share of the cost of these allowances would have been about \$3.1 million.

As a result of our recommendations, URA subsequently disallowed non-cash grant-in-aid credits of about \$650,000 from project costs and strengthened procedures in its regional offices for reviewing claims for non-cash

grant-in-aid credits. The URA generally disagreed with our position insofar as it applied to the remaining \$3.9 million of noncash grant-in-aid credits.

Our reports on multifamily housing projects with financing assistance provided by the Federal Housing Administration (FHA) pointed up procedural problems and management weaknesses which we believe may have increased the risk of the Government in the insurance of mortgages for these projects.

In March 1966 we reported to the Congress that FHA had insured a \$4.5 million mortgage for a high rent multifamily project although agency surveys and reviews available at the time indicated that only a limited demand existed for the type of apartment units at the range of rents proposed and that the market was unable to readily absorb other newly completed, agency-insured, high-rise structures which were being offered at generally similar rental levels. In conformance with our recommendation, FHA distributed the report to all insuring office directors and other cognizant agency officials to stress the importance of carefully evaluating future proposals for projects to ensure their being in line with current and forecast area rental conditions and markets.

In a report to the Congress in January 1966 we expressed our opinion that the increasing problem of rental delinquencies on properties owned by FHA was attributable, in part, to insufficient supervision of brokers' activities by the insuring offices, weaknesses in central office management controls, and insufficient follow-up on agency internal audit reports. FHA informed us of various corrective measures adopted which, in our opinion, should help to minimize losses and improve control over delinquent rental accounts, if effectively implemented.

DEPARTMENT OF THE INTERIOR AND WATER RESOURCES DEVELOPMENT PROGRAMS

Our work during the year in the various bureaus and offices of the Department of the Interior included reviews of selected activities of the United States Fish and Wildlife Service, the Bonneville Power Administration, the Bureau of Reclamation, the Bureau of Land Management, and the Alaska Railroad. In addition, we reviewed the activities of the Office of the Government Comptroller of the Virgin Islands and made financial statement audits of the Virgin Islands Corporation, the Columbia River Federal Power System, and the Southwestern Power System. Water development activities of the Columbia River Federal Power System and the Southwestern Power System are interrelated with the civil works activities of the Corps of Engineers.

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The results of our work in the Department of the Interior and interrelated water resources development programs were the subjects of 38 reports—14 to the Congress, 2 to congressional committees or individual Members of the Congress, and 22 to agency officials. Examples of this reporting are summarized below.

At the Fish and Wildlife Service we reviewed the cost-sharing arrangements made with the State of Oregon for the operation of fish hatcheries and the use of management and investigations of resources funds for expenses of general administration. Following our reviews, the Department informed us that it will attempt to negotiate revised cost-sharing agreements providing for increased participation by the State in the operating costs of hatcheries and that it agreed that the use of management and investigations of resources funds for general administrative expenses was improper. We issued reports to the Congress on the results of these reviews.

At the close of the fiscal year, we had reports to the Congress in process on the results of reviews relating to the recovery of costs incurred by the Bureau of Commercial Fisheries and the Bureau of Sport Fisheries and Wildlife to mitigate damage to the migratory fish runs of the Columbia River Basin caused by revenue-producing Federal water resource projects and the use of management and investigations of resources funds for new construction by the Bureau of Sport Fisheries and Wildlife.

In April 1966, we reported to the Congress that the Bureau of Reclamation and the Bonneville Power Administration had adopted different practices in constructing tower footings for high voltage transmission lines without fully evaluating alternative methods of construction. Our review showed that, because of these different practices, there had been substantial differences in the amounts which the Bureau and the Administration had agreed to pay for the construction of tower footings.

In June 1966, we submitted a report to the Secretary of the Interior on the results of our review of selected financial management activities of the Government of American Samoa. We recommended that a review be made of the financial management system of the Government of American Samoa with a view toward providing for the systematic accomplishment of realistic and accurate financial data for management purposes. The Department advised us that it intends to exert its leadership in directing the ways and means for improving the financial management system of the Government of American Samoa, but that specific actions would be delayed pending completion of other high priority projects.

DEPARTMENT OF LABOR

In our audit work at the Department of Labor we reviewed selected phases of programs related to employment security, unemployment and disability

compensation, manpower development and training, and the Neighborhood Youth Corps. We also reviewed selected departmental determinations of prevailing wages for application to federally financed and assisted construction projects and made reviews of certain departmentwide financial and administrative practices.

During the year we submitted four reports to the Congress and one report to a Member of the Congress.

In a report to the Congress in July 1965 we stated that our review of activities of the Bureau of Employment Security had disclosed that the Bureau had urged the Illinois State Employment Service to proceed with the reorganization and expansion of the Chicago employment offices without obtaining reasonable assurance that the work would be accomplished economically or at an orderly pace. Since the Department was involved in a nationwide program of reorganization and expansion of State employment service offices in major metropolitan areas, we suggested that the findings reported might be useful in evaluating the practices of other State employment service agencies.

In commenting on our findings, the Department informed us that it had placed the reorganization program in Chicago, as well as in other metropolitan areas, under careful scrutiny and had reduced the number of positions allocated to the Chicago office by about 70. We estimate that this action will result in annual savings of about \$420,700.

In another report to the Congress in April 1966, we commented on extensive absenteeism by individuals enrolled in institutional training programs authorized by the Manpower Development and Training Act of 1962. We estimated that, from program inception through fiscal year 1964, the Department of Labor paid, nationwide, about \$3.1 million of a total of \$36.9 million as training allowances for days on which the trainees were absent from classes. The Department subsequently issued instructions providing for reduction of training allowances to eliminate payments for unexcused absences.

In May 1966, based on our observations at the Wisconsin State Employment Service, we reported to the Congress on opportunities for savings and for improvements in the operating efficiency of employment services through changes in organization and scope of activities. We expressed the opinion in our report that certain employment service activities were not appropriate for the expenditure of Federal funds. The Department did not agree with this observation. In view of the questions raised in this report and in previous reports on apparently unnecessary activities being carried out by the public employment offices, we invited the Congress to express its views on the appropriateness of using Federal funds to finance the activities in question.

POST OFFICE DEPARTMENT

At the Post Office Department we examined into selected postal operations, construction and lease construction of postal facilities, procurement of supplies and equipment, transportation of mail, and payrolls and other financial activities. Our work resulted in 7 reports to the Congress, 2 reports to Members of the Congress on matters of interest to them, and 20 reports to agency officials.

Comments on the nature and results of some of our more significant work in the Post Office Department follow.

In May 1966, in response to requests, we furnished to the Chairman of the Senate Committee on Public Works comments on Senate bills (S. 3174 and S. 3256) proposing to extend the Postmaster General's authority to enter into leases of real property for periods not to exceed 30 years and to authorize the Postmaster General to construct or otherwise acquire buildings for postal purposes.

Our comments on these bills included, among other things, recommendations for legislative amendments which would require the Post Office Department, at least 60 days (or other appropriate period while the Congress is in session) before contracting for the construction or lease construction of a major facility:

1. To submit to the appropriate committees of the Congress written justifications in the form of a prospectus similar to that provided for in the Public Buildings Act of 1959 (73 Stat. 479), such justifications to include results of economic and feasibility studies showing comparative costs of leasing versus Government ownership with a clear showing of the factors justifying the method of procurement proposed to be followed.
2. To use standards for administrative office space comparable to those established by the General Services Administration for employees of other Federal agencies having similar duties and responsibilities.

Our comments on the bill proposing to extend the Postmaster General's leasing authority also contained a recommendation that the Post Office Department be required to submit to the appropriate committees of the Congress, along with the prospectus, a statement by the General Services Administration as to the space needs of other Government agencies in the particular area and the feasibility of a Federal building to satisfy the needs of the Post Office Department and other Government agencies.

The need for these actions was explained by the Comptroller General and other representatives of our Office during hearings before the Subcommittee on Public Buildings and Grounds, Senate Committee on Public Works, and our recommendations were later repeated in comments to the Chairman, House Committee on Post Office and Civil Service, on a House bill (H.R. 14548) proposing to extend the authority of the Postmaster General to enter into 30-year leases.

In a report submitted to the Congress during fiscal year 1965, we pointed out that, as a result of using an improper cost allocation practice, the Department had failed to comply with the law (39 U.S.C. 2503(b)), which requires that stamped envelopes be sold as nearly as possible at cost, but not less than cost. In September 1965 the Department increased the selling prices of stamped envelopes. We estimated that, as a result of the price increase, postal revenues were increased by about \$2.5 million in fiscal year 1966 and will be increased by about \$3 million annually thereafter.

In February 1966 we reported to the Congress that at seven post offices many city delivery carriers had routes which could be completed in considerably less time than that assigned and that the carriers were using the excess time for their own purposes. We estimated that the time used by carriers for their own purposes was costing the Department several million dollars annually in these seven post offices alone and pointed out that, since the causes were Departmentwide in scope, it appeared reasonable to assume that similar conditions existed in varying degrees at many other post offices throughout the country. The Department is taking corrective action in the matter.

In a May 1966 report to the Congress, we questioned whether continued operation of the accelerated business collection and delivery program at three post offices included in our study was justified because the additional costs incurred did not appear to be commensurate with the quantity of mail delivered earlier as a result of the program. The Postmaster General informed us that, although the Department believed the need for the program at the three post offices had been substantiated by the service improvements achieved and that no modifications to the program were necessary, a special review had been scheduled of the program's operations at the three offices.

We recommended that similar special reviews be made at other post offices where significant costs were being incurred for the operations of the accelerated business collection and delivery program and that, in these reviews, emphasis be placed on determining the actual need for the program.

In reports to the Congress in July, October, and November 1965 relating to transportation of mail, we pointed out that the Department either had taken or was considering actions which would result in savings of more than \$895,000 annually. The savings may be realized through:

1. Discontinuing advances of funds to U.S. air carriers transporting mail to foreign countries (\$95,000).
2. Discontinuing use of foreign air carriers when United States carriers can provide generally the same mail service (\$600,000).
3. Making certain changes in the methods employed in transporting mail between post offices and postal stations and to and from railroad depots and airports (\$200,000).

TREASURY DEPARTMENT

In our work at the Treasury Department we reviewed selected programs and activities of the Bureau of Accounts, the Bureau of Customs, the Bureau of Engraving and Printing, the Internal Revenue Service, the Office of the Treasurer of the United States, and the U.S. Coast Guard. As required by law, we examined and settled 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 other disbursing officers of various agencies.

During the year we submitted 6 reports to the Congress, 2 reports to committees or Members of the Congress on matters of interest to them, and 34 reports to agency officials.

Some of the more significant accomplishments of our work in the Treasury Department are discussed briefly in the following paragraphs.

During our review of self-employment tax payment and collection practices of the Internal Revenue Service, we included in a draft report to the Secretary of the Treasury and the Commissioner of Internal Revenue a proposed recommendation to the Congress that the Internal Revenue Code be amended to provide that self-employed individuals make an estimate of self-employment taxes payable for the current year at the time the taxpayer is required to file a declaration of estimated income tax and pay the tax in installments during the year. Our proposed recommendation was made a part of the Administration's 1966 tax recommendations to the Congress, and the Congress included a provision in Public Law 89-368 requiring the payment of self-employment taxes in installments during taxable years beginning after December 31, 1966.

We also submitted a report to the Chairman of a Subcommittee of the House Committee on Government Operations in March 1966 on a review made at his request in which we commented that the IRS decision not to increase the \$10,000 limitation on the income of taxpayers permitted to use the card form individual income tax return (1040A) appeared to be appropriate.

On the basis of our review of high-endurance vessel operating experience off the West Coast of the United States, we reported to the Congress in February 1966 that the Coast Guard's stated requirements for replacing high-endurance vessels could be reduced, thereby saving about \$45 million in construction costs and about \$3.5 million annually in vessel operating costs. The Commandant of the Coast Guard concurred in our proposal that the Coast Guard reexamine its planned replacement and augmentation program for high-endurance vessels. He stated that our report on the planned replacement of high-endurance vessels operating off the West Coast, as well as our previous report on high-endurance vessels operating off the East Coast (involving potential savings of about \$55 million in con-

struction costs and about \$3.8 million annually in vessel operating costs), will serve as a guideline for Coast Guard's planning and analytical efforts.

During our review of quarters allowances paid to certain Coast Guard members assigned to Coast Guard installations in the St. Petersburg and Miami, Florida, areas, we noted that annual savings of about \$244,000 could be realized through the use of houses owned by the Federal Housing Administration as Government quarters, in lieu of paying quarters allowances. Subsequent to our December 1965 report to the Congress on the matter, the Congress enacted legislation authorizing the Coast Guard to lease housing and, on June 27, 1966, the Coast Guard issued a directive which provided information and procedures for implementing its Leased Housing Program.

ATOMIC ENERGY COMMISSION

Our work in the Atomic Energy Commission (AEC) during the year was performed at AEC Headquarters and at 15 AEC field offices, 26 AEC contractor-operated facilities, and 15 suppliers' plants. Our work included reviews of the management of photographic equipment, fire department and guard force staffing, contractors' wage payment practices, and various other administrative activities of selected AEC contractors.

We submitted 6 reports to the Congress, 1 report to a Member of the Congress, and 17 reports to agency Headquarters officials and managers of AEC field offices.

At the close of the fiscal year, reports were being prepared for submission to the Congress and agency officials on procurement and utilization of security covers for nuclear weapons; potential savings through increased purchasing from General Services Administration supply sources; costs incurred in the procurement of nuclear reactor cores; area allowance paid to certain employees of an AEC operating contractor; timeliness of testing the quality of prototype thermoelectric modules; financial arrangements for the construction and lease of a laboratory on a university site; and data processing activities at an AEC operating contractor.

DISTRICT OF COLUMBIA GOVERNMENT

Our work at the District of Columbia Government consisted principally of reviews of:

1. The progress made by the Department of General Administration in improving the District-wide accounting and related financial management systems.

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2. The administration of the Nonresident Tuition Act and certain other administrative activities of the Board of Education.
3. Selected administrative activities in various departments, particularly the management controls and procedures relating to employee attendance, leave, and payroll matters in six departments.
4. The procedures for establishing and collecting certain types of accounts receivable in the Department of Public Health.

During the year we issued four reports to the Congress, two reports to Members of the Congress on matters of special interest to them, and seven reports to District officials.

The District generally agreed with our proposals for improved administration in the areas on which we reported. Among the actions that have been taken by the District on our proposals are measures to ensure adequate discharge by all departments and agencies of their responsibilities for employee attendance, leave, and pay; collection of insurance benefits available for hospital and surgical-medical services provided to District residents; and compliance with the statutory requirement that the District be reimbursed for the cost of care provided to District residents at Saint Elizabeths Hospital by the patients or their legally responsible relatives in such amounts as they are reasonably able to pay.

FEDERAL AVIATION AGENCY

At the Federal Aviation Agency (FAA) we reviewed the following matters during the year:

The procurement, utilization, maintenance, and modernization of administrative and technical facilities and equipment; the cost and utilization of ADP systems.

The Federal-aid airport program.

The feasibility of dual use of airports for civil and military traffic.

The management of inventories, research and development activities, and travel.

The reasonableness of FAA charges for landing fees, quarters, and on-the-job training of foreign nationals.

Our work was summarized in a total of 22 reports—7 to the Congress, 3 to Members of the Congress in response to their requests, and 12 to agency officials.

In one of our reports to the Congress, issued in April 1966, we commented on a 25-year research project on aging being conducted by FAA which had not been coordinated with the Public Health Service which was conducting a similar study. The projects will cost the Government \$9.7 million (\$5

million for the FAA and \$4.7 million for the Public Health Service if they are financed to completion. FAA informed us that it would establish formal procedures for coordinating new research projects with the Public Health Service.

In another report to the Congress, issued in June 1966, we stated that FAA had approved the construction of airport traffic control towers of a new design without first having analyzed the relative benefits and costs of such new design and that, as a result, the Agency would incur additional costs of about \$2,250,000 for the construction of 28 control towers of the new design at low-activity airports. The FAA Administrator agreed with our findings in the matter and advised us that towers of a lower cost design would be substituted at four locations that were scheduled for new towers. The Administrator informed us also that, to conform to FAA's policy of selecting economical architectural designs that meet their operational and technical requirements, the Agency was pursuing means of reducing the cost of not only the towers designed for low-activity airports but also the towers planned for high-activity airports.

Two of our reports to the Congress dealt with selected aspects of the cost and utilization of automatic data processing equipment, involving several hundred thousand dollars. The Administrator informed us that refunds had been negotiated for the excessive maintenance and rental charges identified by us in our review and that the Agency had taken, or was in the process of taking, certain actions designed to provide for timely studies, better programming and reporting, and the use of ADP purchase options where appropriate.

We also reported to the Congress in April 1966 on opportunities for savings through the greater use by FAA of available military aircraft parts. In response to our findings, FAA stated that it agreed that the policy in effect at the time of our review did limit the use of military parts and that the Agency should use the Department of Defense supply system as the prime source of supply for aircraft parts whenever possible. FAA stated further that a recently issued Agency directive authorized the use of military aircraft parts on certificated Agency aircraft and that overhauled and repaired military parts would be used as well as new parts. Also, the Agency issued a directive for the guidance of its procurement personnel which stated, in part, that personal property requirements would not be procured from commercial sources until it has been determined that the needed items were not available from other agencies.

Two of our reports to the Administrator dealt with improper grants made under the Federal-aid airport program. As a result of our reviews, FAA initiated action to recover about \$230,000 from the grantees and clarified its procedures concerning rental credits related to nonairport improvements.

FEDERAL DEPOSIT INSURANCE CORPORATION

During the fiscal year 1966 we completed audits of the Federal Deposit Insurance Corporation for fiscal years 1964 and 1965. In a report to the Congress in February 1966 on our audit of the Corporation for the fiscal year 1964 we stated that we were unable to fully discharge our audit responsibilities under the Federal Deposit Insurance Act because, except for closed banks, officials of the Corporation did not give us unrestricted access to examination reports, files, and other records maintained by the Corporation relative to the banks it insures. We pointed out that this restriction on our examination made it impossible for us to (1) evaluate the contingent adverse effect upon the financial condition of the Corporation of specific situations which may have been identified at insured banks and (2) evaluate the effectiveness of bank examinations made and the degree of reliance that could be placed upon such examinations to disclose problems at insured banks.

GENERAL SERVICES ADMINISTRATION

At the General Services Administration (GSA) our work included reviews of the procurement, management, and distribution of supplies and non-personal services; the management and utilization of automobiles in the interagency motor pool system; the management of the Government's communications system within and between the Federal civilian departments and agencies; and the administration of construction contracts and the extent and quality of supervision rendered over construction work while in progress.

We submitted 2 reports to the Congress, 5 reports to committees or individual Members of the Congress, and 10 reports to GSA and other agency officials.

As a result of one of our reports, issued to the Congress in October 1965, GSA revised its standards and specifications so that Federal agencies can purchase office desks without locks and adopted a "no lock" policy on the rehabilitation of office desks where there was no valid need for locks in operating condition. We estimated that the elimination of the requirement for a lock in general office desks purchased by Federal agencies would result in savings of about \$250,000 a year.

We believe that the elimination of locks from desks demonstrates that opportunities exist for savings through elimination of unnecessary features or components from items procured by GSA and that the establishment of a value engineering program—taking a "second hard look" at certain features or components in specifications and standards—would have merit. Accordingly, we recommended that GSA give consideration to establishing a pro-

gram which would increase the emphasis on value engineering within the present standardization and specification programs.

In a report submitted to the Congress in April 1966, we commented on the award of a contract for felt tip markers to one supplier when comparable markers were available under concurrent contracts with two other suppliers at substantially lower prices. We estimated that additional costs of \$300,000 were incurred by Federal agencies that procured markers at the higher prices. Because the award appeared consistent with GSA's policy governing multiple-award contracting, we recommended that GSA revise that policy. GSA agreed to review its existing written policy guidance to determine whether clarification would be desirable.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Our work in the National Aeronautics and Space Administration (NASA) during fiscal year 1966 was performed at NASA's headquarters, at nine major field installations, and at a number of contractors' plants.

Reviews undertaken by us were concerned principally with the adequacy of management controls over space research and development programs, procurement, and various administrative activities. Increased audit effort during the year was given to aspects of the Gemini and Apollo programs since NASA's manned space flight activities continued to involve the largest part of the agency's appropriations.

Our reviews culminated in the issuance of 2 reports to the Congress, 3 reports to Members of the Congress, and 21 reports to agency officials. In general, these 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 May 1966 we issued a report to the Congress concerned with the design and development of certain scientific instruments which were for use on the Surveyor spacecraft. We expressed our belief that, had NASA taken timely action to suspend or discontinue development of these instruments when it became apparent that their use was no longer feasible, significant expenditures could have been avoided and scientific and technical manpower in both the Government and industry could have been released to meet other, and possibly more pressing, demands at a time when the demand for scientists and engineers exceeded the supply. Although NASA did not agree with our findings, we were subsequently advised of several actions that have been taken within its Office of Space Science and Applications to strengthen Headquarters control over research and development programs such as Surveyor.

At the close of the year reviews were being completed in areas concerned with evaluations of management control of research and development

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projects for Gemini spacecraft hardware, newly established incentive provisions in Saturn launch vehicle development contracts, and the need for back-up testing and launch facilities.

We were also in the process of examining selected contracts awarded by NASA for contractor-furnished personnel to perform in-house engineering, design, and fabrication services in support of its research and development projects at two installations. The question of whether such personal service-type contracts are economical and meet the intent and authority provided by the Civil Service Act and related personnel statutes has been of interest to the Subcommittee on Manpower, House Committee on Post Office and Civil Service.

OFFICE OF ECONOMIC OPPORTUNITY

Work was programmed at the Office of Economic Opportunity (OEO) during the year at 12 locations (7 Job Corps centers and 5 Community Action Programs) and surveys were made of various activities at the agency's headquarters in Washington, D.C. A significant part of our audit effort was devoted to work pursuant to congressional requests, and 10 reports thereon were issued during the year.

At the close of the year we had in varying stages of progress reviews of selected activities of five Job Corps centers and of five Community Action Programs. Three reports on congressional requests were being finalized and three other congressional assignments of extensive dimensions were under way.

VETERANS ADMINISTRATION

Our work at the Veterans Administration (VA) during the fiscal year 1966 consisted principally of reviewing selected phases of the medical, compensation and pension, loan guaranty, life insurance, construction of facilities, and supply management programs. We issued 9 reports to the Congress, 1 report to a committee, and 34 reports to agency officials.

Our audit of the compensation and pension program during the year included reviews of the accuracy of income reported by pensioners receiving VA pensions subject to income limitations and of the VA's administrative controls over guardians and custodians administering VA funds for the benefit of minors and incompetents eligible for VA benefits. At June 30, 1966, reports were being prepared on both of these audits.

During the year we completed a survey of the VA supply management program and issued two reports on our findings. In one of these reports,

which was addressed to the Congress, we disclosed that a significant quantity of \$900,000 worth of excess medical equipment and supplies which were donated to recipients outside the Government could have been used throughout the VA hospital system. In the second report, addressed to agency officials, we expressed the belief that the VA could save more than \$27,000 annually by requiring field stations to utilize multiple-year rates in purchasing periodicals.

In one of our other reports to the Congress, we estimated that annual savings of \$97,000 were possible at two VA hospitals if the hospitals provided their own laundry services, using existing facilities, instead of contracting for such services from commercial laundries. We were informed by the VA that it will begin in-house laundry activities in at least one of the hospitals during fiscal year 1967.

In another report to the Congress we pointed out that significant savings could be realized if the St. Petersburg, Florida, VA regional office discontinued the purchase of title insurance on properties acquired in Florida as a result of defaults on VA guaranteed housing loans. In response to our proposals, the VA informed us that the purchase of title insurance on properties acquired in Florida had been discontinued and that only four regional offices were still purchasing title insurance but that appropriate plans were being developed to resolve certain problems at these offices in the immediate future. We estimate that savings of about \$180,000 a year will be realized through the discontinuance of purchasing title insurance in Florida.

We also reported to the Congress on VA's procedures for terminating total disability benefits under National Service Life Insurance policies. We estimated that, if the findings disclosed by our review of selected cases were representative of VA's actions, during fiscal years 1962 and 1963 additional benefits of about \$750,000 were awarded by the VA because of delays in terminating disability benefits after the insureds had apparently recovered their abilities to follow substantially gainful occupations. Corrective action had been or was being taken by the VA which, we believe, will substantially correct the deficiencies disclosed in our review.

OTHER AUDIT ASSIGNMENTS

Legislative Branch

During the fiscal year 1966, we completed audits of the property management activities of the Architect of the Capitol and of the cost of constructing the Rayburn House Office Building. At June 30, 1966, we were processing reports on these audits. We also completed and reported to the Congress on our annual audit of the financial statements of the Govern-

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ment Printing Office. In addition, we made 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
 - The Sergeant at Arms
- Architect of the Capitol:
 - U.S. Senate Restaurants
 - House of Representatives Restaurants
- Capitol guide force
- Joint Committee on Atomic Energy
- Library of Congress (payrolls)

At the request of the retiring Secretary of the Senate, we made a verification of his accountability at December 31, 1965.

Examinations of 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.

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

The vouchers covering expenditures made from appropriated funds of the Supreme Court of the United States were submitted to the General Accounting Office for examination.

Audit of Defense Operations and Programs

Nature of Audit Work Performed

During the fiscal year 1966 our audit efforts in the Department of Defense and the three military departments continued to be directed toward aiding in the improvement of management and operating controls and financial administration of the complex operations of the Departments. 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 audits and reviews completed during the year or in progress at the close of the year related to 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 during the year at the request of various committees of the Congress and individual Members of the Congress. This special work related principally to (1) controls over Government-owned property in the possession of contractors; (2) use of high priority requisitions in supply systems; (3) sales of surplus property and disposition of proceeds; (4) allegations of waste, extravagance, or other improper practices by the military departments in various areas of their operations; and (5) procurement practices and circumstances surrounding awards of specific contracts.

Approach to Audit

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 expressed interest of the Congress and make such revisions as are deemed necessary or desirable. In keeping with this concept, we made the following changes in fiscal year 1966.

Greater emphasis on basic management systems.—The Budget and Accounting Procedures Act of 1950 charged the heads of executive agencies with responsibility for establishing and maintaining systems of accounting and internal control which conform to the principles, standards and related requirements prescribed by the Comptroller General. The executive agencies generally have made slow progress in developing such systems. The Department of Defense, for example, had only one complete accounting system at June 30, 1966, that had been approved—a system covering the civil functions of the Army Corps of Engineers.

The House Committee on Government Operations has recommended that the General Accounting Office intensify the review of agency accounting systems and assist and encourage the agencies, through personal efforts of our staff, to expedite the development of their accounting systems to the degree necessary to obtain approval. In consonance with this recommendation, we are placing an increasing emphasis on the adequacy of basic management systems as they relate to those areas of Department of Defense operations we select for review. We have also undertaken a number of reviews and surveys directed primarily toward identification of problem areas in existing management systems.

In addition, we have broadened our efforts in carrying out our co-operative responsibilities by developing a continuing day-to-day working relationship with officials and staff of the Department of Defense and the military departments; by being currently well informed on what improvement efforts are being made; by identifying specific areas in which we believe improvements are needed; and by working closely enough with agency officials and staffs to enable us to reach a common understanding of the concepts of the systems to be developed. We have also made ourselves available to provide such technical assistance and guidance as may be needed in the design and development of agency accounting systems and in resolution of problems.

Reorganization of staff.—Prior to June 8, 1966, our Defense Accounting and Auditing Division, which carries out our responsibilities for audit of Defense operations and programs, was organized internally along departmental lines and was comprised of an Army Group, a Navy Group, an Air Force Group, and a Department of Defense Group. In some instances, individual groups were assigned responsibility for conducting reviews which were Defense-wide in scope. Generally, however, each group was concerned primarily with the functions and activities of its assigned department.

Effective June 8, 1966, the Comptroller General approved an internal reorganization of the Defense Accounting and Auditing Division. The organizational structure is now along functional rather than departmental lines. Pursuant to the approved plan, there has been established a staff for each of seven functions: (1) management control systems, (2) supply management, (3) procurement, (4) manpower, (5) support services, (6) research and development, and (7) facilities and construction.

The principal considerations that led to the realignment were that a functional organization would (1) provide the most favorable basis for broadening the scope of our reviews, (2) provide maximum response to the needs of the Congress, (3) promote specialization of supervisory personnel in the increasingly complex operations of the Department of Defense, and (4) more closely parallel the legislative authorization and appropriation processes and the lines of management established by the Secretary of Defense and the Secretaries of the military departments.

An important result of our reorganization should be a closer liaison with congressional committees and their staffs and with officials of the Department of Defense, both prior to undertaking new work assignments and during the course of our reviews.

Modification of reporting procedures.—The House Committee on Government Operations issued a report on March 23, 1966, resulting from hearings held by the Military Operations Subcommittee, on our audits of defense contracts and our reports to Congress on these audits. The report included a number of recommendations which we have adopted to improve the effectiveness of our reports in this area. (See House Report 1344, 89th Congress, 2d Session.)

Of particular significance is a broadening of our audit work. Most of our reports to the Congress in recent years have dealt with single examples of management weaknesses or wasteful practices. We believed that the shorter though more limited reports provided a more useful form of communication. The Military Operations Subcommittee of the House Government Operations Committee was of the view that the volume of our reports created problems in digesting and assessing their content and expressed the view that we would better serve the purposes of the Congress by consolidating related items into one report and by more selectivity in the matters reported to the Congress.

We are broadening our audit work to include a more extensive inquiry into basic causes of adverse conditions. This approach will probably result in fewer audit reports to the Congress, although the reports issued should be of greater significance and have more impact on promoting improvements in agency management policies and methods. Under this concept, we have issued many reports to the Secretary of Defense, or to other officials of the Department of Defense and the military departments as appropriate, on

single examples of management weaknesses or wasteful practices which under the prior concept would have been the subjects of individual reports to the Congress. In following these reporting procedures, we have not, in our opinion, lessened our efforts to keep the Congress and appropriate congressional committees informed on matters of interest to them.

Audit Reports Issued

During the fiscal year we submitted 94 congressional reports on our audits and investigations, 47 of which were submitted to the Congress and 47 to committees or Members of the Congress on special investigations made at their request. In addition, we transmitted 279 reports to officials of the Department of Defense and the three military departments. Of these 279 reports, 117 were directed to the secretarial level and dealt principally with contract matters and other phases of procurement; 162 were directed to lower level officials and dealt principally with 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 165 to 173 in the appendix to this report. Digests of the reports issued to the Congress are presented on pages 210 to 224 in the appendix.

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 weaknesses or deficiencies 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 1966, such actions on our findings and recommendations resulted in collections and other measurable benefits of \$61,122,000 (see pages 260 through 265 of the appendix to this report).

We have received numerous replies which advise that new directives and instructions have either been issued or are intended to be issued. To assure 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 weaknesses or deficiencies in management controls, reported during the year to the Congress or, where appropriate, to Department of Defense officials, involved management of supplies, management of

procurement programs, administration of military and civilian pay and allowances, and administration of certain other programs.

Supply management.—Our findings in the area of supply management included instances of (1) procurement, actual or planned, based on determinations of future stock requirements which were inconsistent with the experienced rates of usage, (2) excess stocks which could have been transferred to contractors for use in production or transferred to another military service to meet its requirements, and (3) inaccurate records of stock on hand.

We found, also, uneconomical practices in the utilization of motor vehicle tires by Air Force installations. In a report submitted to the Congress in June 1966, we pointed out that many used tires were condemned when they could have been rebuilt. Others were used to the point where there was insufficient tread remaining to permit rebuilding. We estimated that about \$2 million could have been saved in fiscal year 1964 if the Air Force had rebuilt more extensively rather than bought new replacement tires. Although the Air Force had established policy guidance with respect to tire maintenance, the extent to which the policy guidance had been implemented varied substantially among individual installations.

In response to our findings and recommendations for corrective measures, the Air Force took action to provide closer supervision over the inspection and removal of used tires and to prevent disposal of tires that could be rebuilt. The Department of Defense brought our findings to the attention of the other military departments and requested all commands to give additional attention to this matter to assure compliance with applicable policies and technical publications.

Management of procurement programs.—That portion of our work in the area of procurement which relates to defense contracts is discussed in Chapter Seven, "Audit of Contracts," beginning on page 83. The following discussion relates to other aspects of management of procurement programs.

Because of the complexity of the weapon systems and other major end items procured by the military departments, no one contractor is capable of manufacturing all of the various items of equipment, subsystems, and components which comprise such a system or major end item. The ultimate product represents the combined efforts of many manufacturers in many segments of industry. In planning the procurement of complex items, decisions must be made as to which components not manufactured by the prospective contractor should be purchased by the contractor and which components should be purchased by the Government and furnished to the contractor.

We have issued to the Congress a number of reports in the current and prior years in which we pointed out instances where it was feasible, in our opinion, and would have been more economical for the Government rather

than the contractor to have purchased certain components. The economies stem from several factors:

Purchasing of the components by the Government provides an opportunity to consolidate requirements for a component common to several weapon systems or other major end items and to take advantage of the lower prices that may be available for purchases in larger quantities.

Inasmuch as military procurement is subject to provisions of the Armed Services Procurement Regulation which requires the use of formal advertising procedures designed to obtain full and free competition, unless specifically excepted by law, the Government is more likely to purchase the components competitively, thus affording all qualified producers an opportunity to participate in supplying the Government's needs.

The furnishing of components to the contractor places the Government in a sound position to negotiate a lower price for the end item by reducing the profit or fee which otherwise would be allowed on the contractor's cost of items purchased under the contract.

The Department of Defense policy guidance, in effect during the periods covered by our reports, appeared to us to tend to discourage the practice we were advocating. It gave the military services broad latitude and was variously interpreted in their implementing instructions. The interpretations ranged from the position of the Air Force, that components should be Government furnished to the maximum practicable extent, to the position of the Navy's Bureau of Ships, that the furnishing of such items should be "reduced to an absolute minimum."

On October 1, 1965, the Department of Defense added new guidance to the Armed Services Procurement Regulation. The new provision, as revised December 1, 1965, contains a policy statement and procedural guidance designed to encourage and expand the practice of furnishing components to contractors when the circumstances are appropriate. It also fixes responsibility for decisions and for maintenance of appropriate records to document the basis of decisions. We believe that the new guidance represents a significant step toward realizing more fully the economies which are obtainable by direct procurement.

Administration of military and civilian pay and allowances.—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, which increased the basic pay for members of the uniformed services, provides also 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. We are hopeful that the report of the President will include recommendations directed toward simplification of the salary system and of other elements of the compensation structure.

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 instances 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.

We found also that certain civil service employees in the States of Alaska and Hawaii were granted travel benefits under circumstances which appeared to us to require clarification of applicable law or regulations. Under the law, the Government pays the expenses of round trip travel of employees and the transportation of their immediate families from their posts of duty in Alaska or Hawaii to their designated residences at time of appointment or transfer, for the purpose of taking leave between tours of duty. These benefits continued to be granted to employees who had become established residents of Alaska or Hawaii.

In a report submitted to the Congress in April 1966, we recommended that the Bureau of the Budget specify the criteria for determining "actual residence at time of appointment or transfer." We suggested to the Congress that, in view of the changed conditions since enactment of the legislation providing the travel benefits and because there is no provision for terminating such benefits in the light of the changed conditions, the Congress may wish to consider legislation providing for discontinuing the benefits when they are no longer appropriate.

Utilization of manpower.—We found that, contrary to the general policy of the Department of Defense, the military departments were using enlisted personnel in such nonmilitary activities as officers' clubs, hobby shops, bowling alleys, golf courses, and commissary stores. Our findings were presented in a report issued to the Congress in December 1965. We estimated that about 9,000 enlisted personnel, whose annual pay and allowances totaled about \$40.5 million, were being used in nonmilitary activities. After completion of our review, the Secretary of Defense initiated a program for reassigning to military duties those personnel who were assigned to support-type activities.

DEFENSE OPERATIONS

On July 15, 1966, the Chairman, Subcommittee on Manpower, House Committee on Post Office and Civil Service, announced that he had been informed by the Assistant Secretary of Defense for Manpower that the Department of Defense was in process of replacing about 3,500 military personnel with civilians in commissary stores, officers' clubs, bowling alleys, golf courses, theatres, etc., and that this substitution was in addition to a program, started last year largely at the request of the subcommittee, whereby 74,000 military personnel were being replaced in support-type jobs with 60,500 civilians.

The chairman stated that the Department of Defense expected the substitution of the 3,500 military personnel with civilians to be completed by December 1967 and that, at that time, a review will be made to determine the need for continuing the use of military-trained personnel in about 10,800 other civilian-type jobs in commissary stores and in welfare and recreation activities. The chairman pointed out that this action reflects the results of the General Accounting Office study and the continued efforts of the subcommittee.

Administration of recruiting organizations and facilities.—In a report submitted to the Congress in June 1966, we pointed out that millions of dollars could be saved annually if the separate field recruiting organizations and facilities of the four military services were consolidated. Consolidation would also help achieve the purpose of the President's new program for improving and facilitating communications with the public. Each of the services canvasses the entire country through separate networks of many hundreds of branch stations. This results in substantial duplication of expense for office space and equipment, utilities, personnel, motor vehicles, and recruiting forms.

We brought our findings to the attention of the Department of Defense and were advised that a Defense-wide study was underway to develop plans for relocating and combining separate recruiting offices to the extent practicable.

Administration of idle ammunition-production facilities.—Our review of the readiness status of selected idle ammunition-production facilities of the Army, and a broader study later conducted by the Army, indicated that many of the facilities considered essential for mobilization purposes would probably not be available when needed. In a report submitted to the Congress in June 1966, we stated that the facilities lacked equipment, technical support, subcontractor support, or competent production personnel. On the other hand, some facilities were maintained in a high state of readiness without adequate justification and at considerable cost to the Government.

This situation resulted, in our opinion, from a general lack of management attention to this critical area and the fact that too few qualified persons were assigned to industrial readiness planning. A low priority had

been given to this area by procurement and contract administration organizations and a comprehensive review of mobilization capabilities for ammunition production had not been made for some time. The Army study team made certain proposals, with which we concurred, designed to improve readiness status of the production facilities.



Audit of International Operations and Programs

GENERAL

Organization

The International Operations Division consists of a Central Office in Washington, D.C.; a European Branch with headquarters in Frankfurt, Germany; and a Far East Branch with headquarters in Honolulu, Hawaii. At the end of fiscal year 1966, plans were under consideration for establishment of an Asian Branch to facilitate performance of our work in the South Asian area, particularly Viet Nam, Thailand and India.

In August 1966, we opened a suboffice in Saigon to perform audits pertaining to United States programs being carried on in Viet Nam. Pending establishment of the proposed Asian Branch the Saigon suboffice will operate under the Far East Branch.

Responsibilities

The International Operations Division is responsible for carrying out the accounting, auditing and investigative functions of the General Accounting Office relating to U.S. Government programs and activities of an international character conducted in foreign countries and Hawaii. The principal programs of an international character for which the Division has audit responsibility are those administered by the Department of State, including the Agency for International Development, its components or related agencies; the Department of Defense; the Department of Agriculture; the Department of Commerce; the Export-Import Bank; and the United States Information Agency.

The Central Office in Washington is responsible for planning and developing audit programs involving activities of an international character that are administered by the various United States departments and agencies, and for providing technical supervision of such audit programs performed in foreign areas and in Hawaii.

The European Branch is responsible for the accounting, auditing and investigative functions of the General Accounting Office in the European area, including the Near East and North Africa. The Far East Branch has the same responsibilities in and around the Hawaiian Islands and the Far East area, including Southeast Asia, and the Southwest Pacific. The pro-

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posed Asian Branch will have similar responsibilities in the general area of South Asia. The Directors of the respective branches are responsible to the Director, International Operations Division, for the performance of work in the areas under their supervision.

Number of Foreign Locations at Which Work Was Performed

During fiscal year 1966 we performed work at locations outside the United States as summarized below, including that performed at United States military installations abroad:

	Locations	Countries
European branch area, including Near East and North Africa.....	145	15
Far East branch area.....	92	7
Other foreign areas:		
Latin America.....	31	14
South Asia.....	16	3
All other.....	4	4
Total.....	288	43

Defense international activities are discussed in this Chapter. Other work pertaining to military activities overseas is included in Chapter Five relating to the Audit of Defense Operations and Programs.

Reports Issued

As a result of our work in the international area, during the fiscal year, we submitted 25 reports to the Congress and 10 reports to committees or individual Members of Congress on special investigations made at their request. We also submitted 23 reports to agency officials relating to deficiencies in financial and management procedures. These reports are listed on pages 173 to 175 of the appendix to this report. The reports submitted to Congress are described on pages 224 to 231 of the appendix.

Recommendations Adopted by Congress

Predicated on findings developed in some of our previous reviews pertaining to the economic programs, we recommended to the Senate Committee on Foreign Relations certain remedial legislation designed to accomplish the following objectives: (1) achieve more effective use of United States-owned foreign currencies; (2) improve fiscal management of, and

obtain interest on, the large accumulations of foreign currencies; and (3) make greater use of excess property in lieu of effecting new procurements resulting in dollar expenditures. The foregoing proposals were considered and adopted by the Committee and essentially were enacted into legislation as parts of the Foreign Assistance Act of 1965, approved September 6, 1965.

Also, based on a recommendation included in one of our prior reports to the Congress, the Annual Public Works Appropriation Acts since 1964 have included a provision to permit the expanded use of United States-owned foreign currencies by the various departments and agencies which have been or may be reserved or set aside for specified programs or activities.¹

Recent Recommendations to the Congress

In a report issued to the Congress in April 1966, we recommended remedial legislation which would require that, wherever feasible, American-made, instead of foreign-made, materials be purchased for building materials for embassy and related construction projects overseas thereby benefiting the United States balance-of-payments situation.

In three reports, among others, issued during the year relating to the Agricultural Trade Development and Assistance Act of 1954, as amended, commonly known as Public Law 480, we suggested the Congress might wish to consider enactment of certain legislation which if passed would, in our opinion, result in more efficient administration of both sales and donations programs being carried on under that law. The recommendations in these three reports were in effect restated, on June 2, 1966, in our testimony before the Subcommittee on Foreign Aid Expenditures, Committee on Government Operations, United States Senate, in which we summarized the results of our examinations into the administration of the surplus commodity disposal program authorized by Public Law 480.

These recommendations are mentioned in more detail in Chapter Two, Assistance to the Congress.

Emphasis on Financial Management Reviews

During the fiscal year increased emphasis was placed on reviews of financial management systems. Separate staff groups were established to perform financial management systems work, including consultative assistance, in the leading agencies and programs assigned to the International Operations Division. Details concerning the status of accounting systems subject to review by the International Operations Division are incorporated in Chapter Three, Assistance on Improvements of Agency Management Practices. We

¹ Permanent legislation (Public Law 89-677) accomplishing this purpose was enacted after the close of the fiscal year and approved October 15, 1966.

expect to intensify our efforts in this area of financial management reviews during the next fiscal year.

Survey Relating to United States Activities in Viet Nam

In view of the increasing magnitude of Federal expenditures pertaining to United States operations in Viet Nam, we made a survey there in March and April 1966 of the manner in which United States Government agencies engaged in operations in that country are carrying out their internal audit and management functions.

We issued a report to the Congress concerning this matter on July 18, 1966. On July 29, 1966, we appeared before the Subcommittee on Foreign Operations and Government Information, House Committee on Government Operations, at which time we identified the economic assistance and construction areas where we believe continuing surveillance by the General Accounting Office is most needed.

AGENCY FOR INTERNATIONAL DEVELOPMENT

The Agency for International Development administers the non-military United States foreign assistance programs to friendly nations and international organizations under the provisions of the Foreign Assistance Act of 1961, as amended, and other related legislation.

During fiscal year 1966 we conducted a number of audits and financial management and special reviews pertaining to various programs and activities administered by the Agency. We issued two reports to the Congress: one relating to development loans made to foreign countries during fiscal years 1962, 1963, and 1964, and the other (issued in July 1966) concerning the nature and extent of internal audits being performed with respect to United States activities being carried on in Viet Nam. We issued five reports in response to requests from a Committee and from individual Members of Congress. We also submitted three reports to agency officials dealing with selected aspects of economic assistance furnished certain foreign countries.

The following are illustrations of the programs, functions, or activities covered in our reviews.

***Accounting and Financial Management System for
Development Loan Program***

Our audit of the Agency's Development Loan Program financial statements for fiscal years 1962, 1963, and 1964 showed that the Agency's accounting and financial management system has a number of significant

weaknesses and does not fully comply with the accounting principles and standards prescribed by the Comptroller General. The system does not, in our opinion, provide an adequate foundation for the Agency's current and prospective financial management needs for planning, programming, budgeting, accounting, and reporting in respect to both the Agency's internal management responsibilities and its responsibilities to the Congress.

In response to our report, the Agency advised that action is underway to improve its loan accounting system, giving consideration to our findings and recommendations. We plan to work with the Agency in its efforts to develop a more satisfactory system.

Administration of United States Assistance for Selected Economic Development Projects in Pakistan

Review of projects in which the Agency had invested the equivalent of about \$100 million in dollars and rupees for the Karachi water and sewer system, coastal embankments, highway development, and Ganges-Kobadak irrigation indicated such limited accomplishments that, in our opinion, these projects had substantially failed to produce the benefits intended. In response to our report, the Agency stated that it has moved to ensure improved performance in project activities and to correct problems that have been identified.

Commercial Import Program for Viet Nam

The largest element of the economic assistance program for Viet Nam is the commercial import program estimated at \$370 million for fiscal year 1966. This program consists of the importation by Vietnamese importers, through commercial channels, of needed commodities, financed by the United States.

While some substantive-type audits and special-purpose inspections and investigations were being performed in connection with this program by different elements of the Agency, there appears to be an urgent need for a continuing evaluation of program makeup and performance for use by the Agency's top management. We believe there is a particular need for increased surveillance of the operations involved in the receipt, distribution, and end use of the huge quantities of commodities being imported into the country under the program. The Agency recently has taken aggressive action toward applying greater audit and review efforts into the significant areas of this program.

We expect to conduct reviews relating to the management of the commercial import program generally as well as some of the more important commodities included under this program during the coming fiscal year.

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 allied countries and other foreign governments, and related contracting activities of an international character.

During fiscal year 1966, we performed a number of reviews encompassing various aspects of the military assistance programs for several foreign countries throughout the world. In addition, we conducted a special survey directed toward determining the extent of internal audits being made by the responsible United States agencies of the various military activities being carried on in Viet Nam.

As a result of our reviews, we issued four reports to the Congress; two to individual Members of Congress in response to their specific requests; and five to agency officials. Three of the reports issued to the Congress as well as three issued to agency officials were classified as either secret or confidential.

The following are illustrative of the activities, functions or programs covered in our reviews.

Military Assistance Program

A few of the reviews which we made under this program were in the functional area of supply management. They pertained to the programming, delivery and utilization of supplies and equipment furnished or to be furnished to a number of recipient foreign countries. As a consequence of these reviews, estimated savings of over \$1 million have been or will be effected by cancellation of outstanding requisitions for unneeded supplies and equipment as well as the redistribution of excess equipment in lieu of making new procurements.

One of our reviews under the military assistance program pertained to the administration of the training of military personnel for a foreign country. Our review indicated that an estimated \$650,000 for jet pilot training could have been saved if: in-country pilot training programs had been developed; a sufficient number of qualified personnel had been made available for the training programmed; proper and full utilization of the trained personnel had been accomplished; and the most economical means of transporting the foreign students to the United States had been employed. Our findings were submitted to the Department of Defense and we were advised that certain corrective actions were being initiated.

Military Operations in Viet Nam

In recognition of the importance of the United States objectives and the magnitude of the Federal funds being expended for military operations

in Viet Nam, during fiscal year 1966 we conducted a survey to determine the extent to which the United States agencies responsible for the military operations in that country are carrying out their internal audit and management inspection functions. This survey encompassed not only the military assistance program but also a number of other areas such as construction contracts, United States military commands in Viet Nam, and logistical and support activities.

We identified some areas which we consider will require varying degrees of continuing surveillance by the General Accounting Office in the future and we intend to pursue our efforts in these areas during the coming fiscal year, particularly with regard to the construction activities.

Costs Recovered by the United States for Construction in a Foreign Country

One of our reviews made during fiscal year 1966 disclosed that responsible United States personnel were not aware of amounts due from a foreign country as reimbursement for certain costs which had been borne by the United States. As a result of our work over \$425,000 was collected from the foreign country. A classified report was sent to the Secretary of Defense concerning this matter on August 22, 1966.

INTERAGENCY PROGRAMS

Many of the programs involving international affairs 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).

During the fiscal year we conducted a number of reviews relating to interagency Food for Peace programs and on the management and utilization of foreign currencies. We submitted 13 reports to the Congress or to congressional committees, 3 of which were classified as either secret or confidential. We also issued 2 reports to individual Members of the Congress, on reviews made at their request, and 7 reports to agency officials.

Food for Peace

Our reviews of the various aspects of the Food for Peace programs were conducted on a country-wide or functional basis and included such matters as: sales of commodities for foreign currencies rather than dollars; potential savings that could be realized in financing ocean transportation charges; the administration of a program for famine relief; policies and procedures

used for barter contracts; the administration of foreign donations of food; and financial management and accounting systems policies and practices.

In May 1966 we issued 3 reports to the Department of Agriculture pointing out certain improvements needed in their financial management and accounting systems policies and practices in the Foreign Agricultural Service and in the prompt collection of foreign currency proceeds from sales of agricultural commodities.

In two of our reviews relating to the sales of commodities to recipient countries for foreign currencies, we found instances where we believe it likely that these Government-financed programs have displaced some commercial sales which might otherwise have been sold for dollars, and have impaired efforts to improve the critical United States balance-of-payments problems.

We also made several reviews pertaining to the financing of ocean transportation costs in the shipment of commodities to foreign countries. In one of these reviews we estimated that about \$1 million annually could be realized if recipient countries had paid their proper share of ocean transportation costs for the shipment of the commodities. The Department of Agriculture advised that their procedures are being revised to require recipient countries to pay their proper share of the ocean transportation costs.

As a result of another review on the subject of ocean transportation costs, relatively small quantities of agricultural commodities were being shipped to voluntary relief agencies which resulted in higher ocean transportation costs than would be incurred if commodities were to be accumulated in boatload quantities and shipped in chartered tramp vessels. In accordance with our proposals, the Department of Agriculture, the Agency for International Development, and the voluntary relief agencies cooperated in the consolidation of these shipments and the Department of Agriculture advised that a savings of at least \$880,000 had been realized from these consolidations.

Management and Utilization of Foreign Currencies

In recent years the Congress has expressed considerable interest in the utilization of United States-owned foreign currencies rather than dollars to alleviate the deficit in the United States balance-of-payments position. Also, the Bureau of the Budget has issued broad guidelines to the various United States agencies directing that maximum use be made of United States-owned foreign currency holdings.

During the fiscal year we made several reviews on the management and utilization of foreign currencies. In one of our reviews we found that large balances of United States-owned foreign currencies were being held in non-interest-bearing accounts in Korea. We estimate that from November

1962 to October 1964, the equivalent of as much as \$1.8 million in interest was not realized and that substantial additional amounts of interest could have been realized in prior and subsequent periods. This income could have been used to offset United States dollar expenditures for purchases of goods and services in Korea. The Treasury Department and the Agency for International Development advised that corrective action was contemplated.

In another review we found that the Agency for International Development did not collect sufficient amounts of Korean currency to meet United States needs in Korea despite evidence of congressional intent that the collection of such amounts be increased. Had the collection of this currency been increased during the period February 1961 through October 1964, we estimate that \$25 million in Korean currency would have been available for use in lieu of dollars, to meet United States obligations in that country and that significant balance-of-payments benefits could have accrued to the United States.

A review in Brazil disclosed that the United States failed to realize an estimated \$3.5 million in dollar receipts because the Embassy unnecessarily stopped selling United States-owned Brazilian currencies to United States employees for a 16-month period. Also, there was an unnecessary delay in reinstating such service at the American consulate in Recife, Brazil. Since this service was not provided, United States Government personnel in Brazil spent dollars to buy Brazilian currency for their personal expenses from Brazilian exchange houses rather than from the United States Treasury, thereby adding to the United States balance-of-payments problem. In conformance with our recommendations the Department of State issued instructions for corrective action.

DEPARTMENT OF STATE

Our audit work in the Department of State during fiscal year 1966 included reviews relating to the financial administration and management of the Department's Washington office, as well as reviews relating to the administrative policies, operational procedures and programs implemented abroad at embassies and consulates.

During fiscal year 1966 we issued three reports to the Congress: one relating to the limited success experienced in obtaining contributions for the Binational Educational Exchange Program; one pertaining to the possibility of reducing dollar outflow through the more extensive use of American-made instead of foreign-made materials in embassy and related construction projects overseas; and, the other concerning disparities in transporting overseas personnel to and from work.

We also issued one report in response to a request from a Member of the Congress and six reports to Department officials on various matters, such as:

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overpayments of per diem travel allowances; excess transportation and storage costs; and questionable year-end expenditures of appropriated funds.

The following are illustrative of the activities, functions, or programs covered in our reviews.

Administration of the Binational Educational Exchange Program

Our review of the efforts of the Department of State in obtaining contributions from participating countries for the binational educational exchange program disclosed that the Department has had only limited success thus far in obtaining financial participation in the program by other countries. For fiscal years 1962 through 1965, foreign currency contributions to binational foundations were made, or planned to be made, by only 8 of the 48 countries participating in the program.

Subsequent to the completion of our review, the Department announced a policy to nurture, develop, and negotiate arrangements wherein contributions by foreign governments and foreign private donors for financing educational and cultural activities will be maximized.

Utilization of American-made Products for Construction Projects Overseas

Our look into the possibility of reducing the dollar outflow through more extensive use of American-made building materials in embassy and related construction projects overseas disclosed a number of instances where foreign-made instead of American-made materials were used. Purchases of foreign-made materials with nonexcess foreign currencies or dollars have an adverse effect on the United States balance-of-payments.

The most significant instance which we noted of using foreign-made materials, paid for with nonexcess foreign currency, was in the construction of an annex to the American Embassy in New Delhi, India, completed in 1965. We identified purchases totaling about \$273,000 in individual amounts of over \$1,000 from suppliers in England, Germany, and France. All the items noted appeared to be of a type that could have been purchased in the United States.

The Department expressed general agreement with our findings and in conclusion stated that it had undertaken to review and alter the policies leading to a greater use of American-manufactured products within the limits of practicality in contracts executed after March 1, 1966.

Other Reviews

In addition to the above reviews, we also initiated a general review of the Department's accounting system in November 1965 for the purpose of identifying and reporting to Department officials any areas requiring

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correction to conform the system to the principles and standards of the Comptroller General. By June 30, 1966, the review had progressed to the point where it included reviews of the non-automatic data processing procedures and controls relating to domestic payroll activities and the procedures and controls employed in the budgetary accounting and disbursing systems of the Regional Finance and Data Processing Center in Paris, France.

An effort has been made during the year through a number of meetings with Department of State officials to convey to them our concern for the general need for financial management improvements and for action with respect to specific financial management practices identified during our audits of departmental activities. In addition, numerous meetings were held on specific systems development problems including the development of a statement of accounting principles and standards, the establishment of a management fund, property accounting, and the use of statistical sampling in voucher examination.

DEPARTMENT OF COMMERCE

Our review on the administration of the Inter-American Highway program by the Bureau of Public Roads disclosed that the Bureau made expenditures of about \$647,000, and also allotted an additional \$481,000, of United States funds to finance the cost of certain repair and reconstruction work on a 68-mile section of the Inter-American Highway in northern Costa Rica without requiring Costa Rica to bear its proper one-third share of costs involved and without obtaining an appropriate determination from the Department of State permitting the expenditure of United States funds on a nonmatching basis although such a determination was required by governing legislation.

The Bureau advised us in July 1965 that action had been taken to make funds available to complete the Inter-American Highway in Costa Rica only on the usual matching basis. This action, with regard to the \$481,000 previously allotted on a nonmatching basis, should result in the reduction of future expenditures of United States appropriated funds by about \$160,000.

POST OFFICE DEPARTMENT

During fiscal year 1966 we issued a report to the Congress on the estimated annual savings of \$600,000 which could be realized by the Post Office Department as a result of its action to use United States air carriers to transport United States letter-class international air mail rather than foreign air carriers. (See page 51.)

In response to our report, the Department informed us that reciprocal agreements with some foreign countries were canceled, other existing agreements were being reconsidered, and actions were taken to discontinue the use of foreign carriers not covered by reciprocal agreements, except when needed to provide adequate service.

UNITED STATES INFORMATION AGENCY

During fiscal year 1966 we expanded our reviews at the United States Information Agency to cover operations as well as financial management. Our reviews included such areas as the obligation of appropriated funds at the end of a fiscal year, property management for projectors, internal audit operations, and procurement of film and other items. We issued a report to the Congress on practices which resulted in the questionable use of certain funds at the end of a fiscal year.

We also reviewed the planning and practices involved in establishing some large radio facilities for the Voice of America. We issued a confidential report to the Agency which related to certain aspects of the acquisition of land for one such project.

In the financial management area our work centered on a review of the Agency's accounting system for domestic payroll operations and on a review of the justification for Agency acquisition of computer services.

PEACE CORPS

In June 1966 we completed a review on the management and accounting for volunteer readjustment allowances, which disclosed that a number of erroneous payments were made because the Agency's procedures and practices were inadequate. The Agency agreed with our views and requested our assistance in providing accounting systems technical assistance in resolving problem areas disclosed in our review. We are currently providing the Peace Corps assistance in this area.

We have also made a preliminary review of certain of the Agency's management and operating functions in Washington and at three overseas sites.

OTHER INTERNATIONAL ACTIVITIES

During fiscal year 1966 we continued our review on a selected test basis of the (1) United States Arms Control and Disarmament Agency and (2) the Foreign Claims Settlement Commission. Our selective reviews were directed primarily to the areas of receipts, disbursements, and related fiscal records. In addition, we examined into selected aspects of the United States Arms Control and Disarmament Agency's contracting activities.

Audit of Contracts

General

The departments and agencies of the Government spend approximately \$40 billion each year to procure by contract property and services for use in their programs and activities. The Defense Establishment alone is awarding contracts for weapon systems and related equipment and supplies at the rate of over \$25 billion annually. On the basis of the best available information, we estimate that as much as 80 to 90 percent of the dollar value of procurement by contract is made by negotiated contracts. Procurement by negotiation is designed for use in situations, specified by applicable law (Armed Services Procurement Act; Federal Property and Administrative Services Act; Atomic Energy Act), in which procurement on the basis of advertised bid and award procedures is either impracticable or inappropriate.

Under these circumstances, there is not the assurance of fair and reasonable pricing normally obtained when procurement is made on the basis of advertised bid and award procedures. Therefore, negotiated prices must be based largely on actual or estimated costs of producing the articles required. Such cost information, therefore, must be sound and realistic to provide for the negotiation of sound prices. An important part of our overall audit responsibility is the continuing review of policies, procedures, and practices followed by Government departments and agencies in the negotiation and award of contracts and in the administration of contract terms and conditions. We evaluate the effectiveness of the policies, procedures, and practices by examinations of selected major contracts and subcontracts awarded by the departments and agencies and by their prime contractors. Our legal work relating to Government contracts is discussed in Chapter Ten, "Legal Services," beginning on page 101.

The primary responsibility for negotiating fair and reasonable subcontract prices rests with the prime contractors. The Government's interest in the pricing of subcontracts stems from the fact that the prices of negotiated prime contracts usually include actual or estimated costs to the prime contractor for subcontracted items.

Under firm fixed-price and price-redeterminable prime contracts, costs for subcontracted items are included in the prime contract price on the basis of subcontract prices known or estimated at the time of negotiation of the prime contract. Under incentive-type prime contracts the target prices are

established on the basis of known or estimated costs, and the ultimate price borne by the Government, in effect, represents reimbursement for the prime contractor's actual costs, including subcontracted items, plus a portion of the amount by which actual costs are lower than target costs or less a portion of the amount by which the costs actually incurred in performing the contract exceed the target costs. Under cost-plus-a-fixed-fee contracts, the contractor receives a specified fee and also is reimbursed by the Government for all costs incurred under the contract, including the costs of subcontracted items. Therefore, the departments and agencies have a responsibility to protect the Government's interests by assuring themselves that the prime contractor's policies, procedures, and practices for negotiation of subcontracts are adequate and effective.

During the fiscal years 1957 through 1966, we reported to the Congress findings of excessive prices and other costs totaling \$133 million incurred by the Government under contracts negotiated by departments and agencies or under subcontracts negotiated by their prime contractors. As shown on pages 234 and 235 of the appendix, about \$72.5 million of the amounts we reported had been recovered through June 30, 1966. In addition to these cases, we also found instances of excessive prices and other costs which we deemed it more appropriate to report to the departments and agencies involved rather than to the Congress.

The findings reported to the departments and agencies were 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) involved no new important principles or basic issues relating to negotiation and administration of contracts, or (3) involved relatively minor amounts.

The negotiation of unreasonably high prices may be attributed primarily to inaccurate, incomplete, or noncurrent cost information furnished by contractors or subcontractors in support of price proposals, deficiencies in the control by the departments and agencies over the pricing of prime contracts, and deficiencies in the control by the departments and agencies and by their prime contractors over the pricing of subcontracts. Certain of the excessive costs may be attributed to laxity of the departments and agencies in their administration of negotiated contracts during the period of contract performance.

Digests of the reports issued to the Congress during the fiscal year 1966, which include reports related to contract matters, are presented on pages 176 through 233 in the appendix. Several of the more significant reports issued to the departments and agencies during the fiscal year 1966 are summarized below.

In March 1966, we reported that a fixed price contract awarded by the Navy for the production of BULLPUP missiles was overpriced by about \$553,700 because the cost estimates submitted by the contractor contained

errors and were not based upon the most current costs and other pertinent data available to the contractor at the time of negotiation. The contractor had identified \$178,500 of the overpricing prior to the start of our review. The remainder (\$375,200) was identified in our review. We brought this matter to the attention of the Navy and the contractor prior to the issuance of our report in final form and they agreed to negotiate a settlement. The negotiation resulted in a price reduction of \$512,500 after taking certain adjustments into account.

In another instance reported in October 1965, we found that the target price of an incentive-type subcontract negotiated by a prime contractor of the Air Force included estimated costs of certain items not required for the work to be performed. The overstatement of the subcontract target price resulted in an overstatement of the target price of the prime contract which also was of the incentive type. Our bringing this matter to the attention of the contracting parties prior to the issuance of our report in final form resulted in adjustments of the target prices. This should save the Government about \$235,000 by the reduction of the target and incentive profit which otherwise would have been paid to the prime contractor.

In still another instance reported in December 1965, we found that the Army had negotiated a fixed-price contract for the production of fuzes at a price which was higher than warranted by the circumstances existing at the time of negotiation. The contractor's price proposal did not take into account certain improvements in the manufacturing process, known to the contractor, which would reduce costs and included costs of conducting certain tests which were not required. We brought our findings to the attention of the Army and the contractor prior to issuance of our report in final form and they reached an agreement whereby the contractor refunded \$200,000 to the Government.

The departments and agencies have not only obtained recoveries as the result of our findings but have also made certain improvements in the negotiation and administration of contracts, with regard to the deficiencies disclosed by our reviews, by strengthening and clarifying their procurement regulations and instructions. The more significant recent actions include changes in regulations and instructions (1) to define more clearly those expenses of contractors which are necessary and reasonable, and therefore allowable as charges against Government contracts, and those that are not allowable, and (2) to strengthen the record of negotiation by requiring documentation of the basis used in establishing the contract price and the extent of reliance or nonreliance on cost or pricing data furnished by the contractor.

Truth in Negotiations Act

Although the departments and agencies were taking action with regard to the deficiencies disclosed by our reviews and were continually improving

their procedures for negotiation of prices, our reviews continued to disclose instances of excessive negotiated prices. To further strengthen contracting procedures, the Congress passed legislation—the Truth in Negotiations Act—which amended the Armed Services Procurement Act.

This legislation (Public Law 87-653, approved September 10, 1962; effective December 1, 1962) requires, among other things, that, with certain exceptions, 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. We assisted the House and Senate Armed Services Committees in developing this legislation prior to its enactment since it was based in part on our findings and recommendations.

Inasmuch as the law was enacted as an amendment to the Armed Services Procurement Act, it is not generally applicable to the civil departments and agencies. The civil departments and agencies, however, have accepted its basic concepts in the negotiation and award of their contracts and the Federal Procurement Regulations have been revised to include similar provisions.

The objectives of the Truth in Negotiations Act are clear. The problem of developing procurement regulations which clearly define the means of meeting these objectives and are feasible to apply and administer is complex. Although the departments and agencies took prompt action to amend their procurement regulations following enactment of the law in 1962, numerous revisions were later found to be necessary to refine regulations in the light of experience. The regulations are under continual study and additional revisions were under consideration at June 30, 1966.

We made a review to determine the extent to which procurement officials of the Army, Navy, and Air Force were requiring contractors to comply with the cost or pricing data requirements of the law and the implementing provisions of the Armed Services Procurement Regulation (ASPR). The review covered 141 contracts or contract amendments, in a total amount of about \$564 million, which had been negotiated in periods after October 1964 by 18 procurement agencies of the three military departments.

We found that the contracting officers of the procurement agencies, in awarding 103 of the 141 contracts, in the total amount of about \$470 million, had not required contractors to submit or identify, in writing, the factual data required by ASPR in support of significant cost estimates. For these contracts, although a certificate generally was obtained from the contractor to the effect that cost or pricing data submitted were accurate, current, and complete, there was no authoritative record by the contractor of what data

had been submitted and were covered by such certificate for all or part of the significant cost elements.

It appeared to us that the certificate was not wholly effective since it may be impracticable to establish that the contractor had knowingly submitted inaccurate, incomplete, or noncurrent data in instances where he had not identified the price he had certified. Further, the Government's rights under the defective-pricing-data clause of the contract may be impaired since it may be impracticable for the contracting office to establish that the data actually used by the contractor in support of the cost estimates were in fact erroneous in the light of other available data.

We discussed our findings with appropriate procurement officials to determine why they had not obtained in writing from the contractors the type of cost or pricing data required by ASPR. The explanations we obtained indicated to us that the provisions of ASPR were not clearly understood and were being variously interpreted by individual procurement personnel.

On January 29, 1965, while our review was in progress, the Department of Defense prescribed a new contract pricing proposal form by a revision to ASPR. The stated purpose of the new form is to provide a standard format by which the offeror submits to the Government a summary of incurred and estimated costs and supporting information suitable for detailed review and analysis. Instructions provide that, when attachment of supporting cost or pricing data to the form is impracticable, the data be appropriately described and be made available to the contracting officer or his representative upon request. The new form and related instructions should go a long way toward achieving compliance with the law and the implementing provisions of ASPR. This form had not been used in the procurements we reviewed and as late as July 1965, had not yet been distributed.

In August 1965, we discussed our findings with officials of the Office of the Assistant Secretary of Defense (Installations and Logistics). We were advised that the new forms were then available and that action was being taken to assure that they are appropriately used. We were also advised that our findings indicated a need for more effective training of procurement officials. Our report on these findings, submitted in October 1965, was directed to the Secretary of Defense.

Administration of Contract Terms and Conditions

The negotiation and award of a sound, reasonably-priced contract is an important responsibility. An equally important responsibility is to ensure that the contractor complies with the terms and conditions of the contract. During the fiscal year 1966 we submitted to the Congress two reports on areas where, in our opinion, the administration of contract terms and conditions should be strengthened to protect the rights of the Government.

One of the reports dealt with the contract clause, required under the Truth in Negotiations Act, which permits the Government to recover any significant increase in the price that resulted from the submission of inaccurate, incomplete, or noncurrent cost or pricing data; the other dealt with the patent provisions of certain contracts which grant the Government royalty-free use of inventions.

In a report submitted in February 1966, we presented our views that there was a need in the Department of Defense for postaward audits of contracts in order to detect lack of disclosure by contractors of significant cost or pricing data available prior to negotiation and award. We had found, as stated in a number of reports issued to the Congress and in other reports in process, that significant cost information was not disclosed to Government negotiators although it was available or known to contractors prior to negotiation of contract prices or prior to the award of the contracts. As a result, contract prices were increased by the inclusion in price proposals of estimated costs that were substantially higher than the costs that should reasonably have been anticipated on the basis of information known to the contractors. For various reasons, preaward audits, where made, were not effective in disclosing cost estimates that were excessive in the light of information available at the time of negotiation and at the time of the award of the contracts.

Accordingly, we proposed to the Department of Defense (1) that the Defense Contract Audit Agency establish a program for regularly scheduled postaward reviews of selected contracts, (2) that contracting officers evaluate the need for postaward audits of contracts awarded on the basis of certified cost or pricing data which they have reason to believe may not be accurate, complete, or current or may not be adequately verified; and (3) that the Armed Services Procurement Regulation be revised to provide that a clause be included, in appropriate circumstances, granting contractual rights to examine records, generated during the contract period, considered necessary for verifying that the data submitted and used in establishing the contract price were accurate, complete, and current at the time of negotiation and award. The Department of Defense advised us of agreement with the first two proposals and stated that the third proposal was under consideration by a subcommittee of the Armed Services Procurement Regulation Committee.

In a report submitted in April 1966 we presented our findings that the Government had been charged royalties for the use of certain chemical milling inventions which inventions, in our opinion, were subject to the patent rights provisions of the contract granting the Government a royalty-free license. At the time of our review, Government contracts with other firms had been charged royalties totaling about \$500,000 of which an unidentified portion covered improvement patents of another company whose records were not subject to our review.

In response to our findings and our proposal that the matter be settled on equitable grounds, the Air Force negotiated a settlement agreement with the contractor. The agreement provides for (1) a rebate to the Government of \$157,000 as settlement of one half of the contractor's share of U.S. royalties paid by Government contractors through September 30, 1964, (2) a continuing rebate of one half of the contractor's future share of such royalties, and (3) a grant of royalty-free licenses on certain of the contractor's inventions.

Because of the varied interpretations of the term "subject invention" as defined in the Armed Services Procurement Regulation (ASPR) we proposed that the patent provisions of the ASPR be amended to provide a more definitive description of the term and to establish a presumption that any invention, which relates to the subject matter of the contract or to work incident to or required under the contract, is a "subject invention." The Department of Defense stated that our proposal would be considered by the ASPR Committee. In July 1966 the Department of Defense advised us that the ASPR Committee considered our proposed definition of "subject invention" as too far reaching and beyond that for which the Government pays or to which it is entitled.

We met with officials of the Department of Defense to discuss with them the position taken by the Department on the recommendations included in our report. We were informed that, although our recommendations were not fully accepted, certain changes had been approved by the ASPR Committee for inclusion in the ASPR to improve administration of patent provisions of contracts. These changes may accomplish the results contemplated in our recommendations. We plan to review the effectiveness of the changes when they are implemented.

Congressional Hearings on Contract Audits

In May, June, and July of 1965 the Military Operations Subcommittee of the House Committee on Government Operations held hearings on the subject of the Comptroller General's reports to the Congress on audits of contracts. A report on these hearings was transmitted to the Speaker of the House by the full committee on March 23, 1966, and was printed as House Report No. 1344, 89th Congress, 2d Session. The nature of these hearings and the results thereof are succinctly indicated by the following paragraphs of the committee's report.

"The General Accounting Office is an agent of Congress. It is always on call and its staff resources are available to congressional committees. It is the watchdog for Congress over Government expenditures. The reports of the GAO are an indispensable source of information to the Congress. Over the years the GAO has done an outstanding job for Congress and for the taxpayers of this country and it is to be commended for its work. However, in the past few years there have been criticisms from within the Government and from industry as

to some of the practices of the General Accounting Office, particularly in the contract audit area. Subcommittee hearings were held in May, June, and July of 1965 during which these criticisms were heard. While not all of the criticisms were supported, some appeared to have merit.

* * * * *

"Since the subcommittee hearings the General Accounting Office has made changes in procedures and in other matters which in the committee's opinion have resulted in improvements in reporting practices without in any way circumscribing the GAO from fully and fairly reporting to Congress on matters within its areas of concern which, of course, is a duty Congress expects to be continued.

"The committee is pleased to report that the hearings of the Military Operations Subcommittee served a highly useful and constructive purpose. As a direct result of matters brought up at the hearings and discussed further in subsequent informal conferences with the Comptroller General and his associates, GAO reporting practices have been substantially improved. A healthier climate of working relationships between the GAO, the Department of Defense, and defense contractors has developed. The backlog of GAO cases referred to the Justice Department has been reduced. The GAO itself has benefited greatly by its reexamination of policies and procedures occasioned by the subcommittee inquiry, and because the GAO is an arm of the Congress, the Congress also stands to benefit from this self-reappraisal and improvement."

A letter dated March 4, 1966, from the Acting Comptroller General setting forth in detail the issues raised and discussed at the hearings and outlining the actions taken by the General Accounting Office since the hearings is included as appendix 1 in the committee's report.

On July 1, 1966, the Comptroller General informed the Chairman of the Military Operations Subcommittee of the internal reorganization of our Defense Accounting and Auditing Division which had been made effective June 8, 1966. (The reorganization is discussed on pages 62 and 63 of Chapter Five, "Audit of Defense Operations and Programs.") The Comptroller General stated that, in revising the organization of the Defense Accounting and Auditing Division, careful consideration was given to the committee's suggestions and recommendations included in its report of March 23, 1966. He stated that our audit coverage of defense contracts will continue to constitute one of our major areas of endeavor and that our audit approach has been broadened in that we are covering defense contracts in much greater depth than heretofore.

Transportation

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 \$3 billion annually. Approximately \$1.5 billion of this amount are for services procured on standard forms and these expenditures are audited centrally by this Office on the basis of paid bills submitted by Government agencies. Other expenditures for direct procurement of commercial transportation consist primarily of contract services 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

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.

Certifying and disbursing officers are exempted from liability for any overcharges by carriers arising from the application of improper rates or charges. Our Office receives the paid bills on a Government-wide basis, makes a central postaudit, determines overcharges, and recovers the overcharges from the carriers. Our audit of transportation charges is normally completed in 6 to 7 months after payment.

During the year, we audited 4.8 million bills of lading for freight shipments, for which the Government had paid about \$944 million, and 2.7 million transportation requests for passenger travel, for which the Government had paid about \$530 million. This represents an increase in payments audited over the prior year of about 20 percent. With the growing U.S. military activity, we anticipate that payments audited during fiscal year 1967 will increase at approximately the same rate.

From our audit of transportation payments in fiscal year 1966, we issued 86,970 overcharge notices to commercial carriers requesting refunds totaling \$10.7 million. Collections from carriers during the year amounted to \$8.5 million, which were credited to basic appropriations of the procuring agencies or, where this was not possible, deposited in the Treasury as miscellaneous receipts.

As part of our review of transportation payments, we also identified numerous individual shipments where the transportation services were procured at excess costs to the Government. 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.

A by-product of our audit is the accumulation of paid vouchers which are subject to disposal variously under 4-year and 10-year retention programs approved by Congress. During this year we disposed of 2,765 cubic feet of record material consisting principally of paid transportation vouchers for the years 1961 and 1962, which were surveyed for disposal under the 4-year retention program. Vouchers identified here as subject to the 10-year retention period are stored at the General Services Administration Record Center at Mechanicsburg, Pennsylvania, and are disposed of by GSA as the retention period expires.

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, with certain exceptions, are required to be submitted to the Office for adjudication. These exceptions

relate to claims for (1) amounts deducted for loss and damage where it is determined that the administrative action was taken in error; (2) accessorial or supplementary freight and passenger services; and (3) amounts arising from 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 1966, we received 26,880 claims and settled or otherwise disposed of 29,413 claims for \$37,130,274. Included in these claims were 1,925 original bills for \$30,768,342, mostly assigned bills for Military Airlift Command contract movements, audited before payment to protect fully the Government's interest. We certified \$30,573,038 for payment on these original bills, and disallowed \$195,304 as 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 the GAO. In disposing of these claims, amounting to \$6,361,932, we certified for payment \$2,867,392 and disallowed or terminated \$3,494,540.

TRANSPORTATION MANAGEMENT REVIEWS

During fiscal year 1966 we prepared two reports to Congress on our reviews of transportation services procured by the Department of Defense. Details of these reports are given in the digests of reports to the Congress on page 222 of the appendix to this report.

Our transportation management review work during the year was concentrated primarily in two major areas of Department of Defense expenditures for commercial transportation services; shipping and storing household goods via domestic van carriers and unregulated freight forwarders engaged in overseas traffic, at an annual cost of about \$400 million; and the procurement of contract freight and passenger airlift by the Military Airlift Command, also at an annual cost of about \$400 million.

Because of significant audit and management problems identified in the forwarder method of shipping and storing military household goods in the overseas traffic, which costs the Department of Defense about \$150 million a year, our major review effort was devoted to this activity.

Among the principal areas under review are: the alternative costs to the Department of Defense of directly procuring from the companies involved the commercial transportation and related services, rather than contracting for these services through unregulated freight forwarders; the high diversion rates negotiated with the forwarders for reconsigning shipments; the reasonableness of rates negotiated with the forwarders for volume movements; and the validity of claims by the forwarders for storage-in-transit and appliance servicing charges.

Our review of transportation management by the Military Airlift Command is directed primarily to the procurement of freight and passenger service in the regularly scheduled overseas flights of commercial carriers at reduced military tariff rates. This review covers the size of freight shipments tendered by the Military Airlift Command in relation to the tariff rate scales and comparison of the rates and baggage allowances for children in the military tariffs, with similar fares and allowances in commercial tariffs.

ASSISTANCE IN THE TRAFFIC AND TRANSPORTATION FIELD

During the year we assisted various Government agencies in their traffic and transportation activities by—

1. Advising the Department of Defense on expanding the use of the short form Government bill of lading;
2. Reviewing certain recommendations by the National Defense Transportation Association for significant changes in the Department of Defense transportation billing and payment procedures;
3. Reviewing simplified rate quotations to cover freight all kinds in box cars proposed for adoption by the Military Traffic Management and Terminal Service of the Department of Defense;
4. Furnishing passenger fares and other transportation data to the Department of Labor for preparation of the monthly consumer price index;
5. Considering and acting upon several requests from the administrative agencies for permission to deviate from established transportation procedures in the interests of economy and efficiency;
6. Providing guest lecturers at the State Department School of Foreign Affairs, Washington, D.C., and the U.S. Army Transportation School, Fort Eustis, Virginia.

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 frequent discussions in Washington with individual carrier representatives.

Also, to assist the carriers in transportation documentation, we acted favorably upon several requests for (1) the use of automation forms in preparing bills; (2) the substitution of a delivery receipt for the consignee's certificate of delivery on the Government bill of lading for better document control on shipments of unaccompanied baggage; and (3) the use of simplified billing procedures on shipments made on the short form Government bill of lading.

ASSISTANCE IN THE LEGAL FIELD

During fiscal year 1966 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. As part of this assistance transportation specialists participated in eight pretrial conferences or trials before the Court of Claims in Washington, D.C.

We reported to the Department of Justice for collection debts against carriers involving 158 items in the total amount of \$91,305. During the fiscal year similarly reported debts covering 670 items in the total amount of \$426,997 were settled by the collection of \$96,615 through judgments, compromises, or otherwise.

We received from the Department of Justice notice of the filing of 93 suits by carriers covering 157,879 shipments. Most of the suits were on overseas movements of household goods by the Department of Defense. The amount sued for was not stated in the petitions filed on these suits but we estimate that the liability of the United States, if the carriers prevail on all of the issues, will exceed \$30 million.

In the same period we furnished technical advice and other assistance to the Department of Justice in 47 suits for \$902,853 involving 3,621 shipments. Fifty-one suits, the subject of reports in this or prior years, involving 9,164 shipments and \$2,036,199 were settled by payment of judgments for \$664,178 and by dismissal or withdrawal of the balance.

A significant transportation case in which we furnished technical advice and assistance was *Northern Pacific Railway Company v. United States*, Ct. Cl. No. 319-59. This suit for \$315,115.32, was decided in favor of the Government on January 21, 1966. The court, in ruling for the Government, held that shipments from 1953 through 1958 of low-grade manganese ore having an actual value of less than \$10 per ton, which the Government purchased for \$25 per ton as an incentive price under the Defense Production Act of 1950, were entitled to a low commodity rate based on actual value and not subject to the higher class rate claimed by the carrier notwithstanding that the Government failed to furnish the certificates of value required by the commodity tariff rules. A companion case for \$658,659.06 on which action was in abeyance pending the decision in Ct. Cl. No. 319-59 was dismissed with prejudice by the Court of Claims in March 1966.

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Claims

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 depositary 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 this 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 this 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 this 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, 1965, we had on hand 606 claims against the United States. During the fiscal year we received 8,549 claims and settled 8,274 claims, leaving a caseload on hand of 881 claims on June 30, 1966. Incident to the settlement of the 8,274 claims, we certified the amount of \$52,596,936.79 for payment.

Claims by the United States

Claims by the United States are referred to the 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 be reported to us when the departments and agencies are unable to collect the full amount of the debts through the use of their regularly prescribed collection procedures.

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. 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, 1965, we had on hand in the Claims Division 29,568 claims by the United States. During the period July 1, 1965, through June 30,

1966, we received 41,201 claims and settled 33,977 leaving a balance of 36,792 claims on hand June 30, 1966. Of the 36,792 claims on hand, 11,472 were under collection representing accounts receivable in the amount of \$5,852,032.56. Incident to the adjudication and collection activities during the fiscal year, we collected \$4,128,553.91. During that period we reported 3,299 claims to the Department of Justice for suit and as of June 30, 1966, 7,189 of the claims pending with that Department were under collection, representing accounts receivable in the total amount of \$4,222,971.87.

The work of the General Accounting Office involving claims of the United States will be affected by Public Law 89-508, the Federal Claims Collection Act of 1966, which was approved by the President on July 19, 1966.

The 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, 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 anti-trust laws. Collection action may 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.

The new law may result in fewer debt claims being referred to our Office for collection. However, it is difficult to estimate to what extent our debt collection work will be affected. First, the law is not effective for six months after date of enactment. Second, we will have to consider for possible compromise or termination or suspension of collection action the many thousands of debt claims we presently have on hand. Third, we do not know the volume of debt claims we will continue to receive from the agencies considering that the law authorizes the agencies to terminate or suspend collection actions only under certain conditions, and to effect compromises and terminations or suspensions of collection actions in accordance with joint standards of the Attorney General and the Comptroller General.

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Legal Services

In this the forty-fifth year of our Office under the Budget and Accounting Act of 1921, the legal assistance rendered to Government agencies continues to reflect the scope, diversity, and complexity of matters submitted to the Comptroller General for resolution.

Although the primary work of the Office of the General Counsel is the preparation of the formal decisions of the Comptroller General, other legal assistance includes preparation of informal memorandums on legal questions arising in the daily activities of the operating divisions of the General Accounting Office; reports on legislation and legal matters to Members of Congress, congressional committees, and the Bureau of the Budget; reports on court actions by and against the Government; and answers to inquiries from individuals and business firms not entitled to a formal decision.

Another important legal activity is the review of draft reports prepared by other divisions of the Office for submission to the Congress. Usually the legal review is made after comments from affected parties are received. However, proposed reports which involve recommendations for adjustment of contract prices are reviewed by the Office of the General Counsel prior to distribution to the agencies and contractors concerned for their comment. Also, advance reviews are made when specific legal problems dealt with in the reports have not been previously considered by the legal staff.

During fiscal year 1966, 4,797 decisions and legal matters were handled by the Office of the General Counsel. A statistical table of the decisions and legal matters and the legislative reports prepared during the fiscal year will be found in the appendix on page 257. The work of the Office of Legislative Liaison which is under the direction of the General Counsel is detailed in Chapter Two of this report under the title "Assistance to the Congress."

The Congress by law has vested in the Comptroller General of the United States the responsibility for rendering decisions on the legality and propriety of the receipt and expenditure of Federal funds. The law gives the heads of departments and agencies and disbursing and certifying officers the right to request our decision before initiating new programs, executing contracts, promulgating regulations and certifying or disbursing public money. In the exercise of the decision function new laws must be interpreted, administrative regulations studied, decisions of the courts considered and foreign laws researched.

To illustrate, during fiscal year 1966, the Administrative Office of the U.S. Courts requested our decision on the applicability of the Criminal Justice Act of 1964¹ to proceedings in the Criminal Division of the D.C. Court of General Sessions and to proceedings on applications to revoke probation.² While the Act was found applicable to the D.C. General Sessions Court so that fees could be paid to counsel appointed in criminal cases, the Act was found inapplicable to probation revocation proceedings.

In our annual report for 1962, one of the decisions highlighted concerned the use of appropriations for the conversion from coal to natural gas of heating plants at Fort Richardson and Elmendorf Air Force Bases in Alaska.³ At that time it was recommended that specific statutory authority be obtained for the project. Subsequently Congress authorized the conversion⁴ and during fiscal year 1966, at the request of a protesting bidder for supplying the fuel requirements, our Office was asked to review the contract procedures. The decision necessitated a study of State and Federal statutes, judicial precedents and administrative procedures.⁵

Each year laws on the statute books for many years must be interpreted in the light of current conditions. A decision illustrating such a situation was one requested by the Postmaster General as to whether an automated, self-service postal unit recently installed on an experimental basis at shopping centers throughout the country was required to be considered a public building or improvement under section 3733 of the Revised Statutes enacted in 1868.⁶

Many of the decisions rendered each year involve complicated intergovernmental relationships and require research in more than one field of the law. To highlight the year's legal work for this report, the more significant decisions will be grouped for narrative purposes under the following topics:

1. Foreign Operations and Overseas Expenditures
2. Business Relations
3. Intergovernmental Relations
4. Management Activities
5. Personnel Matters
6. Transportation

FOREIGN OPERATIONS AND OVERSEAS EXPENDITURES

The increased military and economic activities in Viet Nam are reflected in several decisions rendered during 1966. For example, at the request of

¹ 18 U.S.C. 3006A; B-156932, June 15, 1966.

² B-156932, June 13, 1966.

³ G.A.O. Annual Report, 1962, p. 211.

⁴ Section 535 of Department of Defense Appro. Act, 1965; Public Law 88-446.

⁵ 45 Comp. Gen. 59, B-155725, August 5, 1965.

⁶ B-158524, February 28, 1966.

the Department of State, we advised the Department that the issuance of a regulation to permit civilian employees on detail in Viet Nam to receive post differential payments retroactively from the date of arrival in the foreign area was properly within the scope of the Overseas Differentials and Allowances Act.⁷

The Department of Defense was advised that certain military personnel who were unable to meet the parachute jump requirements to qualify for parachute duty pay because they were engaged in combat operations in a hostile fire area could nevertheless receive parachute duty pay under statutory regulations which permitted the waiver of minimum parachute jump requirements in these circumstances.⁸

At the request of the Administrator of Veterans Affairs the statutory basis for granting special leave of absence with pay to VA physicians who volunteer under the People-to-People Health Project to serve in provincial hospitals in Viet Nam for short periods of time was reviewed. In this case it was determined that such special leave would be tantamount to using appropriations for an unauthorized purpose and could not be authorized.⁹

A unique legal matter handled during 1966 illustrating a complex controversy between several Government departments and a foreign government concerned the tax status of property in the District of Columbia purchased by the Government of Ireland. Because the problem had been of considerable concern for some time the Department of State requested our opinion concerning the liability of the Government of Ireland for current taxes on property acquired for the official residence of the Ambassador. A study of numerous and divergent court opinions, international treaties and the Consular Convention between the United States and Ireland required the conclusion that the Government of Ireland purchased the property free of any taxes or statutory liens for taxes.¹⁰

Another decision having international aspects and involving a controversy between two departments concerned the proper method for accounting for foreign currency exchange losses incident to the unconsummated purchase of property by the U.S. Embassy in Cairo, United Arab Republic. In our decision holding that the exchange loss should be charged to the initial appropriation rather than to the Treasury deficiency account, it was suggested that the State Department revise its Manual to indicate that the proper exchange rate to be used in such collection transactions is the one which is applicable at the time the recovery is made.¹¹

In connection with the construction of the Kastraki hydroelectric project on the Acheloos River in Greece, our Office was asked by the unsuccessful

⁷ 74 Stat. 795; B-134392, March 18, 1966.

⁸ B-158185, January 25, 1966.

⁹ 45 Comp. Gen. 196, B-157790, October 25, 1965.

¹⁰ B-158516, March 7, 1966.

¹¹ B-106270, February 11, 1966.

bidder for the award of a contract by the Public Power Corporation of Greece to review the procurement procedures. After a review of the numerous contentions and the applicable legal authorities it was held that the refusal of Agency for International Development to approve the protesting bidder because its bid was nonresponsive did not violate the requirement that AID contracts should be made on a competitive basis to the maximum practical extent. It was stated in this decision that in carrying out the functions under the Foreign Assistance Act of 1961,¹² AID should insist and take steps to insure that contracts will be let under certain minimum rules of fair play and competition. One reasonable minimum test for determining if a particular contract will be made on a "competitive basis" is whether the bidders receive equal treatment under the ground rules and bidding conditions set forth in the bid solicitation documents. In view of the apparent uncertainty regarding AID approval procedures on the part of the bidders that was revealed in this review, our Office recommended that the Manual Orders relating to AID regulations be published in the Federal Register so that similar future uncertainties would be eliminated.¹³

The Assistant Secretary of Defense requested a decision as to whether there was statutory authority permitting enrollment of foreign students in the advanced training portion of the ROTC program to entitle the accredited civilian colleges to the commuted value of the uniform allowance. A study of the legislative history of the Reserve Officers' Training Corps Vitalization Act of 1964,¹⁴ supported our conclusion that foreign students could participate in the program thereby entitling the colleges to uniform allowance payments.¹⁵

The Administrator for the Agency for International Development asked our Office to look into that Agency's authorities to include in foreign economic and military assistance loan agreements diversion clauses and indemnification provisions to reduce losses when assistance to foreign countries must be suspended or terminated in the interest of the United States. A decision sanctioning the general use of such clauses to assure compliance with legislative purposes of the foreign assistance program was rendered during the fiscal year.¹⁶

Another decision involving expenditures overseas concerned the availability of Veterans Administration appropriations for the World War II Memorial on Corregidor Island to pay travel expenses of staff members of the Corregidor—Bataan Memorial Commission. Although the functions of the Veterans Administration and the Commission are interwoven, the use of related appropriations for the Veterans Administration would result

¹² 22 U.S.C. 2151 *et seq.*

¹³ B-158692, April 11, 1966.

¹⁴ 78 Stat. 1063.

¹⁵ B-152628, November 30, 1965.

¹⁶ B-133002, March 10, 1966.

in an augmentation of the Commission's appropriations contrary to law and therefore could not be authorized.¹⁷

BUSINESS RELATIONS

As in previous fiscal years the largest segment of the legal work of our Office continued to be in the area of Government contracts. During 1966, almost 30 percent of all the decisions rendered involved contracts and contracting procedures. Our Office affords a forum for firms and individuals doing business with the Government to have protests developed and their claims adjudicated. Likewise the advance decision jurisdiction of our Office gives the heads of Government departments and agencies as well as contracting and procurement officers the opportunity to obtain a legal opinion before executing a Government contract, lease or other business agreement.

For the purposes of this annual report, some of the significant contract decisions reviewed this year are those involving new procurement procedures and those recommending corrective action by the department or agency.

As has been previously stated the long established role of our Office in the contract area is to insure that Government procurement practices are administered in compliance with the law and statutory regulations, that the evaluations are fair and reasonable, and supported by substantial evidence, and that all firms and individuals wanting to compete for Government business have the opportunity to do so.

One of the new procurement procedures we were asked to review in 1966 was the procedure proposed by the Department of Agriculture to procure aerial tanker services for forest and range fire control. On the basis of the showing that competitive advertised procedures were impractical, the use of the proposed negotiated procurement procedure was tentatively approved along with the use of the prequalification procedure for determination of the responsibility of the prospective contractor in the first step of the procurement procedure before submission of proposed prices.¹⁸

Following a careful review of the procedures used by the Navy Department incident to a negotiated contract for the design, development and construction of training devices known as Attack Center systems, the Department was advised that the procedures did not comply with the law and that the protesting offerer had been improperly denied the opportunity to compete to the disadvantage of the Government. The Department was further advised that while the particular award would not be disturbed, corrective action to preclude a recurrence of the deficiencies should be taken in future procurements.¹⁹

¹⁷ B-114876, November 17, 1965.

¹⁸ B-157954, December 15, 1965.

¹⁹ B-157150, January 19, 1966.

Similarly a determination by the National Aeronautics and Space Administration to negotiate a research and development contract with only one offerer on a sole source basis was found to have deprived other firms in the competitive range of the opportunity of making offers on the same basis. While the use of a numerical score evaluation basis rather than a narrative judgment basis to determine firms in a competitive range was commended, contracting agencies were admonished to exercise their discretion in this area so as to eliminate from the negotiations required by Public Law 87-653 only those firms with whom such negotiation would be meaningless.²⁰

After reviewing the Army Electronics Command procedures in disposing of surplus special tooling in the possession of a prime contractor at the request of an unsuccessful purchaser, it was suggested to the Secretary of Defense that appropriate revision to the Armed Services Procurement Regulation be made so that the party in possession of the property would have an opportunity to submit a bid or offer. Further it was suggested that the pertinent regulations designed for disposition of contractor inventory upon termination of a contract, where prompt settlement of termination claims may be a factor, may not be appropriate for the disposition of all Government-owned surplus property which may be in the possession of contractors or subcontractors. Where some or all of the property has been used by or is in possession of subcontractors determinations of potential utility based solely upon the advice of the prime contractor may require regulation changes.²¹

Another new procurement procedure reviewed by our Office in fiscal 1966 was a "catalogue" method of purchasing for welfare clothing and footwear needs in the District of Columbia. Our review was undertaken upon a protest of the National Small Business Association. While we found that the catalogue method of purchasing was legally proper and in the best interest of the District of Columbia we requested the procuring activity to correct certain deficiencies to make the specifications more precise, to change the method of evaluation based only on the discount price, and to provide for changes in contract prices.²²

Following a decision which highlighted the problem of a labor surplus area contract being awarded to a contractor who was not to perform in a labor surplus area because at the time of award the contracting officer was not informed that an area classification change had been made, the Department of Labor took steps to correct the matter.²³ The Department changed the format of "Area Trends in Employment and Unemployment" by adding an effective date to the classification of labor surplus areas and making the date a sufficient period of time after publication so that contracting officers would have time to receive notice of changes prior to the effective date.

²⁰ B-158042, March 30, 1966.

²¹ B-156023, July 2, 1965.

²² B-157025, January 28, 1966.

²³ B-157684, February 11, 1966.

Other contract decisions suggesting improvements in procurement procedures and guidelines include a decision to the Secretary of Health, Education, and Welfare advising that an invitation for fork lift trucks was defective, in that bidders were unable to determine the minimum weight requirements for the lift capacity specified, and should be cancelled.²¹ The Navy Department was advised that in drafting specifications for dredging projects different methods of disposal should be permitted such as the hydraulic method and that bidders should be advised of all available disposal locations.²²

When an examination of several settlement agreements which were negotiated after termination of fixed-supply contracts for convenience of the Government reflected recovery for anticipatory profits out of proportion to the actual work performed and to the benefits derived by the Government, corrective action was suggested. It was suggested that the Federal Procurement Regulations be amended to make mandatory the use of a termination for convenience clause in fixed-supply contracts of the civilian procurement agencies similar to that made mandatory in the Armed Services Procurement Regulation.²³

Another settlement agreement that pointed up a need for changes in contract language was the subject of a decision to the Postmaster General. In this case a claim for repairs under a leaseback-construction contract was based on an allegation that the specifications were defective. In denying the claim it was held that the construction contract and the lease were separate transactions and specification warranty could not be shifted to the Government under the lease agreement.²⁴

The use of unrestrictive specifications abroad as well as in domestic procurements is equally necessary. A decision illustrating consideration of restrictive specifications was one involving the procurement of solid fuel for the Armed Forces in Europe. After a review of the protestant's allegations, the Department of the Army was asked to have the Bureau of Mines expedite coal content tests to learn if the Army's minimum needs could be met at less overall costs to the Government in future procurements.²⁵

Another improvement in procurement practices was one suggested to the Immigration and Naturalization Service as a result of a review of a bid protest. The protest indicated that only one company in the area of Brownsville, Texas, could respond to an invitation for furnishing aircraft maintenance and services because only 14 days were allowed between the date of issuance of the invitation and bid opening. It was suggested that in future

²¹ B-158981, June 10, 1966.

²² B-158933, April 29, 1966.

²³ B-155936, December 10, 1965.

²⁴ B-136683, April 5, 1966.

²⁵ B-157145, May 8, 1966.

procurements of such continuing services considerably more time between invitation issuance and bid opening and commencement be allowed.²⁹

The time element was found to be insufficient in another procurement. The Coast Guard in an invitation for the construction of an aircraft hangar, office, and storage facility permitted only two days between the issuance of amendments to the specification and bid opening. It was suggested that this time was not sufficient for receipt, consideration, and acknowledgment of the amended specifications by prospective bidders located outside the area of the procuring office. Since the procurement regulations are specific and make sufficient time mandatory, awards under the invitation were not permitted.³⁰ These examples illustrate how through the decision function deficiencies in procurement practices are revealed and corrected.

INTERGOVERNMENTAL RELATIONS

The extensive Federal aid and grant programs enacted in the last few years have generated many diverse legal questions. A decision of wide interest concerned the availability of Department of Health, Education, and Welfare funds authorized under the Nurses Training Act of 1964,³¹ for retroactive participation in the cost of construction projects commenced under the earlier Health Professions Educational Act of 1963.³² On the basis of a study of the legislative history of the two authorizing statutes and the pertinent appropriation acts which indicated that the construction programs were substantially the same, retroactive Federal participation in existing nurses training facility construction projects was authorized.³³

The Administrator of the Federal Aviation Agency requested advice as to whether under the Federal Airport Act³⁴ the Federal Government could share in the cost of a contract for the closing of streets and conveyance of rights of way with a suburban community for development of an airport. The threshold question involved in the case was one that was anticipated to arise in several other airport projects. A study of the act and regulations supported the use of Federal funds for the agreement. It was found that the contract method was more advantageous to both the city and the Government than the institution of lengthy condemnation proceedings.³⁵ The Federal Aviation Agency also asked whether a lease for space in a new building at the Albany County, New York, airport for a flight service station would be regarded as a lease-construction agreement requiring Congressional committee approval. The proposed lease was found not to contravene the

²⁹ B-157053, August 2, 1965.

³⁰ B-158766, April 26, 1966; *id.* June 3, 1966.

³¹ 42 U.S.C. 296 *et seq.*

³² 42 U.S.C. 293 *et seq.*

³³ B-158296, February 18, 1966.

³⁴ 49 U.S.C. 1103.

³⁵ B-159175, June 9, 1966.

prohibitory statute because the agency had made no binding commitment to lease the space in advance of the construction of the building.³⁶

Conversely, Congressional committee approval for a lease-construction project was determined to be required in connection with the proposed use by the Veterans Administration of an underground garage to be constructed between the University of Chicago medical school and a veterans hospital under an urban renewal project. The agency requested resolution of several legal questions concerning the availability of appropriations for the proposed lease. The lease-construction arrangement for the parking facilities was determined to require Congressional approval and the parking fees for private vehicles could not be used for maintenance expenses for the garage in the absence of statutory authority.³⁷

The Secretary of the Army on learning that the Missoula Montana Fire District would no longer furnish fire protection services to the Fort Missoula Reservation, a Federal enclave, was advised in our decision that no legal objection would be made to the execution of a contract with the fire district for such fire services.³⁸

Also in the intergovernmental relations area was a decision to the Director of the Office of Emergency Planning concerning available appropriations for disaster repairs. In this case funds authorized for disaster relief for repair of a sewage treatment plant which was under construction at the time of damage by a tornado were held not to be available.³⁹

Because of diverse views between the Secretary of Housing and Urban Development and the Secretary of the Treasury as to the availability of appropriations for open space land grants to State and local governments, our Office was requested to resolve the matter. A review of the legislative history of the authorizing and appropriation legislation substantiated the views of the Treasury Department that the use of appropriations was limited to the particular fiscal year.⁴⁰

MANAGEMENT ACTIVITIES

Some of the decisions rendered in 1966 reflect the present emphasis on improvement in Agency administrative and accounting matters. Illustrative of such decisions was one requested by the Secretary of Agriculture as to the responsibility and authority of administrative officers to withhold and use timber sale deposits. Agriculture requested permission to apply the deposits against debts of the purchasers. While the use of the deposits for debt settlement depends upon the individual contracts and different rules

³⁶ B-158452, February 17, 1966.

³⁷ 45 Comp. Gen. 27, B-156496, July 9, 1965.

³⁸ 45 Comp. Gen. 1, B-125617, July 2, 1965.

³⁹ B-158318, January 17, 1966.

⁴⁰ B-145153, February 18, 1966.

apply, the attention of the Department was called to a workable deposit clause used by the Defense Supply Agency to apply deposits received from purchases of surplus property to satisfy their debts. It was suggested that such a clause consistently used in all contracts would eliminate the burdensome demand procedures and the subsequent institution of court action.⁴¹

Since the deposit of debt collections to the Treasury is the most economical method for handling such receipts, the Department of Housing and Urban Development was advised that the deposit of a planning advance collection to the public works revolving fund was not justified.⁴²

Another decision rendered in 1966 concerning the proper disposition of collections was one to the Secretary of the Treasury involving charges received by the Federal Power Commission from licensees for headwater improvements constructed by the Corps of Engineers and the Bureau of Reclamation. This decision is particularly significant this year because it required the reexamination of a decision issued forty-five years ago.⁴³ In affirming the original determination it was held that, notwithstanding subsequent amendatory legislation, the collections must be deposited to the appropriation for maintenance and operation of dams and improvements on navigable waters. It was further held that payments from benefits attributable to reclamation projects should be credited to the reclamation fund. Assistance was proffered to help the several agencies involved in developing procedures for the distribution of the collections.⁴⁴

During fiscal year 1966, at the request of the Secretary of the Navy, the strict interpretation of the claim release provision in military record correction cases⁴⁵ was reexamined. The case involved an additional payment which was found due a military member who had his record corrected but who was not paid as much as was due because of an administrative error in computation. It was concluded that the release clause did not preclude correction of such undisputed errors and prior decisions inconsistent therewith were overruled.⁴⁶

A decision illustrating the resolution of a controversy between two agencies was one concerning whether the Office of Emergency Planning or the Office of Education would pay the cost of repair of school facilities damaged as result of a major disaster. Since the legislative history of Public Law 89-313, approved November 1, 1965,⁴⁷ did not indicate any Congressional intent that the Office of Education assume responsibility for assistance to school districts prior to the enactment date, reimbursement to the Office of

⁴¹ B-157957, February 16, 1966.

⁴² B-152247, December 13, 1965.

⁴³ 1 Comp. Gen. 49 (1921).

⁴⁴ B-156498, May 24, 1966.

⁴⁵ 10 U.S.C. 1552.

⁴⁶ 45 Comp. Gen. 140, B-157183, September 15, 1965.

⁴⁷ 79 Stat. 1158.

Emergency Planning for assistance in temporary school construction was not authorized.⁴⁸

PERSONNEL MATTERS

Much of the legal assistance rendered to departments and agencies each year is in the field of civilian and military personnel. For example, a case of first impression involved an employee of the Department of Housing and Urban Affairs who had received more salary in a demoted grade than was due as back pay upon a determination that the demotion was erroneous. The employee was permitted to retain the excess compensation on the basis of application to demotion situations of the Congressional intent expressed in the Back Pay Act of 1912, as amended,⁴⁹ to interim net earnings.⁵⁰

The new severance pay authorized for the first time for civilian employees⁵¹ was the subject of interpretations requested by certifying officers for the Bonneville Power Administration and the Subversive Activities Control Board.⁵² Similarly, the Postmaster General requested assistance in applying the newly enacted overtime provisions in the 1965 pay act⁵³ to some 13 different factual situations that presented problems to the Department.⁵⁴

Extending the reasoning of a 1947 decision, the Director of the Administrative Office of the U.S. Courts was advised that Government employees serving on juries in Federal courts on holidays were entitled to retain the jury fees for such holiday service, the same as permitted in State courts.⁵⁵ The extension of this fee retention authority necessitated overruling a 1950 decision prohibiting D.C. school teachers serving on Federal juries during vacation periods from retaining the jury fees.

At the request of the Department of the Air Force, an administrative regulation concerning the observance of Saturday holidays and the allowance of holiday compensation for employees with workweeks including Saturdays was examined and found inconsistent with the legislative authority for holidays.⁵⁶ The Department was advised that the regulation authorizing days in lieu of the holiday in such circumstances should be revised.⁵⁷

Similarly a determination of the highest salary rate in cases involving the conversion of wage rate employees in Alaska to Classification Act positions pinpointed problems of interpretation of the administrative regulations and

⁴⁸ B-158788, June 30, 1966.

⁴⁹ 5 U.S.C. 652.

⁵⁰ 45 Comp. Gen. 16, B-50602, July 6, 1965.

⁵¹ Section 9 of the Federal Employees Salary Act of 1965, Public Law 89-301, approved October 29, 1965, 79 Stat. 1111, 1118.

⁵² B-159045, May 19, 1966; B-158669, June 13, 1966.

⁵³ Section 5(b), footnote 52 *supra*.

⁵⁴ B-157963, November 17, 1965.

⁵⁵ B-70371, November 16, 1965.

⁵⁶ Public Law 86-362, 73 Stat. 643, 5 U.S.C. 87c.

⁵⁷ 45 Comp. Gen. 76, B-156989, August 12, 1965.

our decisions. The Department of the Interior was permitted to take prospective corrective action so that recovery of the salary overpayments was not required. Suggestions were made as to amended regulations.⁵⁸

Decisions applicable to civilian and military personnel involve many specialized fields of law. Each year some decisions concern the legal field of domestic relations as a result of conflicting court decisions.

In 1965, the Department of State presented numerous legal questions that had arisen with regard to the effect of divorce actions on the payment of annuities under the Foreign Service Act of 1946.⁵⁹

Following recognition of a Mexican divorce by the Court of Appeals of New York⁶⁰ an Army finance officer requested an advance decision as to whether the court ruling supported the recognition of similar Mexican divorces by servicemen. In the case submitted, an Army officer who had obtained such a Mexican divorce requested review of his indebtedness for allowances paid on behalf of his dependent wife whom he married after the Mexican divorce. Because of the doubt as to whether the State in which the Army officer's second marriage was performed would recognize the Mexican divorce the New York Court decision was determined to be inapplicable.⁶¹

In view of the uncertainty as to whether a minor child of a retired incompetent Army nurse could be considered a dependent in the absence of any expenditures for the child's support, an Army finance officer submitted the case for decision. The definition of dependent as used in the veterans laws⁶² was applied to the case. It was held that the general presumption of dependency flows from the parent-child relationship so that full retirement pay on the basis of an officer with a child was properly for payment.⁶³

Applying a New Jersey Supreme Court definition of "household" in a Workmen's Compensation case⁶⁴ to a case involving conflicting claims for a death gratuity on account of a deceased airman, a settlement was authorized on behalf of the deceased military member's three minor stepchildren.⁶⁵

The employment of two retired officers of the uniformed services by non-appropriated fund activities under the jurisdiction of the Armed Forces was the subject of decisions to the Marine Corps and the Air Force involving interpretations of the Dual Compensation Act of 1964.⁶⁶

In the decision to the Marine Corps, it was held that the Marine Corps Association which publishes "The Marine Corps Gazette" was a nonap-

⁵⁸ 45 Comp. Gen. 88, B-154096, August 25, 1965.

⁵⁹ 22 U.S.C. 1061, *et seq.*; 45 Comp. Gen. 94, B-146090, August 30, 1965.

⁶⁰ *Rosenstiel v. Rosenstiel*, 253 N.Y.S. 2d 86, decided July 9, 1965.

⁶¹ B-157498, October 27, 1965.

⁶² 38 U.S.C. 101(4); *id.* 3203(a)(1).

⁶³ B-158409, March 16, 1966.

⁶⁴ *Fay v. John Waldrom Corp.*, 187 A. 140.

⁶⁵ B-158031, January 18, 1966.

⁶⁶ Public Law 88-448, 78 Stat. 484.

propriated fund activity so as to subject a retired officer serving as its business manager to the Dual Compensation Act.⁶⁷

The applicability of the election provisions of the Dual Compensation Act was involved in a decision to the Air Force. In this case a retired Air Force member's status was affected when the Officers' Open Mess where he was employed was changed from a nonappropriated fund activity to an appropriated fund operation.⁶⁸

The status of retired Army officers employed as civilian physicians on a fee basis at Armed Forces Examining stations was the subject of a decision to the Secretary of the Army.⁶⁹

The Chairman of the Civil Service Commission presented multiple questions concerning the application of the Whitten Amendment⁷⁰ to the promotion of retired officers appointed to civilian positions before the Dual Compensation Act of 1964. In addition to the conclusion that the appointments were illegal, the Commission was advised that the legislation authorizing relief from repayment would not automatically make the service creditable for step increases for Whitten Amendment purposes unless it specifically validated the illegal appointments.⁷¹

In a report to the Department of Justice on the effect of a Court of Claims opinion⁷² involving military retired pay, we pointed out that the decision if allowed to stand would have a very considerable impact on a large number of retired and former retired members. The gist of the opinion was tantamount to the court supplying by judicial interpretation what it felt the Congress should have enacted, notwithstanding the clear, unambiguous terms of the law.⁷³

Examples of assistance rendered to military departments concerning the legality of proposed amendments to the Joint Travel Regulations include amendments (1) to permit military officers in certain grades to elect whether or not to occupy Government quarters while on temporary duty similar to civilian employees⁷⁴ (2) to provide for shipment of personal effects of members transferred to and from vessels⁷⁵ (3) to provide similar local bus and street car costs at permanent and temporary duty stations as are provided for civilian employees⁷⁶ and (4) to provide for the return of privately-owned motor vehicles which have been shipped to a port when the member's orders are subsequently amended or revoked.⁷⁷

⁶⁷ B-157727, November 24, 1965.

⁶⁸ 45 Comp. Gen. 194, B-157200, October 25, 1965.

⁶⁹ 45 Comp. Gen. 81, B-157457, August 19, 1965.

⁷⁰ Sec. 1310, Supplemental Appropriation Act, 1952.

⁷¹ B-157983, December 13, 1965.

⁷² *Willis D. Friestedt v. U.S.*, Ct. Cl. No. 237-62.

⁷³ 10 U.S.C. 1372; B-149487, December 1, 1965.

⁷⁴ B-158321, February 15, 1966.

⁷⁵ B-158218, February 7, 1966.

⁷⁶ 45 Comp. Gen. 30, B-156548, July 9, 1965.

⁷⁷ B-156892, March 4, 1966.

TRANSPORTATION

The decisions and litigation reports handled by the attorneys assigned to the transportation cases involve many technical matters relating to the interpretation of tariffs and rate tenders, computation of charges for air, motor, rail and ocean common carrier services, and to proceedings before regulatory agencies and the courts.

A noteworthy transportation decision rendered in fiscal year 1966 involved the question of whether newly established Government agencies could avail themselves of the rate tenders issued by rail and motor carriers under section 22 of the Interstate Commerce Act.⁷⁸ In the decision which was requested by the National Aeronautics and Space Administration it was held that rate tenders are specifically applicable to the agency to which the tender is offered and accepted and cannot be used by another agency.⁷⁹

The propriety of the use of tenders offered by the Alaska Steamship Company for the transportation of privately-owned automobiles of military personnel between Seattle, Washington, and Alaska was the subject of another transportation decision issued in fiscal year 1966. The tenders offered a combination of water-rail service which under the authorizing statute limits transportation to water carrier services.⁸⁰

The ruling of the 5th Circuit Court of Appeals in favor of the Government in the *Bloomfield* case⁸¹ paved the way for the recovery of several hundred thousand dollars of transportation overcharges. The overcharges occurred in ocean transportation of Government financed grain shipments to Western Germany.⁸²

Another significant transportation case in which we actively participated was the *Von Der Ahe* case decided in favor of the Government on April 15, 1966.⁸³ This suit brought by a motor carrier to recover undercharges concerned the applicability of the three-year statute of limitations to an action by a motor carrier of household goods from interior U.S. points to Germany. The court in ruling in favor of the Government agreed with our contentions that the statute of limitations was applicable and that the claims were barred by it.⁸⁴

ACCESS TO RECORDS

Since 1951 when legislation was first enacted giving the General Accounting Office access to the books and records of Government contractors and

⁷⁸ 49 U.S.C. 22; *id.* 317(b).

⁷⁹ 45 Comp. Gen. 118, B-116961, September 13, 1965.

⁸⁰ B-158097, March 25, 1966.

⁸¹ *U.S. v. Bloomfield Steamship Co.*, CCA No. 21793, decided April 29, 1966.

⁸² B-142823.

⁸³ *Von Der Ahe Van Lines, Inc., v. U.S.*, Ct. Cl. No. 139-64, decided April 15, 1966.

⁸⁴ B-151883.

subcontractors performing under negotiated contracts⁵⁵ there have been only a few cases in which our authority has been challenged. Therefore, it was most significant that a ruling in favor of the Government in the first test case of our access to records authority was rendered on June 23, 1966. This case which was brought against the Hewlett-Packard Company of Palo Alto, California, in the United States District Court for the Northern District of California involved the access to records authority under 10 U.S.C. 2313(b) and was developed jointly by the Department of Justice and the General Accounting Office. The issue in this case related primarily to the meaning of the words "directly pertinent to" in the statute. While it is anticipated that the ruling will be appealed, acceptance of the Government's position by the District Court has a considerable salutary impact.

It should be noted that during 1966, more legislation incorporating provisions for GAO to have access to records of recipients of Federal assistance in the form of grants or loans was enacted than in any one prior year.

RESEARCH SERVICES

Departments and agencies are kept abreast 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 our 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.

⁵⁵ Public Law 82-245, approved October 31, 1951, 65 Stat. 700.

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Recruiting, Staff Development, and Personnel Management Program

RECRUITING, TRAINING, AND STAFF DEVELOPMENT

To carry out the duties placed upon us by the Congress, we require a highly qualified staff of professional accountants, auditors, and investigators. We are continuously seeking the better graduates from the colleges and universities which have a high educational standard in the field of accounting. In addition, we have programs to increase the professional talents of the individual members of the staff and the professional skills of the staff as a whole.

We continued to use the services of leading educators from some of our foremost universities to assist us in formulating a program to obtain and develop an outstanding staff of professional accountants, auditors, and investigators. 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 making plans to encourage 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:

Prof. Raymond C. Dein, Department of Business Organization and Management,
College of Business Administration, The University of Nebraska.

Dean Charles E. Johnson, College of Liberal Arts, University of Oregon.

Dean Frank S. Kaulback, Jr., McIntire School of Commerce, University of Virginia.

Dean James R. McCoy, College of Commerce and Administration, The Ohio State University.

Prof. Herbert E. Miller, Department of Accounting and Financial Administration, Graduate School of Business Administration, Michigan State University.

Prof. Gerald K. Nelson, College of Business Administration, The Pennsylvania State University.

Mr. Alfred M. Pelham, Assistant Vice President for Finance, Wayne State University, Detroit, Mich.

Prof. Williard E. Stone, College of Business Administration, University of Florida.

Prof. Herbert F. Taggart, School of Business Administration, University of Michigan.

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.

A total of 264 high-quality students, with accounting as their major field of study, with degrees from 169 colleges and universities—located in 42 States and the District of Columbia—started their professional careers with us during the last fiscal year. Also, 80 staff members who were appointed in prior years and had been separated for military service returned from the service, and 2 of 19 who had separated during the year returned from the service and rejoined our staff. For detailed information concerning military separations and reappointments, see page 278.

In addition, during the fiscal year we continued the recruiting of a limited number of attorneys for our Office of the General Counsel in order to replace those attorneys separated from the Office as a result of retirements and transfers.

We continued our association with college and university faculty members and steps were taken to increase our participation in 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. One hundred and three faculty members and placement officers from colleges and universities throughout the country attended these sessions during the year.

Recruiting—Technical Staff

During the fiscal year, we replenished our technical staff of freight transportation specialists from various sources. We hired 5 trainees from the roster of the Federal Service Entrance Examination. Two of these trainees entered the military service during the year. Sixteen freight transportation specialists were recruited from other Government agencies, including 11 technicians from the Military Traffic Management and Terminal Service Regional Office at Pittsburgh, Pennsylvania, which was closed during the year. In addition, 10 passenger technicians were transferred to our freight audit branch for retraining as freight technicians and later assignments to freight audit work.

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

the General Accounting Office designed to meet the varied needs of the staff members at each level of responsibility. Where training can better be given outside the General Accounting Office, we have utilized those facilities.

The following tabulation shows the various programs given within the General Accounting Office and the courses attended by staff members in nongovernment facilities during the fiscal year 1966.

Training Given Through General Accounting Office Facilities

Number of times given	Name of training program	Length of program	Total number attending programs
8	GS-7.....	16 days.....	309
4	Intermediate (Washington).....	10 days.....	157
5	Basic computer systems principles-programmed instruction course—Washington: Number currently taking course—356 Number completing course (including 2-day workshop).....	Approximately 2 months.....	63
15	Basic computer systems principles-programmed instruction course—regional offices: Number currently taking course—423 Number completing course (including 2-day workshop).....	Approximately 2 months.....	213
1	Advanced accounting and auditing study, Washington. Advanced accounting and auditing study, regional offices:	18 weeks.....	56
1	Boston.....	17 weeks.....	23
1	Chicago.....	18 weeks.....	27
1	Cincinnati.....	17 weeks.....	30
1	New Orleans.....	17 weeks.....	25
1	Seattle (Portland).....	18 weeks.....	24
1	Advanced seminar (regional office).....	2 days.....	30
5	Advanced seminar (Washington).....	2 days.....	153
1	Advanced seminar (European branch).....	3 days.....	36
	Financial management review training-development seminars:		
1	Washington.....	1 day.....	5
2	Washington.....	2 days.....	19
2	Regional offices.....	2 days.....	34
			1,204

Training Given Through Agency or Non-Government Facilities

Number of courses	Name of course	Length of course	Total number attending courses
23	Automatic data processing.....	Various.....	85
5	Other miscellaneous courses.....	Various.....	12
2	Statistical sampling.....	16 weeks.....	10
1	Management systems course—planning, programming, and budgeting systems.	1 month.....	1
12	CSC course—planning, programming, and budgeting.	2 days.....	19
2	Advanced management program.....	13 weeks.....	2
2	Program for management development.	16 weeks.....	4
1	Executive development program.....	4 weeks.....	2
1	Executive development program.....	8 weeks.....	1
			136

A brief description of the objectives of these programs follows:

1. *GS-7 Training Program.*—The three phases of this program are: (1) 5 days of basic orientation given in part immediately upon entering on duty, and the remainder during the employee's first 60 days with the Office, (2) a 5-day classroom course given 2 to 4 months after entering on duty, and (3) six 1-day training sessions during the employee's first year with the Office, devoted to selected subject areas which particularly meet the needs of the regional office or operating division giving the seminar.

The objective of this program is introductory training—to orient new employees to the organization, functions, rules, policies, and procedures of the General Accounting Office and to the fiscal, legal, accounting, and management processes of the Federal Government. This training is intended to bridge the gap between accounting education obtained in the colleges and the more specific 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 specifically covers the following: Complex audit situations stressing judgment factors and problem-solving techniques, supervisory techniques as they apply to the work performed and the techniques and phases of carrying out comprehensive audit work.

3. *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.

4. *Automatic Data Processing Training Program.*—The objective of this program 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 including a two-day workshop—has been developed by a machine manufacturer. The training in the area of audit responsibilities and techniques is given by the Office.

5. *Financial Management Training.*—This program is primarily designed to prepare staff members to accomplish the responsibilities of the Office in the financial management area.

6. *Training Outside of GAO.*—In those cases where it was not feasible to train staff members in highly technical subject areas within the General Accounting Office because of the limited number of staff members needing this type training, it was necessary to provide them with training outside of the General Accounting Office. The objectives of these programs vary with the subject areas of training. Usually, however, they deal with specialization in a certain area.

During the year nine members of our staff took part in either Advanced Management or Executive Development programs conducted by Harvard University, Graduate School of Business Administration; University of Michigan, Graduate School of Business Administration; and Stanford University, Graduate School of Business. Seven of the participants occupied top or senior management positions in our regional offices and two occupied similar positions on our Washington staff.

In addition 85 members of our staff attended, at various times, brief study courses provided by manufacturers on automatic data processing systems and methods, 3 members of our staff enrolled in university courses, 9 staff members attended a symposium, 19 staff members attended the Civil Service Commission's program on orientation in planning, programming and budgeting, 1 staff member attended a management systems course and 10 other staff members attended a course on statistical sampling.

Training—Technical Staff

During the year two officials of the Transportation Division attended the Conference for Federal Management and Program Executives conducted by the Brookings Institution. In addition, five employees attended courses in Basic Computer Systems Programmed Instruction conducted by the IBM Education Center.

PERSONNEL

Professional Development

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.

Many States recognize the professional nature of our work and accept General Accounting Office experience as meeting their eligibility standards required for the CPA certificate. Many of our professional staff have obtained their CPA certificates on the basis of General Accounting Office experience. Fifty-two members of our staff passed the CPA examination given by State boards during the fiscal year. During this same period, 28 staff members received their CPA certificates based upon passing the examination during the present or prior years and completing their experience requirements and one staff member who held a CPA certificate rejoined our staff during the year. Three hundred and ninety-nine members of our staff are holders of the CPA certificate and 70 others who have passed the required examination will receive their certificates upon completion of their experience requirement.

Not all States accept General Accounting Office experience as qualifying experience. Recognition of our experience by the remaining States would end the inconsistency now existing. Currently, members of our 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 working closely with State boards of accountancy and committees of professional organizations to bring to their attention the professional quality of our work so that the General Accounting Office experience will be recognized as qualifying for the CPA certificate in all States. The trend toward increased recognition of our experience has been encouraging.

PERSONNEL MANAGEMENT PROGRAM

During the fiscal year 1966, we continued to review our personnel policies, practices and procedures in order to improve them and to keep them current with new developments. Particular emphasis was placed on communications with our employees and supervisors. To this end three manuals were issued or revised: (1) the "Equal Employment Opportunity Manual" (Personnel Manual, Part 5) which sets forth our regulations and establishes a program for the General Accounting Office to provide equal opportunity to all within the Office; (2) the "Within-Grade Salary Increases Manual" (Personnel Manual, Part 8) which establishes and promulgates revised and updated policies and procedures for granting or withholding within-grade salary increases and for obtaining an administrative reconsideration of a

determination that an employee's work is not of an acceptable level of competence; and (3) the "Employee Responsibilities and Conduct Manual" (Personnel Manual, Part 9) which sets forth our guidelines governing the ethics, conduct, and responsibilities of our officers and employees. Additionally, we updated our personnel security program by revising the applicable Comptroller General's orders.

The Division of Personnel cooperated with the other divisions and offices by rendering assistance and advice on employee development and offered orientation training to all new employees and secretarial training as required. In the many areas where formal training was provided General Accounting Office employees through the use of both Government and non-Government facilities, the Division of Personnel participated by offering counsel on the courses and programs; making arrangements for enrolling our employees; obtaining service-continuation agreements with employees when necessary; and preparing necessary reports. We participated in the summer employment program for typists and stenographers and also in the President's Youth Opportunity Program. Through these programs we recruited and placed a number of young people.

Through the facilities of the Public Health Service, screening tests for diabetes were made available to employees of the Office; immunizations against influenza were administered to interested employees; and 222 employees were provided with physical examinations under our Health Maintenance Program. In cooperation with the American Red Cross, the services of their bloodmobile were made available on two occasions during the fiscal year and approximately 200 employees donated blood.

Approximately 400 full field investigation reports were evaluated in order to issue appropriate security clearance to employees whose official duties were classified as sensitive. A program was initiated whereby all employees whose security clearances were granted more than five years ago would be brought up to date.

Classification work proceeded with dispatch—surveys were conducted, desk audits were made, and positions established as required. We cooperated with the Civil Service Commission in the development of new or revised position classification standards through analysis of drafts of proposed standards and tests of these standards on existing positions in the Office. We made appropriate position classification reviews of positions in the Office as required by section 1310(d) of the act of November 1, 1951, chapter 664, 65 Stat. 758, and reported the action we had taken to the appropriate committees of Congress. Several special reports were prepared as requested by the Civil Service Commission in connection with personnel and related activities during the year.

PERSONNEL

During the year we gave added emphasis to our Incentive Awards Program and recognized by appropriate awards many of our employees for their superior performance. The annual career service awards ceremony was reactivated and plans are actively under consideration to provide further recognition to our employees for faithful and competent service far beyond that normally expected.

APPENDIX



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Appendix

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. Provisions of the major statutes assigning authority and responsibility to the Comptroller General and the General Accounting Office are included in this appendix beginning on page 136.

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, excepting as otherwise exempt by law.

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, when feasible; 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

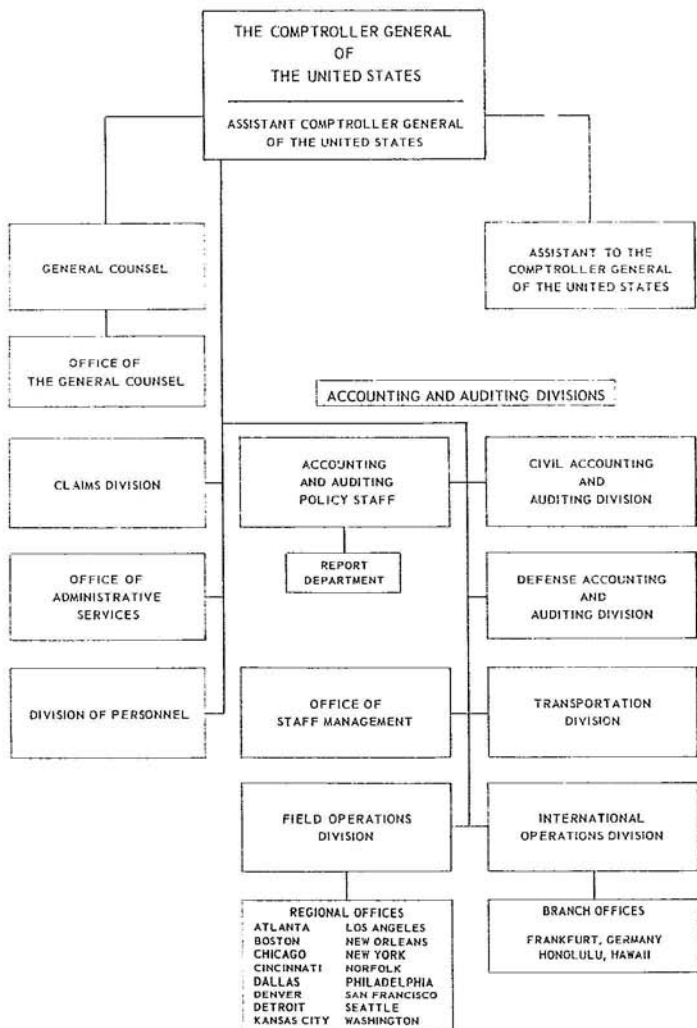
The General Accounting Office is organized into the following divisions and offices. The directors of these organizations are directly responsible to the Comptroller General for carrying out the functions assigned.

- Accounting and auditing functions:
 - Accounting and Auditing Policy Staff
 - Civil Accounting and Auditing Division
 - Defense Accounting and Auditing Division
 - International Operations Division
 - Field Operations Division
 - Transportation Division
 - Office of Staff Management
- Legal work:
 - Office of the General Counsel
- Claims adjudication and settlement:
 - Claims Division
- Personnel and administrative functions:
 - Division of Personnel
 - Office of Administrative Services

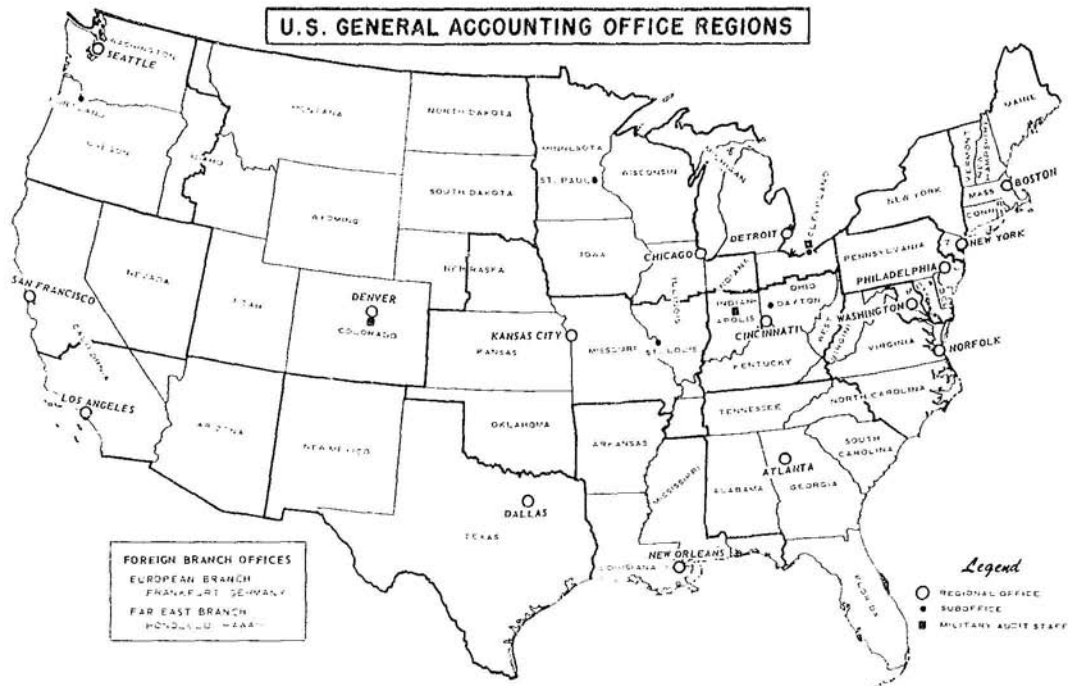
In addition to the headquarters office in Washington, D.C., 44 regional and sub-regional offices of the Field Operations Divisions are maintained in cities throughout the United States. The International Operations Division has branch offices in Frankfurt, Germany, and Honolulu, Hawaii.

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



U.S. GENERAL ACCOUNTING OFFICE REGIONS



POLICIES FOR CARRYING OUT ACCOUNTING RESPONSIBILITIES OF THE GENERAL ACCOUNTING OFFICE

COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

JUNE 3, 1966.

MEMORANDUM FOR HEADS OF DIVISIONS AND OFFICES

SUBJECT: Strengthening of GAO efforts in accounting and other financial management improvement work.

Since assuming the office of Comptroller General of the United States, I have devoted considerable time to exploring how we can effectively devote more effort to constructively assisting the Federal agencies to further improve their financial management systems. I am particularly concerned that less than a third of the accounting systems of the civil departments and agencies have been developed to the point where they can be approved by our Office and that, in the Department of Defense, only the Corps of Engineers (civil functions) has an approved accounting system.

I know that many important improvements in financial management systems and procedures have been made in the Government that are not reflected in statistics on the number of approved accounting systems. At the same time, I think it is incumbent on our Office to stimulate further progress and to provide more direct assistance to the agencies that need help in carrying out their improvement efforts. The purpose of this statement is to set forth my views on what I think can and should be done.

OUR BASIC ACCOUNTING RESPONSIBILITIES

Our Office has several important responsibilities relating to accounting in the Federal Government. These were assigned in the Budget and Accounting Procedures Act of 1950 and are as follows:

"The Comptroller General of the United States * * * shall prescribe the principles, standards, and related requirements for accounting to be observed by each executive agency * * *" (From section 112(a)).

"The General Accounting Office shall cooperate with the executive agencies in the development of their accounting systems * * *" (From section 112(b)).

"Such accounting systems shall be approved by the Comptroller General when deemed by him to be adequate and in conformity with the principles, standards, and related requirements prescribed by him." (From section 112(b)).

"The General Accounting Office shall from time to time review the accounting systems of the executive agencies * * *" (From section 112(c)).

"The Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget [shall] conduct a continuous program for the improvement of accounting and financial reporting in the Government." (From section 111(f)).

RECENT CONGRESSIONAL INTEREST

Two years ago, the Executive and Legislative Reorganization Subcommittee of the House Government Operations Committee became very interested in the results attained under the Budget and Accounting Procedures Act of 1950. Their interest was stimulated by the Comptroller General's letter of May 19, 1964, which focused attention on the lagging progress in developing agency accounting systems to the point where they could be approved by our Office.

In 1964, the committee held hearings for the purpose of obtaining information about the lack of progress under the act and why so few agencies had approved

accounting systems. Based on these hearings, the committee issued a report in March 1965 containing recommendations for increased action by the General Accounting Office, the Bureau of the Budget, the Civil Service Commission, and the agencies themselves.

The committee specifically recommended that our Office vigorously and expeditiously implement our announced plan to intensify our review of agency accounting systems and make reports on such reviews to the Congress. The committee also recommended that we undertake to assist and encourage the agencies, through personal efforts of our staff, to expedite the development of their accounting systems to the degree necessary to obtain approval.

The committee's interest is continuing and it is planning to hold further hearings this year to obtain information on recent progress.

OTHER RECENT DEVELOPMENTS

Last year, the President directed the introduction of integrated planning-programming-budgeting in the major agencies of the executive branch. One of the important ingredients of this system is good accounting-based cost data. It is apparent that many agencies do not, at this time, have accounting systems that will produce such data. It appears that much development work in this area needs to be done. Accordingly, I look upon the extension of the PPB system as a development providing even greater emphasis on the importance of good accounting systems which can produce useful financial data for important management needs.

Recently, I met with the Secretary of the Treasury and the Director of the Bureau of the Budget to discuss ways and means of reinvigorating the Joint Financial Management Improvement Program. As noted above, these officials are directed by law to conduct a continuous program for improving accounting and financial reporting in the Government.

The Chairman of the Civil Service Commission also participated in this meeting because of growing concern with the critical problems of recruiting, classifying, and training of people engaged in accounting and other financial management work and the need to enlist more direct participation by the Commission in the Joint Program to help solve these problems.

At our meeting, we agreed that the heads of the central agencies should provide more vigorous leadership for Government-wide improvements in financial management. We also agreed that the direct support of the President himself would provide a most important stimulus to all agencies.

On May 24, 1966, the President released a written statement signifying his endorsement of the Joint Program. I consider this statement of great importance to renewing the vigor with which the Joint Program can be carried on in the future.

POLICIES FOR CARRYING OUT OUR ACCOUNTING RESPONSIBILITIES

The foregoing developments further emphasize the need for us in the General Accounting Office to strengthen our efforts in improving financial management in the Federal Government. My views on the importance of this work and how we should carry it out are summarized below.

1. *The satisfactory discharge of our accounting responsibilities is just as important as the discharge of any of our other assigned responsibilities.*

One of the underlying concepts of our present organizational structure is that our accounting and auditing responsibilities with respect to each department and agency can effectively be carried out on a coordinated and integrated basis. This concept means that neither of these broad areas of responsibility should be neglected; however, greater emphasis must be given to financial management improvement efforts and cooperating in the development of agency accounting systems.

Our responsibility to *cooperate* with the executive agencies in developing their accounting systems is as important as our prescribing, reviewing, and approving responsibilities.

Under the law, the head of each executive agency is responsible for establishing and maintaining adequate accounting systems. I do not conceive that our purpose in lending cooperative assistance is to replace agency staffs in the design, development, and revision of their systems for which they are primarily responsible. We should not write their manuals or procedural instructions for them.

My concept as to what we should do in carrying out our cooperative responsibility envisions that:

- a. We develop a continuing day-to-day working relationship with agency officials and staffs to facilitate our cooperative systems development efforts.
- b. We be currently well informed on what improvement efforts each agency is making.
- c. We identify for the agency head, or his designated official, the specific areas in which we believe improvements need to be made.
- d. We work closely enough with agency officials and their staffs to enable us to reach a common understanding of the concepts of the accounting system to be developed.
- e. We provide technical assistance and guidance as needed in the design and development of agency accounting systems and furnish advice on obtaining professional consulting assistance where necessary to initiate or expedite systems development work.
- f. We be available at all times to encourage improvement efforts and to help resolve problems.
- g. We effectively communicate with the agency officials on problems being encountered as they are identified and work with the agency staffs on a continuing basis on their solutions.
- h. We advise agency officials on any lack of professional competence to develop and maintain suitable accounting systems and any need of additional staff training as determined through our observations and experience gained in working with the staffs of the agencies.

Our approval of an 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 conforms in all material aspects with our prescribed principles and standards.

Because our principles and standards provide a common basis for all Federal agency accounting systems and are flexible in allowing for deviations when warranted by circumstances, our staff members must be well informed in these principles and standards and be able to advise on their application to specific instances. It is emphasized that this will require the exercise of professional judgment in weighing materiality and usefulness. In the light of the foregoing, we should work with the agencies in the development stage so that systems submitted can be approved.

Because of the attitude of some Government managers that there is no advantage to them in conforming to our principles and standards, we must exert every effort to try to demonstrate the benefits to be derived by having soundly based data. Case illustrations should be developed demonstrating either the uneconomical or other adverse results arising from decisions based on lack of financial information or on misinformation or the benefits to management resulting from having good data. We believe that a manager can do a better job and do it much easier if he has current and reliable accounting or cost data to assist him in making decisions.

The success of our efforts will depend on our ability to convince the managers themselves that this is so.

After an agency's accounting system is approved, we have the continuing job of providing consulting assistance on further refinements and of reviewing approved systems from time to time to evaluate their continued usefulness.

2. Each staff member assigned to work in the accounting area should carry out his assignment with the same degree of diligence and devotion as is brought to any other type of work.

I view our accounting work as being directed primarily to assisting agencies in the solution of their accounting and related financial management problems. Accordingly, every staff member engaged in this work should carry out his assignment in a spirit of constructive cooperation and helpfulness. Every member of our professional staff should approach every assignment with a wholehearted willingness to put forth his best effort regardless of the nature of the work. At the same time, in making assignments, division directors should give specific consideration to the capabilities and interests of individual staff members so that the level of our overall performance will be as high as possible.

Meritorious performance should be recognized on exactly the same basis as for similar performance in any other area of our work. Likewise, inferior performance should be judged accordingly. Members of the directorate group and supervisors in each operating division should appraise staff performance impartially, regardless of the character of assignment.

3. The directors of the accounting and auditing divisions are responsible for fully discharging all of their assigned duties and functions with equal emphasis on all, including our accounting work.

The division directors should see that clear assignments of responsibility are made within their divisions as to the individuals responsible for cooperating with and assisting agencies in their accounting development work. Individual staff members or groups as may be appropriate should be assigned on a full-time basis to cooperate with each agency and to expedite the review and approval of accounting systems which have been developed to the point of requesting our approval. It is recognized that one individual may be assigned to work in more than one agency. Assignments should be made on a basis consistent with maintaining continuity of effort in the agencies.

Each division director should provide himself with such follow-up procedures as he deems necessary to assure himself that proper and effective steps are being taken within each agency to carry out our accounting responsibilities. In addition, I would like to have from each operating division director a quarterly report which discloses the extent and results of effort being devoted to at least the following:

- a. Reviews of accounting systems.
- b. Cooperative development work.
- c. Reviews of agency budget practices.
- d. Reviews of agency audit activities.

4. The Accounting and Auditing Policy Staff will provide overall guidance, policy direction, and follow-up for our accounting work.

I view the Policy Staff as being the focal point within the Office for providing guidance and assistance to the operating divisions. I plan to enlarge the Policy Staff so that it may devote more attention to this important aspect of its responsibilities. The Director of the Accounting and Auditing Policy Staff will, from time to time, issue appropriate policy and procedural statements relating to carrying out our accounting responsibilities. He will also work closely with the Director, Office of Staff Management, in the development of staff training programs on accounting and other aspects of financial management. I expect the Policy Staff to maintain close contact with the accounting development work of the accounting and auditing divisions. The Director, Accounting and Auditing Policy Staff, will periodically review staffing plans of the operating divisions to determine whether our cooperative responsibilities are

being adequately discharged and will submit to me recommendations for improvement or increased efforts in this area.

5. *Each division director should give full support to the activities of the Steering Committee of the Joint Financial Management Improvement Program.*

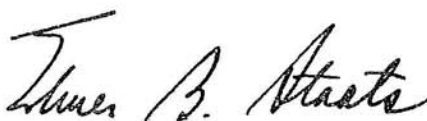
The Joint Program is an important means by which improvements in Federal accounting and other phases of financial management can be stimulated. The Steering Committee is the operating group of the Program but it cannot do its job without resources. The Bureau of the Budget and the Treasury Department are expected to do their part but the General Accounting Office because of its large role otherwise must bear a substantial share of the burden of carrying on the day-to-day work of the Program. In the future, the Steering Committee will undoubtedly be increasing its efforts and will need staff assistance. The division directors should cooperate in these efforts by supplying competent staff as needed to work on specific projects being sponsored by the Steering Committee.

6. *The Office of Staff Management will provide training programs determined to be necessary to better equip our staff to carry out our accounting responsibilities.*

Our staff is composed of professional accountants and auditors who are presumed to be conversant with our prescribed principles and standards of accounting to be observed by the Federal agencies and knowledgeable in their application in specific circumstances. However, there is need for more systematic training in this subject. The Office of Staff Management should work closely with the Accounting and Auditing Policy Staff and assigned personnel of the operating divisions to develop and present special courses in accounting and financial management and to keep currently informed of the need for additional training in this area.

I am confident that under the guidelines I have set out above, we can proceed to carry out our objective of fully discharging the legally imposed responsibility for improving accounting in the Federal Government.

A copy of this memorandum will be distributed to all holders of the Comprehensive Audit Manual.



Comptroller General
of the United States.

SELECTED PROVISIONS OF MAJOR STATUTES ASSIGNING AUTHORITY AND RESPONSIBILITY TO THE COMPTROLLER GENERAL AND THE GENERAL ACCOUNTING OFFICE

Budget and Accounting Act, 1921

Section 304. "The balances certified by the Comptroller General shall be final and conclusive upon the executive branch of the Government." (42 Stat. 24; 31 U.S.C. 44)

Section 305. "All claims and demands whatever by the Government of the United States or against it, and all accounts whatever in which the Government of the United States is concerned, either as debtor or creditor, shall be settled and adjusted in the General Accounting Office." (42 Stat. 24; 31 U.S.C. 71)

Section 312. "(a) The Comptroller General shall investigate at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President when requested by him, and to Congress at the beginning of each regular session, a report in writing of the work of the General Accounting Office, containing recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular report, or in special reports at any time when Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures.

"(b) He shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request.

"(c) The Comptroller General shall specially report to Congress every expenditure or contract made by any department or establishment in any year in violation of law.

"(d) He shall submit to Congress reports upon the adequacy and effectiveness of the administrative examination of accounts and claims in the respective departments and establishments and upon the adequacy and effectiveness of departmental inspection of the offices and accounts of fiscal officers.

"(e) He shall furnish such information relating to expenditures and accounting to the Bureau of the Budget as it may request from time to time." (42 Stat. 25; 31 U.S.C. 53)

Section 313. "All departments and establishments shall furnish to the Comptroller General such information regarding the powers, duties, activities, organization, financial transactions, and methods of business of their respective offices as he may from time to time require of them; and the Comptroller General, or any of his assistants or employees, when duly authorized by him, shall, for the purpose of securing such information, have access to and the right to examine any books, documents, papers, or records of any such department or establishment. The authority contained in this section shall not be applicable to expenditures made under the provisions of section 107 of this title." (42 Stat. 26; 31 U.S.C. 54)

Budget and Accounting Procedures Act of 1950

Section 112. "(a) The Comptroller General of the United States, after consulting the Secretary of the Treasury and the Director of the Bureau of the Budget concerning their accounting, financial reporting, and budgetary needs, and considering the needs

of the other executive agencies, shall prescribe the principles, standards, and related requirements for accounting to be observed by each executive agency, including requirements for suitable integration between the accounting processes of each executive agency and the accounting of the Treasury Department. Requirements prescribed by the Comptroller General shall be designed to permit the executive agencies to carry out their responsibilities under section 66a of this title, while providing a basis for integrated accounting for the Government, full disclosure of the results of the financial operations of each executive agency and the Government as a whole, and financial information and control necessary to enable the Congress and the President to discharge their respective responsibilities. The Comptroller General shall continue to exercise the authority vested in him by section 486 (b) of Title 40 and, to the extent he deems necessary, the authority vested in him by section 49 of this title. Any such exercise of authority shall be consistent with the provisions of this section.

"(b) The General Accounting Office shall cooperate with the executive agencies in the development of their accounting systems, including the Treasury Department, in the development and establishment of the system of central accounting and reporting required by section 66b of this title. Such accounting systems shall be approved by the Comptroller General when deemed by him to be adequate and in conformity with the principles, standards, and related requirements prescribed by him.

"(c) The General Accounting Office shall from time to time review the accounting systems of the executive agencies. The results of such reviews shall be available to the heads of the executive agencies concerned, to the Secretary of the Treasury, and to the Director of the Bureau of the Budget, and the Comptroller General shall make such reports thereon to the Congress as he deems proper." (64 Stat. 835; 31 U.S.C. 66)

Section 117. "(a) Except as otherwise specifically provided by law, the financial transactions of each executive, legislative, and judicial agency, including but not limited to the accounts of accountable officers, shall be audited by the General Accounting Office in accordance with such principles and procedures and under such rules and regulations as may be prescribed by the Comptroller General of the United States. In the determination of auditing procedures to be followed and the extent of examination of vouchers and other documents, the Comptroller General shall give due regard to generally accepted principles of auditing, including consideration of the effectiveness of accounting organizations and systems, internal audit and control and related administrative practices of the respective agencies.

"(b) Whenever the Comptroller General determines that the audit shall be conducted at the place or places where the accounts and other records of an executive agency or the Architect of the Capitol are normally kept, he may require any executive agency or the Architect of the Capitol to retain in whole or in part accounts of accountable officers, contracts, vouchers, and other documents, which are required under existing law to be submitted to the General Accounting Office, under such conditions and for such period not exceeding ten years as he may specify, unless a longer period is agreed upon with the executive agency or the Architect of the Capitol: Provided, That under agreements between the Comptroller General and legislative (other than the Architect of the Capitol) and judicial agencies the provisions of this sentence may be extended to the accounts and records of such agencies.

"(c) The Comptroller General in auditing the financial transactions of the Architect of the Capitol shall make such audits at such times as he may deem appropriate. For the purpose of conducting such audits, the provisions of section 313 of the Budget and Accounting Act (42 Stat. 26; 31 U.S.C. 54) shall be applicable to the Architect of the Capitol. The Comptroller General shall report to the President of the Senate and to the Speaker of the House of Representatives the results of each such audit. All such reports shall be printed as Senate documents." (64 Stat. 837, 78 Stat. 551; 31 U.S.C. 67)

Government Corporation Control Act (1945)

Section 105. "The financial transactions of wholly owned Government corporations shall 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: Provided, That such rules and regulations may provide for the retention at the offices of such corporations, in whole or in part, of any accounts of accountable officers, covering corporate financial transactions, which are required by existing law to be settled and adjusted in the General Accounting Office, and for the settlement and adjustment of such accounts in whole or in part upon the basis of examinations in the course of the audit provided by this section, but nothing in this proviso shall be construed as affecting the powers reserved to the Tennessee Valley Authority in the act of November 21, 1941 (55 Stat. 775). The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. The audit shall begin with the first fiscal year commencing after the enactment of this Act. The audit of the Federal Savings and Loan Insurance Corporation shall be conducted on a calendar year basis." (59 Stat. 599, 78 Stat. 698; 31 U.S.C. 850)

Section 106. "A report of each such audit for a fiscal year shall be made by the Comptroller General to the Congress not later than January 15 following the close of such fiscal year (and a report of each such audit for a calendar year shall be made by the Comptroller General to the Congress not later than July 15 following the close of such calendar year). The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of the several corporations, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. 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 of the Treasury, and to the corporation concerned at the time submitted to the Congress." (59 Stat. 599, 78 Stat. 698; 31 U.S.C. 851)

Sections 202 and 203 (59 Stat. 600; 31 U.S.C. 857 and 858) contain similar provisions applicable to mixed-ownership Government corporations.

Legislative Reorganization Act of 1946

Section 206. "The Comptroller General is authorized and directed to make an expenditure analysis of each agency in the executive branch of the Government (including Government corporations), which, in the opinion of the Comptroller General, will enable Congress to determine whether public funds have been economically and efficiently administered and expended. Reports on such analyses shall be submitted by the Comptroller General, from time to time, to the Committees on Government Operations, to the Appropriations Committees, and to the legislative committees having

jurisdiction over legislation relating to the operations of the respective agencies of the two Houses." (60 Stat. 837; 31 U.S.C. 60)

Federal Property and Administrative Services Act of 1949

Section 205(b). "The Comptroller General after considering the needs and requirements of the executive agencies shall prescribe principles and standards of accounting for property, cooperate with the Administrator and with the executive agencies in the development of property accounting systems, and approve such systems when deemed to be adequate and in conformity with prescribed principles and standards. From time to time the General Accounting Office shall examine such property accounting systems as are established by the executive agencies to determine the extent of compliance with prescribed principles and standards and approved systems, and the Comptroller General shall report to the Congress any failure to comply with such principles and standards or to adequately account for property." (63 Stat. 389; 40 U.S.C. 486(b))

Section 206(c). "The General Accounting Office shall audit all types of property accounts and transactions at such times and in such manner as determined by the Comptroller General. Such audit shall be conducted as far as practicable at the place or places where the property or records of the executive agencies are kept and shall include but not necessarily be limited to an evaluation of the effectiveness of internal controls and audits and a general audit of the discharge of accountability for Government-owned or controlled property based upon generally accepted principles of auditing." (66 Stat. 593; 40 U.S.C. 487(c))

LEGISLATION AFFECTING THE WORK OF THE GENERAL ACCOUNTING OFFICE ENACTED DURING THE 89th CONGRESS, FISCAL YEAR 1966

Access to Records and Audit Provisions

(1) Water Resources Planning Act, Public Law 89-80, approved July 22, 1965, 79 Stat. 244, contains the following access to records provision:

"Sec. 307.(b) The Chairman of the Council and the *Comptroller General of the United States*, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient of the grant that are pertinent to the determination that funds granted are used in accordance with this Act." (79 Stat. 253)

(2) Mental Retardation Facilities and Community Mental Health Centers Construction Act Amendments of 1965, Public Law 89-105, approved August 4, 1965, 79 Stat. 427, contains the following access to records provision:

"Sec. 408.(b) The Secretary and the *Comptroller General of the United States*, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipients that are pertinent to the assistance received under this Act." (79 Stat. 429)

(3) Act of August 4, 1965, To facilitate the work of the Department of Agriculture, and for other purposes, Public Law 89-106, approved August 4, 1965, 79 Stat. 431, contains the following access to records provision:

"Sec. 2. * * * The Secretary of Agriculture and the *Comptroller General of the United States* or any of their duly authorized representatives shall have access for the purpose of audit and examination to any books, documents, papers, and

records of the recipients that are pertinent to the grants received under this section." (79 Stat. 431)

(4) Public Works and Economic Development Act of 1965, Public Law 89-136, approved August 26, 1965, 79 Stat. 552, contains the following access to records provision:

"Sec. 714.(b) The Secretary and the *Comptroller General of the United States*, or any of their 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 Act." (79 Stat. 575)

(5) State Technical Services Act of 1965, Public Law 89-182, approved September 14, 1965, 79 Stat. 679, contains the following access to records provision:

"Sec. 18.(b) The Secretary and the *Comptroller General of the United States*, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the recipient that are pertinent to amounts received under this Act." (79 Stat. 684)

(6) Act of September 30, 1965, To authorize the Secretary of Commerce to undertake research and development in high-speed ground transportation, and for other purposes, Public Law 89-220, approved September 30, 1965, 79 Stat. 893, contains the following access to records provision:

"Sec. 8.(a) (3) Each agreement or contract entered into under this Act under other than competitive bidding procedures, as determined by the Secretary, shall provide that the Secretary and the *Comptroller General of the United States*, or any of their duly authorized representatives, may, for the purpose of audit and examination, have access to any books, documents, papers, and records of the parties to such agreement or contract which are pertinent to the operations or activities under such agreement or contract." (79 Stat. 894)

(7) Water Quality Act of 1965, Public Law 89-234, approved October 2, 1965, 79 Stat. 903, contains the following access to records provision:

"Sec. 6.(e) 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 examination to any books, documents, papers, and records of the recipients that are pertinent to the grants received under this Act." (79 Stat. 909-910)

(8) Heart Disease, Cancer, and Stroke Amendments of 1965, Public Law 89-239, approved October 6, 1965, 79 Stat. 926, contains the following access to records provision:

"Sec. 909.(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 examination to any books, documents, papers, and records of the recipient of any grant under this title which are pertinent to any such grant." (79 Stat. 930)

(9) Act of October 9, 1965, Relating to the establishment of concession policies in the areas administered by National Park Service and for other purposes, Public Law 89-249, approved October 9, 1965, 79 Stat. 969, contains the following access to records provision:

"Sec. 9. * * * The *Comptroller General of the United States* or any of his duly authorized representatives shall, until the expiration of five (5) calendar years after the close of the business year of each concessioner or subconcessioner have access to and the right to examine any pertinent books, documents, papers, and records of the concessioner or subconcessioner related to the negotiated contract or contracts involved." (79 Stat. 971)

{10} National Vocational Student Loan Insurance Act of 1965, Public Law 89-287, approved October 22, 1965, 79 Stat. 1037, contains the following audit provision:

"Sec. 14.(b) The Commissioner shall, with respect to the financial operations arising by reason of this Act—

* * * * *

"(2) maintain with respect to insurance under this Act an integral set of accounts, which shall be audited annually by the *General Accounting Office* in accordance with principles and procedures applicable to commercial corporate transactions, as provided by section 105 of the Government Corporation Control Act, except that the transactions of the Commissioner, including the settlement of insurance claims and of claims for payments pursuant to section 9, and transactions related thereto and vouchers approved by the Commissioner in connection with such transactions, shall be final and conclusive upon all accounting and other officers of the Government." (79 Stat. 1047-1048)

{11} Medical Library Assistance Act of 1965, Public Law 89-291, approved October 22, 1965, 79 Stat. 1059, contains the following access to records provision:

"Sec. 399b. (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 examination to any books, documents, papers, and records of such recipients that are pertinent to any grant received under the provisions of this part." (79 Stat. 1066-1067)

{12} The Supplemental Appropriation Act, 1966, Public Law 89-309, approved October 31, 1965, 79 Stat. 1133, contains the following access to records provision with respect to grants made under the 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." (79 Stat. 1146)

{13} Higher Education Act of 1965, Public Law 89-329, approved November 8, 1965, 79 Stat. 1219, contains the following audit provision:

"Sec. 432.(b) The Commissioner shall, with respect to the financial operations arising by reason of this part—

* * * * *

"(2) maintain with respect to insurance under this part an integral set of accounts, which shall be audited annually by the *General Accounting Office* in accordance with principles and procedures applicable to commercial corporate transactions, as provided by section 105 of the Government Corporation Control Act, except that the transactions of the Commissioner, including the settlement of insurance claims and of claims for payments pursuant to section 428, and transactions related thereto and vouchers approved by the Commissioner in connection with such transactions, shall be final and conclusive upon all accounting and other officers of the Government." (79 Stat. 1247)

Access to Foreign Assistance Program Records

{14} Foreign Assistance and Related Agencies Appropriation Act, 1966, Public Law 89-273, approved October 20, 1965, 79 Stat. 1002, provides as follows:

"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." (79 Stat. 1008-1009)

Audit Exemption for Foreign Contracts

(15) Military Construction Authorization Act, 1966, Public Law 89-188, approved September 16, 1965, contains the following provision with respect to the exemption of negotiated contracts in foreign countries from audit requirements:

"Sec. 604. Whenever—

(1) the President determines that compliance with section 2313(b) of title 10, United States Code, for contracts made under this Act for the establishment or development of military installations and facilities in foreign countries would interfere with the carrying out of this Act; and

(2) the Secretary of Defense and the *Comptroller General* have agreed upon alternative methods of adequately auditing those contracts:

the President may exempt those contracts from the requirements of that section." (79 Stat. 815)

(16) Supplemental Appropriation Authorization for the Armed Forces, 1966, Public Law 89-367, approved March 15, 1966, 80 Stat. 36, contains the following provisions with respect to the exemption of negotiated contracts in foreign countries from audit requirements:

"Sec. 304. Whenever—

(1) the President determines that compliance with section 2313(b) of title 10, United States Code, for contracts made under this Act for the establishment or development of military installations and facilities in foreign countries would interfere with the carrying out of this Act; and

(2) the Secretary of Defense and the *Comptroller General* have agreed upon alternative methods of adequately auditing those contracts;

the President may exempt those contracts from the requirements of that section." (80 Stat. 37)

"Sec. 401.(d) The Secretary of Defense shall also furnish to the Armed Services Committees of the Senate and House of Representatives complete information regarding the alternative methods of adequately auditing contracts which he and the *Comptroller General* have agreed upon prior to the execution of any contract which would waive the provisions of section 2313(b) of title 10, United States Code." (80 Stat. 38)

Audit Provisions

(17) Department of the Interior and Related Agencies Appropriation Act, 1967, Public Law 89-435, approved May 31, 1966, contains the usual provision for audit of the Trust Territory of the Pacific Islands:

"* * * *Provided*, That all financial transactions of the Trust Territory, including such transactions of all agencies or instrumentalities established or utilized by such Trust Territory, shall be audited by the *General Accounting Office* in accordance with the provisions of the Budget and Accounting Act, 1921 (42 Stat. 23), as amended, and the Accounting and Auditing Act of 1950 (64 Stat. 834): * * *" (80 Stat. 174)

(18) The Act of May 20, 1966, To authorize revised procedures for the destruction of unfit Federal Reserve notes, and for other purposes, Public Law 89-427, 80 Stat. 161, contains the following audit provision:

"Sec. 5. *The Comptroller General of the United States* shall audit the cancellation and destruction, and the accounting with respect to such cancellation and destruction, of any currency of the United States unfit for circulation, regardless of who is responsible for, and regardless of who performs, such cancellation, destruction, or accounting. *The Comptroller General* shall have access to any books, documents, papers, and records which he deems necessary to facilitate an effective audit pursuant to this section." (80 Stat. 161-162)

Appropriations for GAO

(19) The Independent Offices Appropriation Act, 1966, Public Law 89-128, approved August 16, 1965, 79 Stat. 520, appropriated \$46,900,000 for salaries and expenses of GAO. (79 Stat. 526)

(20) The Second Supplemental Appropriation Act, 1966, Public Law 89-426, approved May 13, 1966, provided \$535,000 for increased pay costs. (80 Stat. 160)

Claims Settlement

(21) Act of April 14, 1966, for the relief of certain retired officers of the Army, Navy, and Air Force, Public Law 89-395, 80 Stat. 120, contains the following proviso relating to filing of claims in GAO:

"* * * *Provided*, That a claim for such retired pay shall be filed with the *General Accounting Office* by each such officer or by his designated beneficiary, within one year following the date of enactment of this Act."

General Laws Made Specially Applicable to GAO

(22) The Federal Employees Salary Act of 1965, Public Law 89-301, approved October 29, 1965, 79 Stat. 1111, not only increased the salaries of GAO employees subject to the Classification Act of 1949, but also made the severance pay provision applicable to GAO by including *GAO* in the applicability section. (79 Stat. 1118)

(23) The Back Pay Act of 1966, Public Law 89-380, approved March 30, 1966, 80 Stat. 94, specifically includes *GAO* in the definition of "agency." (80 Stat. 95)

Debarred Bidder Information

(24) The Service Contract Act of 1965, Public Law 89-286, approved October 22, 1965, contains the following provision requiring GAO to distribute lists of violators:

"Sec. 5.(a) *The Comptroller General* is directed to distribute a list to all agencies of the Government giving the names of persons or firms that the Federal agencies or the Secretary have found to have violated this Act. Unless the Secretary otherwise recommends, no contract of the United States shall be awarded to the persons or firms appearing on this list or to any firm, corporation, partnership, or association in which such persons or firms have a substantial interest until three years have elapsed from the date of publication of the list containing the name of such persons or firms." (79 Stat. 1035)

RESTRICTIONS ON AUDIT AUTHORITY

With certain exceptions, the audit authority and responsibility of the General Accounting Office extends to all activities, financial transactions, and accounts of the Federal Government. The authority extends also to records of contractors having

Government contracts negotiated without advertising, their subcontractors' records, and records of certain recipients of Federal financial assistance such as loans, advances, grants, or contributions. The principal types of restrictions on the audit authority of the General Accounting Office are shown below.

Organizations Not Subject to Audit

The financial transactions and activities of the following organizations of the Federal Government are not subject to audit by the General Accounting Office.

- Office of Alien Property
- Office of the Comptroller of the Currency
- Exchange Stabilization Fund established by the Gold Reserve Act of 1934
- Federal Land banks
- Federal Reserve System
- Smithsonian Institution (trust funds)
- United States Soldiers Home (trust fund)

Funds Accounted for Solely by Certifications

Various laws provide that certain expenditures of a privileged, confidential, or emergency nature are to be accounted for solely on the certificate of the President, the head of an agency, or other authorized person. Audit by the General Accounting Office is restricted to examining the certification and ascertaining that limitations on such expenditures have not been exceeded. Some examples are:

- Expenses necessary for the White House Office (see annual appropriation acts)
- Traveling expenses of the President (3 U.S.C. 103)
- Expenditures for the purpose of intercourse or treaties with foreign nations (31 U.S.C. 107)
- Salary and mileage accounts of Members of the Senate and the House of Representatives (2 U.S.C. 48)
- Certain expenditures of the Atomic Energy Commission, the Central Intelligence Agency, the Departments of Defense, Army, Navy, and Air Force, the Federal Bureau of Investigation, the Immigration and Naturalization Service, and the Post Office Department (see annual appropriation acts and 50 U.S.C. 403j(b))

Finality Clauses

The laws establishing agencies or authorizing them to carry on additional activities sometimes specify that they shall have the right to determine the character of and necessity for their obligations and expenditures and the manner in which they shall be incurred, allowed, and paid; provide that the determinations of the head of the agency in regard to expenditures shall be final and conclusive on all officers of the Government; or provide that such expenditures are not to be subject to review by any officer or agency other than a court of law. These provisions relate most frequently to payment of certain types of claims; the expenditures of Government corporations; awards made under retirement, disability, and insurance programs; and advances of funds, loans, and grants under certain legislation dealing with housing and education. The effect of these provisions on the audit authority of the General Accounting Office is to limit the applicability of the provisions of section 305 of the Budget and Accounting Act, 1921, relating to the settlement and adjustment of claims, demands, and accounts by the General Accounting Office, although they do not prohibit the General Accounting Office from examining such activities and transactions and from reporting to the Congress on the manner in which the agencies are conducting their affairs.

In the legislative branch, payments from the contingent funds of the Senate and the House of Representatives, when approved by the Committee on Rules and Admin-

istration of the Senate or the Committee on House Administration, are conclusive upon all the departments and officers of the Government.

Prohibitions Against Disclosure of Information

Certain laws impose restrictions on the disclosure of information and prescribe penalties for any officer or employee of a Government agency who violates the restrictions. An example is section 7213(a)(1) of the Internal Revenue Code.

There are no restrictions on the authority of the General Accounting Office to audit the administrative expenses of the Internal Revenue Service, but the nature and full effectiveness of an audit of tax collection matters is dependent on access to tax returns and related information with respect to which restrictions exist. The General Accounting Office does not have access to individual income tax returns or to taxpayer information of a nature falling within the categories of information precluded from disclosure by section 7213(a)(1) of the Internal Revenue Code, except when permission for examination is granted under section 6013(a) of the Code.

Recipients of Federal Financial Assistance

The general audit authority of the General Accounting Office contained in the Budget and Accounting Act, 1921, and the Accounting and Auditing Act of 1950 has not been regarded as extending to moneys which have been transferred to and are under the custody and control of State or territorial governments or their instrumentalities. These funds have been considered to lose their identity as Federal funds and to become State or territorial funds. As a consequence, the expenditures of such funds by the States or territories are not subject to audit by the General Accounting Office unless specific authority is provided by law.

Various laws authorize the General Accounting Office to audit the records of certain recipients of Federal financial assistance. For instance, the act of August 2, 1954 (42 U.S.C. 1435), gave the Office authority to audit the pertinent activities of any local housing authority receiving loans or annual contributions from the Public Housing Administration. The Housing Act of 1961, approved June 30, 1961, extended the Office's audit authority to records of any person or local body receiving a contract for a loan, advance, grant, or contribution from the Housing and Home Finance Agency or its constituents, and to records of mortgagors having mortgages on new or rehabilitated multifamily housing insured by the Federal Housing Administration.

Audits of expenditures under other grants-in-aid or cost sharing programs may be made only with the cooperation of the Federal department or agency concerned and the approval of the State, territory, or local authority. General Accounting Office audits of the Federal-aid highway program at the State highway department level are examples of audits made under such arrangements.

The General Accounting Office does not have authority to audit the records of foreign governments or their agencies receiving cash grants under the foreign assistance programs.

Contractors' Records

The General Accounting Office ordinarily does not have authority to audit the records of Government contractors except when such authority is specifically granted by law. For example, the General Accounting Office does not have such authority with respect to contracts awarded pursuant to advertising for bids.

The General Accounting Office does have authority under various laws such as the Armed Services Procurement Act of 1947, the Federal Property and Administrative Services Act of 1949, and the Atomic Energy Act of 1954 to audit the records

of contractors having Government contracts negotiated without advertising and to audit the records of these contractors' subcontractors. However, the Office does not have authority to audit the records of contractors outside the United States furnishing equipment and supplies under the military assistance program under negotiated agreements with allied governments. Nor does the Office have authority to examine contractors' records pertaining to contracts negotiated under the Defense Production Act of 1950 unless the procuring agency and the contractor voluntarily insert a clause in the contract granting the General Accounting Office this authority.

Activities Carried on With Nonappropriated Funds

Many activities carried on by Government agencies, such as the operation of post exchanges, restaurants, canteens, vending machines, and welfare activities, are not subject to audit by the General Accounting Office because they do not use appropriated funds.

International Organizations

The United States is a member in, and contributor to, numerous international organizations. The General Accounting Office does not have authority to audit the affairs of any of these organizations.

NATURE OF AUDIT WORK PERFORMED IN THE DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT

The Civil Accounting and Auditing Division has primary responsibility for the audit of the civil departments and agencies and the Defense Accounting and Auditing Division has primary responsibility for the audit of the military departments except that the International Operations Division has primary responsibility for the audit of departments and agencies or programs within departments and agencies relating to international activities.

CIVIL DEPARTMENTS AND AGENCIES

Legend

A - Work performed primarily at site of activities or at place where accounts are kept.

B - Financial transactions audited centrally in GAO.

(All categories exclude transportation expenditures which are audited centrally by the Transportation Division, GAO.)

<i>Executive Office of the President</i>		<i>Independent Agencies, Boards, and Commissions—Continued</i>	
The President's Office: Compensation of the President (note 1).....	B	Smithsonian Institution (note 19).....	A
The White House Office.....	B	Subversive Activities Control Board.....	A
Executive Mansion and Grounds (note 2).....	A	Tax Court of the United States.....	A
Funds Appropriated to the President (note 3).....	A	Tennessee Valley Authority (notes 14 and 20).....	A
Bureau of the Budget.....	A	U.S. Civil Service Commission.....	A
National Security Council.....	A	U.S. Information Agency.....	A
Office of Economic Opportunity.....	A	U.S. Tariff Commission.....	A
Office of Emergency Planning.....	A	Veterans Administration.....	A
		Other Boards and Commissions.....	A
<i>Departments</i>		<i>Legislative Branch</i>	
Department of Agriculture (note 4).....	A	The Senate:	
Department of the Army, Corps of Engineers (civil functions).....	A	Semiannual accounts submitted by the Secretary of the Senate for salaries, mileage, and expense allowances of Senators.....	B
Department of Commerce (note 5).....	A	Quarterly accounts submitted by the Secretary of the Senate for all other expenditures.....	B
Department of Health, Education, and Welfare (note 6).....	A	Other activities (note 21).....	A
Department of Housing and Urban Development (note 7).....	A	The House of Representatives:	
Department of the Interior (note 8).....	A	Sergeant at Arms:	
Department of Justice (notes 9 and 10).....	A	Salaries, mileage, and expense allowances of Members and operations of the "House Bank" (note 22).....	A
Department of Labor.....	A	Clerk of the House:	
Post Office Department.....	A	Quarterly accounts submitted by the Clerk of the House for all other expenditures of the House.....	B
Department of State.....	A	Other activities (note 21).....	A
Treasury Department (notes 11, 12, and 13).....	A	Architect of the Capitol:	
		House of Representatives Restaurant (note 23).....	A
<i>Independent Agencies, Boards, and Commissions</i>		Senate Restaurants (note 24).....	A
American Battle Monuments Commission.....	A	Other activities (note 25).....	A
Atomic Energy Commission.....	A	U.S. Botanic Garden (note 26).....	A
Civil Aeronautics Board.....	A	General Accounting Office.....	A
Export-Import Bank of Washington (note 14).....	A	Government Printing Office (note 27).....	A
Farm Credit Administration.....	A	Library of Congress (note 28).....	A
Corporations Supervised:			
Federal Intermediate Credit Banks (12) (note 14).....	A		
Central Bank for Cooperatives (note 14).....	A		
District Banks for Cooperatives (10) (note 14).....	A		
Other (note 15).....	A		
Federal Aviation Agency.....	A		
Federal Communications Commission.....	A		
Federal Deposit Insurance Corporation (note 16).....	A		
Federal Home Loan Bank Board, Federal Home Loan Banks (12) (note 14), and Federal Savings and Loan Insurance Corporation (note 14).....	A		
Federal Maritime Commission.....	A		
Federal Mediation and Conciliation Service.....	A		
Federal Power Commission.....	A		
Federal Reserve System (note 17).....	A		
Federal Trade Commission.....	A		
General Services Administration (note 18).....	A		
Indian Claims Commission.....	A		
Interstate Commerce Commission.....	A		
National Aeronautics and Space Administration.....	A		
National Labor Relations Board.....	A		
National Mediation Board.....	A		
National Science Foundation.....	A		
Panama Canal Company (note 14) and Canal Zone Government.....	A		
Railroad Retirement Board.....	A		
Renegotiation Board.....	A		
Securities and Exchange Commission.....	A		
Selective Service System.....	A		
Small Business Administration.....	A		

Notes are shown on p. 149.

NATURE OF AUDIT WORK PERFORMED IN THE DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT—Continued

MILITARY DEPARTMENTS

Legend

DA—Work performed primarily at site of activities or at place where accounts are kept.

DB—Domestic civilian pay audited at the site; overseas civilian pay, military pay and allowances, and other disbursements and receipts audited offsite at central locations. All audit work performed on a selective basis.

(All categories exclude transportation expenditures which are audited centrally by the Transportation Division, GAO.)

Department of Defense		Department of the Navy—Continued	
Defense Supply Agency.....	DA	Contracts, Award and Administration.....	DA
Advanced Research Projects Agency.....	DA	Solicitation of Competitive Bids or Price Proposals.....	
Defense Contract Audit Agency.....	DA	Negotiation of Prices.....	
Defense Communications Agency.....	DA	Contractors' Operations and Compliance With Contract Terms.....	
Military Assistance Program.....	DA	Research, Development, Test, and Evaluation Programs.....	DA
Civilian Defense Program.....	DA	Military Construction Programs, Including Family Housing.....	DA
Defense Atomic Support Agency.....	DA	Military Assistance Program.....	DA
Defense Intelligence Agency.....	DA	Disbursing Officers' Accounts.....	DB
Policies and Administrative Controls Related to the Activities Under GAO Audit in the Military Departments.....	DA	Civilian Pay.....	
<i>Department of the Army</i>		Military Pay and Allowances.....	
Major Weapon Systems.....	DA	Other Disbursements and Receipts.....	
Requirements Determinations.....		Manpower Utilization.....	DA
Development and Procurement.....		Acquisition and Utilization of Automatic Data Processing Equipment.....	DA
Maintenance, Repair and Overhaul.....		Maintenance, Utilization and Retention of Real Property.....	DA
Supply Support.....	DA	Communication Systems.....	DA
Requirements Determinations.....		Military Sea Transportation.....	DA
Procurement.....		Appropriation Accounting and Reporting..	DA
Receipt, Storage and Issue.....		<i>Department of the Air Force</i>	
Maintenance of Stock in Serviceable Condition.....		Major Weapon Systems.....	DA
Disposal of Surplus Stock.....		Requirements Determinations.....	
Contracts, Award and Administration.....	DA	Development and Procurement.....	
Solicitation of Competitive Bids or Price Proposals.....		Maintenance, Repair and Overhaul.....	
Negotiation of Prices.....		Supply Support.....	DA
Contractors' Operations and Compliance with Contract Terms.....		Requirements Determinations.....	
Research, Development, Test, and Evaluation Programs.....	DA	Procurement.....	
Military Construction Programs, Including Family Housing.....	DA	Receipt, Storage and Issue.....	
Military Assistance Program.....	DA	Maintenance of Stock in Serviceable Condition.....	
Disbursing Officers' Accounts.....	DB	Disposal of Surplus Stock.....	
Civilian Pay.....		Contracts, Award and Administration.....	DA
Military Pay and Allowances.....		Solicitation of Competitive Bids or Price Proposals.....	
Other Disbursements and Receipts.....		Negotiation of Prices.....	
Manpower Utilization.....	DA	Contractors' Operations and Compliance With Contract Terms.....	
Acquisition and Utilization of Automatic Data Processing Equipment.....	DA	Research, Development, Test, and Evaluation Programs.....	DA
Maintenance, Utilization and Retention of Real Property.....	DA	Military Construction Programs, Including Family Housing.....	DA
Communication Systems.....	DA	Military Assistance Program.....	DA
Dependents' Medical Care Program.....	DA	Disbursing Officers' Accounts.....	DB
Appropriation Accounting and Reporting..	DA	Civilian Pay.....	
<i>Department of the Navy</i>		Military Pay and Allowances.....	
Major Weapon Systems.....	DA	Other Disbursements and Receipts.....	
Requirements Determinations.....		Manpower Utilization.....	DA
Development and Procurement.....		Acquisition and Utilization of Automatic Data Processing Equipment.....	DA
Maintenance, Repair and Overhaul.....		Maintenance, Utilization and Retention of Real Property.....	DA
Supply Support.....	DA	Communication Systems.....	DA
Requirements Determinations.....		Military Air Transportation.....	DA
Procurement.....		Appropriation Accounting and Reporting..	DA
Receipt, Storage and Issue.....			
Maintenance of Stock in Serviceable Condition.....			
Disposal of Surplus Stock.....			

INTERNATIONAL OPERATIONS

The International Operations Division is primarily responsible for auditing the following agencies and programs relating to international activities:

Department of Agriculture:
International Affairs; Foreign Agriculture Service
Department of Commerce:
Bureau of Public Roads
Notes are shown on p. 149.

Department of State:
Agency for International Development
Peace Corps
U.S. Arms Control and Disarmament Agency
Other activities

NATURE OF AUDIT WORK PERFORMED IN THE DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT—Continued

INTERNATIONAL OPERATIONS—Continued

Independent Agencies:

Export-Import Bank of Washington
Foreign Claims Settlement Commission of the United States
U.S. Information Agency

Post Office Department:

International Affairs
Department of Defense
Military Assistance Programs
Other international activities

NOTES:

1. Compensation paid on basis of certificate of settlement prepared by Claims Division, General Accounting Office. Disbursing officer's statement of accountability subsequently submitted to Civil Accounting and Auditing Division for audit and settlement.
2. Administrative accounts are maintained by . . . National Park Service, Department of the Interior.
3. Funds are audited at the agencies to which they are advanced for expenditure.
4. The Commodity Credit Corporation and the Federal Crop Insurance Corporation are audited under the Government Corporation Control Act (31 U.S.C. 841).
5. The Sait Lawrence Seaway Development Corporation is audited under the Government Corporation Control Act.
6. The funds appropriated to three related organizations—all federally aided corporations—are also subject to audit. These are American Printing House for the Blind, Howard University, and Gallaudet College. Gallaudet College is subject to audit under 68 Stat. 263; D.C. Code 1951, 31 1631.
7. The Federal Housing Administration, the Federal National Mortgage Association, and the Public Housing Administration are audited under the Government Corporation Control Act.
8. The Virgin Islands Corporation is audited under the Government Corporation Control Act.
9. The activities of the Office of Alien Property are not financed with appropriated funds and no audit of such activities is made by the General Accounting Office.
10. Federal Prison Industries, Inc., is audited under the Government Corporation Control Act.
11. The General Accounting Office is neither authorized nor required under existing legislation to audit the activities and transactions of the U.S. Exchange Stabilization Fund established by the Gold Reserve Act of 1931 (48 Stat. 337, 341, as amended).
12. The Bureau of Engraving and Printing Fund is audited under the act of August 4, 1950 (31 U.S.C. 181d).
13. The activities of the Office of the Comptroller of the Currency are financed by assessments on national banks and member banks of the Federal Reserve System. The law (12 U.S.C. 481) provides that such funds shall not be construed to be Government funds or appropriated moneys. No audit is made by the General Accounting Office.
14. Audited under the Government Corporation Control Act.
15. Consists of approximately 710 Federal land bank associations, 471 production credit associations (469 privately owned and 2 partially capitalized by U.S. Government), 12 Federal land banks (privately owned), and 2 district banks for cooperatives (privately owned)—none of which is audited by the General Accounting Office.
16. Audited under the Federal Deposit Insurance Act (12 U.S.C. 1827).
17. Not audited by the General Accounting Office in view of (1) the broad authority conferred upon the Board of Governors to determine and prescribe the manner of incurring obligations and allowing and paying its expenses; (2) the fact that funds used to defray the expenses of the Board are not Government funds or appropriated moneys; and (3) the rule set out in 12 U.S.C. 484.
18. The General Supply Fund administered by the General Services Administration is audited under the Federal Property and Administrative Services Act of 1949 (5 U.S.C. 630g(e)).
19. Applies only to the administrative expenses of the institution which are paid from appropriated funds.
20. The retirement system of the Tennessee Valley Authority is audited by independent public accountants under contract with the General Accounting Office.
21. Audits made on request.
22. Semiannual audit made pursuant to 2 U.S.C. 81a.
23. Audit made pursuant to 40 U.S.C. 174k.
24. Annual audit made pursuant to 40 U.S.C. 174j-5.
25. Site audits authorized by 31 U.S.C. 67(b) as amended by P.L. 88-454, approved August 20, 1964.
26. Administrative accounts are maintained by the Library of Congress.
27. Annual audit made pursuant to 44 U.S.C. 63.
28. Site audits authorized pursuant to agreement with Librarian of Congress, effective July 1, 1965.
29. Audit applies only to appropriated funds and does not include the funds of the Clerk of the Supreme Court. The General Accounting Office has no duty to settle the accounts of the Clerk of the Supreme Court (28 U.S.C. 621) and no right of access to his records (31 U.S.C. 2, 54).
30. Audit made in the Administrative Office of the U.S. Courts, Washington, D.C.
31. Annual audit made pursuant to 22 U.S.C. 278a.
32. Annual audit made on request.
33. Audit made pursuant to 60 Stat. 801; D.C. Code, 1951, 5-716.

AUDIT REPORTS ISSUED DURING THE FISCAL YEAR 1966

	Reference	Addressee and date issued		
		Congress	Committees or Members of Congress	Agency officials
CIVIL DEPARTMENTS				
Department of Agriculture:				
Departmentwide:				
Review of safety conditions in certain storage areas primarily in the South Building of the Department of Agriculture, Washington, D.C.	158427	4-12-66		
Management of the printing, distributing, and storing of publications in the Washington, D.C., headquarters office.				12-30-65
Agricultural Research Service:				
Procedures and practices relating to the rental of quarters at the Agricultural Research Center, Beltsville, Md.				9-7-65
Unliquidated obligations in the "M" account as of June 30, 1965, Washington Finance Office, Hyattsville, Md.				9-17-65
Settlement of accounts of accountable officers:				
Beltsville section, Eastern Area Fiscal Branch, Beltsville, Md.				5-27-66
Eastern Administrative Division, Fort Washington, Pa.				12-10-65
Washington Finance Office, Hyattsville, Md.				9-15-65

AUDIT REPORTS ISSUED DURING THE FISCAL YEAR 1966—Continued

	Reference	Addressee and date issue		
		Congress	Committees or Members of Congress	Agency officials
CIVIL DEPARTMENTS—Continued				
Department of Agriculture—Continued				
Agricultural Stabilization and Conservation Service and Commodity Credit Corporation:				
Additional costs incurred for farm storage of grain	114824	8-23-65		
Need to consider storing processed commodities on a daily-rate basis	114824	2-17-66		
Examination of financial statements of Commodity Credit Corporation for fiscal year 1965	114824	1-18-66		
Alleged improper allocations of base acreages in the feed grain program (request of Senator Jack Miller)	145749		3-30-66	
Additional costs to be incurred because procedures for exercising renewal options in bin-site lease agreements were not uniformly applied by the Commodity Credit Corporation	114824			9-14-65
Certain aspects of the administration of the conservation reserve program				11-30-65
Certain methods used to finance price-support and related operations, fiscal years 1964 and 1965				2-24-66
Need for improvement in estimating procedures indicated by review of May 1963 estimate of savings expected from the 1961, 1962, and 1963 feed grain programs	145749			12- 8-65
Opportunity to reduce interest costs by expediting collection and deposit of proceeds from sales of commodities				2-23-66
Overdeliveries of farm-stored grain, primarily wheat, in satisfaction of price-support loans under 1964-1965 resale loan program				6-29-66
Review of Commodity Credit Corporation accounts and financial reports at Evanston ASCS commodity office, fiscal year 1964				8-26-65
Survey of adjustment payment provisions under the cropland conversion program and the cropland adjustment program				4-21-66
Commodity Exchange Authority:				
Need to strengthen regulatory practices and study certain trading activities relating to commodity futures markets	146770	7-16-65		
Farmers Home Administration:				
Efforts to have borrowers refinance their Government loans when private or cooperative credit becomes available	114873	5-26-66		
Need to strengthen procedures for determining whether loan applicants are unable to obtain financing from private or cooperative credit sources	114873	1- 6-66		
Selected soil and water association loans in Kansas and Oklahoma				6- 9-66
Settlement of accounts of accountable officers, National Finance Office, St. Louis, Mo.				2-11-66
Federal Crop Insurance Corporation:				
Examination of financial statements for fiscal year 1965	114834	1-17-66		
Forest Service:				
Follow-up review of adjustments made in fees charged for summer-home sites on national forest lands	152490	1-18-66		
Procedures for measuring national forest timber in the Pacific Northwest Region (Region 6)	125053	3-24-66		
Alleged restraint of competition in the purchase of national forest timber at certain locations in the Pacific Northwest Region (Region 6) (request of Senator Wayne Morse)	154978		7-26-65	
Analysis of certain aspects of bidding by both sealed bids and oral auction bids on national forest timber in the Northern Region (Region 1) and the California Region (Region 5) (request of Senator Wayne Morse)	125053		10-11-65	
Review of certain material concerning competitive bidding for national forest timber in the Douglas-fir subregion of the Pacific Northwest Region (Region 6) (request of Congressman Robert E. Jones)	125053		1-17-66	
Use of certain funds appropriated for forest recreation research in the Boundary Waters Canoe Area in Minnesota during fiscal year 1966 (request of Senator Walter F. Mondale)	158114		2- 1-66	
Need for improvement in timber management plans in Northern Region (Region 1), California Region (Region 5), and Southern Region (Region 8)	125053			8-16-65
Selected timber management activities in the California Region (Region 5)	125053			5-27-66
Settlement of accounts of accountable officers:				
Forest Products Laboratory, Madison, Wis.				11-23-65
Pacific Northwest Forest and Range Experiment Station				4-27-66

AUDIT REPORTS ISSUED DURING THE FISCAL YEAR 1966—Continued

	Reference	Addressee and date issued		
		Congress	Commit-tees of Members of Congress	Agency officials
CIVIL DEPARTMENTS--continued				
Department of Agriculture--Continued				
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Prices negotiated on selected contracts for ammunition and weapons components	157535	4-21-66		
Readiness status of idle ammunition-production facilities	158514	6-16-66		
Equipment modification program for M48A1 tanks	158572	6-21-66		
Certain aspects of the supply and maintenance support provided Honest John Missile battalions in Korea (confidential)	159041	6-28-66		
Costs incurred for maintenance and payment of allotments of military personnel (request of Chairman, Subcommittee on Manpower Utilization, House Committee on Post Office and Civil Service)	125037	2-18-66		
Moving costs at Fort Jay, Governors Island, N.Y. (request of Senator Leventt Saltonstall)	156953	7-1-65		
Reinstatement of certain civilian engineers of the Army Electronics Command (request of Senator Paul H. Douglas and Congressman Donald Rumsfeld)	146834	7-27-65		
Lease versus purchase of proposed telephone exchange at Carlisle Barracks (request of Congressman N. Neuman Craley, Jr.)	142930	7-28-65		
Purchase of chemicals for removal of paint and rust by the Atlanta Army Depot (request of Congressman James A. Mackay)	159034	5-12-66		
Contract audits:				
Gibbs Manufacturing and Research Corp., Janesville, Wis.				4-21-66
Harvey Aluminum Inc., Torrance, Calif.	157900			12-7-65
Honeywell, Inc., Hopkins, Minn.	157710			12-27-65
Hough Co., The Frank G., Libertyville, Ill.	159125			5-16-66
Newton-New Haven Co., West Haven, Conn.	157535			5-17-66
Servonic Instruments Inc., Costa Mesa, Calif.	157048			9-24-65
Sperry Rand Corp., Salt Lake City, Utah	157929			2-18-66
Supply management reviews:				
Army Missile Command, Redstone Arsenal, Huntsville, Ala.				11-8-65
Do.				1-20-66
Do.	156700			3-3-66
Army Tank-Automotive Center, Warren, Mich.	146802			1-19-66
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Fort Bliss, Tex. (supply support for communication equipment)				4-18-66
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Procurement and administrative practices at Fort Sheridan.				9-28-65
Procurement of helicopter facility at Fort Lawton.	157071			11-12-65
Procurement of M548 artillery shell fuzes.	146999			6-28-66
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Army Armor and Desert Training Center, Fort Irwin, Calif.				11-18-65
Army Corps (XXV), Omaha, Neb.				9-27-65
Army Corps (XXI), Annapolis, Pa.				2-7-66
Army Engineer District, Jacksonville, Fla.				6-23-66
Army Garrison, Fort George G. Meade, Md.				2-18-66
Army Garrison, Fort Lawton, Seattle, Wash.				4-22-66
Army Pictorial Center, Long Island City, N.Y.				9-1-65
Army Pine Bluff Arsenal, Arsenal, Ark.				9-9-65
Army Rocky Mountain Arsenal, Denver, Colo.				8-31-65
Army Support Center, St. Louis, Mo.				7-19-65
Army Training Center, Fort Jackson, S.C.				11-3-65
Atlanta Army Depot, Forest Park, Ga.				9-23-65
Boston Procurement District, Boston, Mass.				3-4-66
Brooke Army Medical Center, Fort Sam Houston, Tex.				4-22-66
Carlisle Barracks, Pa.				4-26-66
Charleston Army Depot, Charleston, S.C.				1-24-66
Chicago Procurement District, Chicago, Ill.				11-15-65
Finance Center, Indianapolis, Ind.				3-11-66
Fort Hamilton, Brooklyn, N.Y.				5-4-66

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Fort Leavenworth, Kans.				4-13-66
Fort MacArthur, San Pedro, Calif.				6-21-66
Fort Sam Houston, San Antonio, Tex.				3- 8-66
Fort Worth Army Depot, Fort Worth, Tex.				7-22-65
Madigan General Hospital, Tacoma, Wash.				4-22-66
Military Traffic Management and Terminal Service, Brooklyn, N.Y.				9- 9-65
Military Traffic Management and Terminal Service, Oakland, Calif.				7-23-65
New Cumberland Army Depot, New Cumberland, Pa.				4-12-66
New York Procurement Detachment, New York, N.Y.				4-22-66
Red River Army Depot, Texarkana, Tex.				11-19-65
Sacramento Army Depot, Sacramento, Calif.				12- 7-65
Sierra Army Depot, Herlong, Calif.				12-16-65
Unatilla Army Depot, Hermiston, Oreg.				5-13-66
Valley Forge General Hospital, Phoenixville, Pa.				10- 5-65
White Sands Missile Range, N. Mex.				9-10-65
William Beaumont General Hospital, El Paso, Tex.				9-17-65
Other audits and reviews:				
Pay and allowances accounts of selected enlisted military members assigned to Fort Benning, Ga.				12-20-65
Utilization of Government-owned Wherry housing at the Tobyhanna Army Depot, Tobyhanna, Pa.	133102			1- 4-66
Effectiveness of the administrative audit of payments to military personnel for travel of dependents and for relocation allowance.	133063			3-16-66
Maintenance and supply practices of the 24th Infantry Division (Mechanized).	158622			3-16-66
Utilization of Government-owned bachelor officers' quarters at Madigan General Hospital and Fort Lewis, Wash.	159324			6-15-66
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Procurement of aircraft engine cylinder assemblies without consideration of actual usage experience.	146727	8-30-65		
Readiness of combat and combat support equipment assigned to the 2d Marine Division and Force Troops, Camp Lejeune, N.C.	146832	9-20-65		
Need for improvement in pricing of change orders for construction of naval vessels.	146990	9-20-65		
Potential savings by direct rather than indirect procurement of selected subsystems for F-4 type of aircraft.	152600	9-21-65		
Potential savings through use of an oversupply of stabilator assemblies for F-4 aircraft.	152600	9-30-65		
Potential savings by direct rather than indirect purchase of selected major subsystems for A-6A type of aircraft.	157137	10-22-65		
Need for current evaluation of available community housing prior to construction of military housing.	146957	11-29-65		
Potential savings through improved management controls over allowances paid to members of shore patrols.	146729	12-17-65		
Possible savings from improving the management control of projectile fuze covers and other reusable ammunition components.	146917	1-28-66		
Potential savings through direct procurement of components used in production of variable timing fuzes.	132977	2-23-66		
Operation of a dairy farm by the United States Naval Academy, Annapolis, Md.	156167	3-23-66		
Transportation of privately owned vehicles on foreign-flag vessels, The Military Sea Transportation Service.	154811	4-21-66		
Management of the procurement of major equipment and related spare parts by the United States Marine Corps.	158482	6- 3-66		
Savings attributable to closing of a naval repair facility (request of Chairman, House Committee on Armed Services).	146949		11-29-65	
Use of Marine Corps personnel for guard duty in the United States (request of Chairman, House Committee on Appropriations).	146900		2-14-66	
Negotiation and administration of subcontracts in the F-4 aircraft program (request of Chairman, House Committee on Appropriations).	152600		3-31-66	
Talos missile requirements (request of Chairman, House Committee on Appropriations) (confidential).	158470		4-20-66	
Initial phases of cost analysis study of the A-7A aircraft program (request of Chairman, House Committee on Appropriations).	156137		6-23-66	

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Indebtedness of employee due to overdrawn leave (request of Congressman Hervey G. Machen)	158884		4-29-66	
Charges for typing services furnished by a contractor (request of Congressman Charles M. Teague)	158840		5-19-66	
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Avondale Shipyards, Inc., New Orleans, La.	146898			10- 8-65
Bath Iron Works Corp., Bath, Maine	159206			6-22-66
Collins Radio Co., Cedar Rapids, Iowa				6-13-66
Control Data Corp., Minneapolis, Minn.				8-23-66
Ford Instrument Co., Long Island City, N.Y.	132973			8-25-66
Foster Wheeler Corp., Livingston, N.J.	146733			1- 6-66
General Electric Co., Medium Steam Turbine Generator and Gear Department, West Lynn, Mass.	150313			2-14-66
Grumman Aircraft Engineering Corp., Bethpage, N.Y.	146948			12-20-65
Honeywell, Inc., Aeronautical Division, St. Petersburg, Fla.	146761			4-19-66
Ingalls Shipbuilding Corp., The, Pascagoula, Miss.	146754			9-27-65
International Latex Corp., Dover, Del.	158141			1-24-66
Lockheed Missiles and Space Co., Sunnyvale, Calif.	146756			9-17-65
Martin-Marietta Corp., Orlando, Fla.	146970			3-30-66
McDonnell Aircraft Corp., St. Louis, Mo.	152900			9-30-65
Do.	159344			6-14-66
Minnesota Mining and Manufacturing Co., St. Paul, Minn.				5-17-66
Newport News Shipbuilding and Dry Dock Co., Newport News, Va.	146733			9-30-65
Do.	143822			10-11-65
Northrop Corp., Northrop Division, Norwood, Mass.				6- 6-66
Radio Corp. of America, Moorestown, N.J.	158940			4-27-66
Raytheon Co., Lexington, Mass.				4- 4-66
Sangamo Electric Co., Springfield, Ill.	85928			8-23-65
Sperry Gyroscope Co., Syosset, N.Y.				5-27-66
Supply management reviews:				
Aviation Supply Office, Philadelphia, Pa.	133341			10-20-65
Do.				5- 2-66
Anti-Submarine Warfare Systems Project Office, Washington, D.C.	146932			1-19-66
Bureau of Naval Weapons, Washington, D.C.	159243			6-10-66
Marine Corps Air Station, Iwakuni, Japan	133324			3-25-66
Naval Air Station, Pensacola, Fla.	133014			6-17-66
Naval Ordnance Plant, Forest Park, Ill.	146805			10-11-65
Ships Parts Control Center, Mechanicsburg, Pa.	158772			3-29-66
Do.				6-10-66
Procurement reviews:				
Procurement and acceptance of defective assemblies for SIDEWINDER missile	132995			8-23-65
Procurement of radar computer sets for F-4 aircraft	146774			2-17-66
Procurement of technical data for F-4 aircraft	152900			2-24-66
Procurement of aircraft carrier CVA-67	154258			5-12-66
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Boston Naval Shipyard, Mass.				3- 4-66
Charleston Naval Shipyard, S.C.				2-11-66
Electronics Laboratory, San Diego, Calif.				1-13-66
Headquarters Support Activity, New Orleans, La.				8- 4-65
Long Beach Naval Shipyard, Calif.				11-18-65
Marine Corps Base, Twentynine Palms, Calif.				7-28-65
Marine Corps Supply Activity, Philadelphia, Pa.				5-10-66
National Naval Medical Center, Bethesda, Md.				7-15-65
Naval Air Development Center, Johnsville, Pa.				3-17-66
Naval Air Engineering Center, Philadelphia, Pa.				1-17-66
Naval Air Facility, Litchfield Park, Phoenix, Ariz.				8-26-65
Naval Air Test Center, Patuxent River, Md.				5- 9-66
Naval Air Station, Brunswick, Maine				7- 6-65
Naval Air Station, Cecil Field, Fla.				5-13-66
Naval Air Station, Floyd Bennett Field, Brooklyn, N.Y.				1- 7-66
Naval Air Station, Glenview, Ill.				12-20-65
Naval Air Station, Jacksonville, Fla.				6-22-66
Naval Air Station, Los Alamitos, Calif.				11-18-65
Naval Air Station, Virginia Beach, Va.				8-10-65
Naval Air Station, Pensacola, Fla.				5-31-66
Naval Amphibious Base, Little Creek, Norfolk, Va.				7- 1-65
Naval Aviation Medical Center, Pensacola, Fla.				3- 1-66
Naval Avionics Facility, Indianapolis, Ind.				4-19-66
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Naval Hospital, Jacksonville, Fla.				4-29-66

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Naval Shipyard, Brooklyn, N.Y.				6-2-66
Do.				11-4-65
Naval Supply Center, Bayonne, N.J.				12-30-65
Naval Supply Center, San Diego, Calif.				6-8-66
Naval Supply Depot, Philadelphia, Pa.				1-27-66
Naval Torpedo Station, Keyport, Wash.				11-5-65
Naval Training Center, Bainbridge, Md.				1-26-66
Naval Training Device Center, Fort Washington, N.Y.				12-29-65
Naval Weapons Station, Concord, Calif.				2-23-66
Naval Weapons Station, Yorktown, Va.				8-24-65
Puget Sound Naval Shipyard, Bremerton, Wash.				10-19-65
Submarine Base, New London, Conn.				5-31-66
Underwater Sound Laboratory, New London, Conn.				5-17-66
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Reporting of Federal taxable income and taxes withheld from pay of military personnel	129636			2-18-66
Overtime worked by civilian employees at the Naval Avionics Facility, Indianapolis, Ind., and the Naval Ordnance Plant, Louisville, Ky.	157201			4-20-66
Transportation of military recruits from recruiting stations to training centers				5-9-66
Delays in applying required increases in rental rates for family housing at the Naval Ordnance Test Station, China Lake, Calif., and the Naval Air Station, Jacksonville, Fla.	157391			5-11-66
Training of enlisted personnel at electronics technician schools	150117			5-24-66
Potential savings through use of a general rather than a special flight boot by certain flight personnel	133177			6-16-66
Administrative procedures and controls for processing and payment of claims, Navy Finance Center, Cleveland, Ohio.				6-28-66
Department of the Air Force:				
Shipment of excess aeronautical spare parts to Oklahoma City Air Materiel Area by Air Force bases	133019	8-12-65		
Cost of indirect procurement of F-105 aircraft multiple-ejector bomb-rack assemblies	150639	8-12-65		
Questionable need for purchase of commercial computer time by the Air Force Cambridge Research Laboratories, Bedford, Mass.	140981	8-19-65		
Costs incurred in procuring Madree electronic system components manufactured by Midwestern Instruments, Inc. from Lockheed-Georgia Company	140966	9-30-65		
Pricing of recorders purchased from Midwestern Instruments, Inc., Tulsa, Okla.	140966	2-17-66		
Royalties charged to the United States Government for use by Government contractors of chemical milling inventions	133386	4-12-66		
Potential savings by buying instead of leasing specialized transportation equipment	157711	4-21-66		
Recovery of needed parts from excess aircraft engines	146730	5-27-66		
Savings that can be attained by rebuilding used motor vehicle tires	159200	6-29-66		
Overhaul of special mission aircraft (request of Chairman, House Committee on Government Operations)	146888		11-26-65	
Allegations concerning McClellan Air Force Base (request of Chairman, Senate Committee on Armed Services)	157509		3-4-66	
Printing service contract awarded to a commercial printer, Andrews Air Force Base (request of Chairman, Joint Committee on Printing)	A-90545		3-4-66	
Allegation of waste of surplus Government equipment at Brookley Air Force Base (request of Congressman Armistead L. Selden, Jr.)	151315		7-12-65	
Procurement of magnetic tape for use at certain Air Force locations (request of Congressman Charles E. Bennett)	156566		8-5-65	
Defects in relocatable houses at an Air Force station (request of Congressman Burt L. Talbot)	150615		9-8-65	
Precis-bid payments to technical service contractors prior to submission of properly executed invoices (request of Congressman William F. Ryan)	154215		10-6-65	
Circumstances surrounding award of a contract for study of new materials (request of Congressman John B. Anderson)	152148		10-12-65	

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Costs to the Government resulting from default of a contractor (request of Congressman John Young)	152598		2- 3-66	
Conversion of a Government owned and operated telephone system to a privately owned and operated system (request of Congressman John E. Moss)	157888		2-18-66	
Supply management at a missile tracking station (request of Senator Walter F. Mondale)	158728		4-14-66	
Contract audits:				
ACF Industries, Inc., Paramus, N.J.				6-16-66
Aerofjet-General Corp., Sacramento, Calif.	146876			10-19-65
Boeing Co., The, Seattle, Wash.	146876			10-13-65
Do.	133386			12-11-65
Do.	146916			12-16-65
Do.	146870			3-16-66
Do.	146876			4-15-66
Do.	146717			4-27-66
Collins Radio Co., Cedar Rapids, Iowa	125016			10-19-65
Eitel-McCullough, Inc., San Carlos, Calif.	146967			4-28-66
General Electric Co., Evendale, Ohio	132989			12-22-65
General Electric Co., Missile and Space Division, Valley Forge, Pa.	146732			1-28-66
Do.	156521			2- 4-66
General Electric Co., Schenectady, N.Y.	156521			4-27-66
Helo Aircraft Corp., Mid-States Manufacturing Division, Pittsburg, Kans.				7-26-65
Honeywell, Inc., Aeronautical Division, Minneapolis, Minn.	158759			4- 5-66
Do.				5-23-66
ITT Federal Laboratories, Clifton, N.J.				4-13-66
International Aircraft Services, Oakland, Calif.				5- 2-66
Lambert Engineering Co., St. Louis, Mo.				3-30-66
Lear-Siegler, Inc., Grand Rapids, Mich.	146972			1-12-66
Lockheed Aircraft Corp., Marietta, Ga.	146966			1-11-66
Do.	158626			4- 5-66
Do.	158626			5- 5-66
Lockheed Missiles and Space Co., Sunnyvale, Calif.	133386			3- 2-66
Martin-Marietta Corp., Denver Division, Denver, Colo.	132992			3-20-66
Radio Engineering Laboratories, Long Island City, N.Y.				4- 5-66
Republic Aviation Corp., Farmingdale, N.Y.	156639			1-18-66
Do.	146805			6-17-66
Service Bureau Corp., The, New York, N.Y.				4-15-66
Southern Pacific Pipe Lines, Inc., San Francisco, Calif.	153467			4-27-66
Sperry Gyroscope Co., Great Neck, N.Y.				4- 6-66
Sylvania Electric Products, Inc., Waltham, Mass.				6-17-66
Various contractors, contracts awarded by Logistics Command	146919			6-28-66
Various contractors, contracts awarded by Satellite Control Facility, Sunnyvale, Calif.				4-22-66
Vitro Corp. of America, Vitro Services Division, New York, N.Y.	157165			9-28-65
Wentworth Institute, Boston, Mass.	157897			10-29-65
Supply management reviews:				
Air Force Eastern Test Range, Patrick Air Force Base, Fla.				4-26-66
Mobile Air Materiel Area, Brookley Air Force Base, Ala.	133019			1-19-66
Offutt Air Force Base, Omaha, Nebr.				6- 3-66
San Antonio Air Materiel Area, Kelly Air Force Base, Tex.				1-21-66
Do.				1-31-66
Do.				5- 5-66
Various air bases and commercial air terminals (airfield-ramp firefighting trucks)				3- 2-66
Procurement reviews:				
Procurement of electricity at Paine Field	154420			9-21-65
Procurement of gasoline reciprocating engines for use with certain general-purpose generator sets	132989			12-16-65
Procurement of J60-T25 jet engines	157278			1-19-66
Procurement of electronic security systems for missile launch facilities	146876			4- 5-66
Procurement of spares and ground equipment for "Jetstar" aircraft	158899			4-12-66
Procurement of electronic security systems at missile launch sites	146876			4-13-66
Procurement of selected aeronautical spare parts under Military Assistance Program	158928			4-19-66

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Aerospace Support Group, Vandenberg Air Force Base, Calif.				11-26-65
Altus Air Force Base, Altus, Okla.				1-27-66
Amarillo Air Force Base, Tex.				9-29-65
Arnold Engineering Development Center, Tenn.				7- 1-65
Bombardment Wing, Biggs Air Force Base, Tex.				5- 5-66
Brooks Air Force Base, Tex.				12-20-65
Charleston Air Force Base, S.C.				2-21-66
Combat Support Group, England Air Force Base, La.				6-20-66
Combat Support Group, Myrtle Beach Air Force Base, S.C.				10-15-65
Combat Support Group, Shaw Air Force Base, S.C.				10-21-65
Combat Support Group, Stewart Air Force Base, Tenn.				7-22-65
Combat Support Squadron, Oxnard Air Force Base, Calif.				10-26-65
Communications Group, Seattle, Wash.				9-29-65
Ellington Air Force Base, Houston, Tex.				3-17-66
Francis E. Warren Air Force Base, Wyo.				5-17-66
Glasgow Air Force Base, Mont.				3- 7-66
Goodfellow Air Force Base, Tex.				10- 7-65
Griffiss Air Force Base, N.Y.				3-21-66
Hamilton Air Force Base, Calif.				10- 8-65
Headquarters Command, Belling Air Force Base, Washington, D.C.				8-13-65
Inertial Guidance and Calibration Group, Newark Air Force Station, Ohio.				9- 3-65
Larson Air Force Base, Wash.				5-20-66
Lincoln Air Force Base, Nebr.				9-30-65
Loring Air Force Base, Me.				12- 7-65
Luke Air Force Base, Glendale, Ariz.				6-24-66
McChord Air Force Base, Wash.				5-24-66
Middletown Air Materiel Area, Pa.				12- 1-65
Mobile Air Materiel Area, Ala.				7- 9-65
Mountain Home Air Force Base, Idaho.				3- 7-66
Oklahoma City Air Materiel Area, Okla.				9-30-65
Otis Air Force Base, Mass.				9- 2-65
San Bernardino Air Materiel Area, Calif.				8-25-65
Schilling Air Force Base, Kans.				9-28-65
Secretary of the Air Staff, Staff Management Division, Pentagon, Washington, D.C.				7-26-65
Selfridge Air Force Base, Mich.				11-12-65
Stead Air Force Base, Nev.				12- 7-65
Suffolk County Air Force Base, Long Island, N.Y.				7-13-65
Support Squadron, Hancock Field, Syracuse, N.Y.				9- 7-65
Troop Carrier Group, Manchester, N.H.				5-11-66
Troop Carrier Group, Memphis, Tenn.				1-18-66
Tyndall Air Force Base, Fla.				3-28-66
Warner Robins Air Materiel Area, Ga.				12-14-65
Williams Air Force Base, Ariz.				6-27-66
Wright-Patterson Air Force Base, Ohio.				1- 3-66
Other audits and reviews:				
Leasing rather than purchasing automatic data processing systems used by Headquarters, U.S. Air Force in Europe.	157566			9- 7-65
Management of family housing and bachelor officer quarters at selected Air Force bases.	133102			10-13-65
Favorable lease-purchase option available under a General Services Administration contract not exercised in acquisition of computer systems, Wright-Patterson Air Force Base, Ohio.	158121			12-16-65
Travel allowances to civilian employees for extended temporary duty at certain locations.	146955			1- 4-66
Transportation of cargo between McClellan and Beale Air Force Bases, Calif.	148798			2- 2-66
Use of contractor-furnished personnel by the Air Force Communications Service, Scott Air Force Base, Ill.	146824			2-18-66
Overhaul of engines for special air mission aircraft.	146888			2-18-66
Maintenance to, and operation of, water systems for launch control facilities, Offutt Air Force Base, Nebr.				3-14-66
Construction of certain rocket motor static-test facilities.	146876			3-29-66
Debt collection activities, Air Force Accounting and Finance Center, Denver, Colo.				5-23-66
Administration and operation of Air Force Aero Clubs, Randolph Air Force Base, Tex., and other aero club locations.				5-19-66

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Transportation of jet fuel by common-carrier pipeline, Homestead Air Force Base, Fla.	153389			6-21-66
INTERNATIONAL ACTIVITIES				
Agency for International Development:				
Audit of Agency for International Development loan program, financial statements fiscal years 1962, 1963, and 1964	133220	3-11-66		
Examination into the sufficiency and reliability of AID's management policy, practices and supporting data in respect to Viet Nam refugees (request of Chairman Subcommittee on Refugees and Escapees, Senate Committee on the Judiciary)	133001		11-24-65	
Examination of arrangements between AID and FCC relative to programing training in the communications field for foreign participants and providing them with administrative support (request of Congressman Joel T. Broyhill)	158032		12-28-65	
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Information on estimated obligations and actuarial liabilities for certain annuity and insurance programs of the Federal Government (request of Senator Leverett Saltonstall)	151876		2-28-66	
Inquiry concerning alleged favoritism in allocating Federal funds (request of Senator Robert C. Byrd)	158260		4-18-66	
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DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966

Most of our audit work in the departments and agencies of the Federal Government is performed in furtherance of our policy of directing our available manpower resources to those areas which, in our opinion, will be most productive of significant findings and recommendations for improving Government operations and achieving greater efficiency and economy.

Accordingly, it must be understood that our reports are not intended as overall evaluations of agency performance with respect to the programs or activities with which the reports are concerned. While we are exerting constant effort to present our findings and recommendations in proper perspective, the conclusions stated in the reports should not be taken as extending to broader areas than indicated in the reports.

In the light of these qualifications, a digest of General Accounting Office reports to the Congress during fiscal year 1966 is presented below.

CIVIL DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE

DEPARTMENTWIDE

Review of safety conditions in certain storage areas, primarily in the South Building of the Department of Agriculture, Washington, D.C., B-158427, Apr. 12, 1966

We observed certain fire hazards and unsafe conditions, primarily in printed matter storage areas in the South Building of the Department of Agriculture, Washington, D.C., resulting from (1) unsound housekeeping and warehousing practices, (2) inadequate maintenance of fire extinguishers and electrical equipment, and (3) absence of fire walls and fire doors between printed matter storage areas and an adjacent garage facility. Generally similar conditions were noted in three other governmental agency buildings in Washington, D.C. The Department and the General Services Administration advised us that they had taken corrective action substantially responsive to our proposals.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE AND COMMODITY CREDIT CORPORATION

Additional costs incurred for farm storage of grain, Commodity Credit Corporation, B-114824, Aug. 23, 1965

Contrary to established policy, grain storage rates to be paid on farm stored grain for the 1964-65 storage year under the resale loan program were established prior to the announcement of the revised Uniform Grain Storage Agreement rates payable to commercial warehousemen, and exceeded the Agreement rates. We estimated that as a result of this action the Corporation would incur additional costs of about \$4.7 million or \$5.6 million. We proposed that, as long as the policy of the Corporation's Board of Directors was to establish storage rates for the resale program in line with the Agreement rates, the Board establish annual storage rates for the resale program only after the related Agreement rates had been established.

We proposed also that, before approving such rates, the Board give consideration to whether proposed changes in policies or deviations from policies will unnecessarily increase program costs. On May 12, 1965, the Department announced new storage rates for grain stored in warehouses operating under the Agreement and stated that the new rates applied also to grain in farm storage under resale price-support loans. We estimated that the reduced rates would result in savings of approximately \$9.2 million during the 1965-66 storage year.

Examination of financial statements of Commodity Credit Corporation for fiscal year 1965, B-114824, Jan. 18, 1966

The Corporation reported a total realized loss of \$3.2 billion for fiscal year 1965. This loss, reimbursable through appropriations, was substantially the same as the realized loss for fiscal year 1964. In view of the unique character and vast scope of the Corporation's operations, particularly with respect to commodity inventories, it was not practicable for us to perform all the examination and verification steps which we believe would be necessary in order to

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

reach an independent overall opinion concerning the accuracy and fairness of the Corporation's financial statements. We did state, however, 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.

Need to consider storing processed commodities on a daily-rate basis, Commodity Credit Corporation, B-114824, Feb. 17, 1966

Under contracts entered into with warehousemen for storing Corporation-owned processed commodities, the Corporation was paying a full month's storage charge for the month in which the commodity was loaded out even though the commodity might not have been stored for the entire month. In some instances, the payment of storage charged on a month-to-month basis resulted in the warehousemen's receiving the equivalent of double revenue and in the Corporation's paying for overlapping periods of storage on the same commodity. On May 2, 1966, the Board of Directors approved a revised storage contract for processed commodities which provided for prorating the final month's storage charge. This action was consistent with our proposal.

COMMODITY EXCHANGE AUTHORITY

Need to strengthen regulatory practices and study certain trading activities relating to commodity futures markets, B-146770, July 16, 1965

Our review disclosed that the number of trade-practice investigations made by the CEA was not sufficient to disclose and discourage abusive trading practices by individuals trading on certain commodity futures markets. Our review showed that 21 of the 36 regulated futures markets had not been subjected to trade-practice investigations during the 5-year period ended June 30, 1964. We recommended that CEA establish and implement a policy requiring more frequent trade-practice investigations on a planned basis with due consideration to the volume of transactions in a particular futures market and the frequency of violations. The Department advised us that it agreed that the number of investigations should be increased and subsequently requested additional funds for this purpose in the fiscal year 1967 budget.

Our review disclosed also that CEA had not evaluated the effect on futures prices of floor trading involving a practice whereby members of a commodity exchange trade for their own accounts. We noted that a study by the Securities and Exchange Commission of floor trading on the securities markets disclosed that floor traders held significant advantages over the trading public and that the study resulted in the adoption of plans designed to eliminate floor trading not considered beneficial to the market. Since it appeared that similar effects could result from such trading on futures markets, we recommended that the Secretary of Agriculture direct the CEA to undertake a study of the extent of floor trading and the influence of such trading on futures prices of commodities. In August 1965, the Department of Agriculture advised us that although it agreed that such a study would be valuable, it did not believe that the study was of sufficient urgency as to require the seeking of additional funds at that time.

FARMERS HOME ADMINISTRATION

Need to strengthen procedures for determining whether loan applicants are unable to obtain financing from private or cooperative credit sources, B-114873, Jan. 6, 1966

Our examination of 222 loans totaling about \$2,262,000 made by FHA showed that 45 loans totaling about \$379,000 were made to applicants who might have been able to obtain their financing from private or cooperative sources. The approval of loans without adequately determining whether other suitable sources were available was not in accordance with FHA policy and instructions which were promulgated to implement the intent of applicable laws that loan programs be administered in such a manner that they would not supplant or compete with credit available from other sources. In June 1965, the Acting Administrator advised us that he questioned our conclusions concerning the specific loans which we examined but that certain of our proposals to strengthen

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

agency procedures would be adopted. In September 1965 and March 1966 new procedures were issued which were designed to implement our proposals and recommendation for corrective action.

Efforts to have borrowers refinance their Government loans when private or cooperative credit becomes available, B-114873, May 26, 1966

We noted in our examination of 306 FHA loans having outstanding principal balances of about \$2.4 million that borrowers of 74 of the loans with outstanding principal balances of about \$500,000, appeared eligible to refinance their Government indebtednesses with private or cooperative credit sources. The retention of loans of borrowers who are eligible for refinancing from other sources is not in accordance with FHA policy and instructions which were promulgated to implement the intent of applicable laws that loan programs be administered in such a manner that they will not supplant or compete with credit available elsewhere. After bringing these loans to the attention of FHA officials, they took action which, as of January 1966, resulted in 39 of the loans, having outstanding principal balances of about \$180,000, being refinanced or repaid by the borrowers. The Acting Administrator, FHA, informed us that the agency agreed with our finding and noted that all State directors had been advised of the need for greater administrative emphasis to achieve full compliance with the agency's refinancing policies. In June 1966, FHA issued revised refinancing instructions which incorporated the substance of our proposals for corrective action.

FEDERAL CROP INSURANCE CORPORATION

Examination of financial statements of Federal Crop Insurance Corporation for fiscal year 1965, B-114834, Jan. 17, 1966

We expressed the opinion that the financial statements of the Corporation presented fairly its financial position at June 30, 1965, and the results of its operations for the year then ended. We pointed out that the Corporation is authorized to fix premiums at rates sufficient to cover claims for crop losses and to establish a reserve against unforeseen losses. No specific authorization is provided for fixing premiums at rates sufficient to cover direct costs of loss adjustment or operating and administrative expenses financed from the insurance fund within limits prescribed in applicable appropriation acts. Consequently, the continued incurrence of such costs in excess of premiums net of indemnities and of amounts appropriated for operating and administrative expenses, reduces and could exhaust the available reserve. Thereafter, it could become necessary to make such payments from the capital of the Corporation.

FOREST SERVICE

Analysis of certain aspects of bidding by both sealed bids and oral auction bids on national forest timber in the Northern Region (Region 1) and the California Region (Region 5), B-125053, Oct. 11, 1965

At the request of Senator Wayne Morse, we reported to the Congress on the results of our analysis of certain statistical data concerning various aspects of bidding, by both sealed bids and oral auction, for national forest timber in Forest Service Regions 1 and 5 for calendar years 1962 and 1963.

Our analysis showed that (1) the oral auction bid method produced proportionately more single-bid sales of national forest timber than did the sealed-bid method, (2) 94 percent of the single-bid oral auction sales were made at appraised value while the corresponding figure for single-bid sealed sales was 42 percent, (3) the average number of bidders for sales under 15 million board feet—representing over 90 percent of all sales—was greater for sales offered under sealed-bid procedures than for sales offered under oral auction bid procedures, (4) the majority of the oral auction timber offerings were sold at low or high extremes—at appraised value, within 10 percent above appraised value, or in excess of 200 percent above appraised value, whereas the successful bids for the sealed-bid offerings appeared to be more evenly distributed throughout the various percentages by which the successful bids exceeded appraised values, (5) the difference between the highest and second-highest bids was greater in a significantly larger number of instances for sealed bid than for oral auction sales, (6) the pattern of bidder location indicated that the use of sealed-bid

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

procedures did not attract a proportionately larger number of distant bidders than did the use of oral auction procedures, (7) bidders located closest to the sale area were more often successful in obtaining timber sales than bidders which were further from the sale area and that such success was not significantly affected by the bidding method employed, and (8) purchasers that obtained the largest volume of timber in each of the seven selected national forests—representing only about 1 in 35 of the total number of bidders and only about 1 in 20 of the total number of purchasers—obtained collectively about 32 percent of the total volume sold in these forests in calendar years 1962 and 1963.

Follow-up review of adjustments made in fees charged for summer-home sites on national forest lands, B-152490, Jan. 18, 1966

In a report to the Congress in March 1963, we had pointed out that the Forest Service fees for permits for summer-home sites were in some cases less than the fees would have been if computed, in accordance with Forest Service instructions, on the basis of the estimated values of comparable privately owned lands used for the same purpose in the same areas. Our follow-up review of the action taken by the Forest Service through May 1965 showed that, in line with our prior recommendation, the agency had reviewed most of the special-use permit fees for summer-home sites and recalculated the permit fees. As a result, it was expected that revenues to the Government would increase by approximately \$1.5 million for the 5-year periods from the effective dates of the fee increases to the next applicable fee adjustment dates.

Procedures for measuring national forest timber in the Pacific Northwest Region (Region 6), B-125053, Mar. 24, 1966

In certain areas within the Pacific Northwest Region, the Forest Service uses private organizations known as scaling bureaus to measure, for payment purposes, the timber cut and removed by purchasers from the national forests. Our review showed that certain of the scaling bureaus' procedures resulted in understating the volume of timber with consequent losses to the Government of timber sale revenues. Although Region 6 officials were aware as early as April 1962 that the procedures used by the scaling bureaus to measure certain partially defective logs were resulting in understatements of timber volume, this practice was not corrected until about 2 years later, with a resultant loss in timber sale revenues which we estimated to be about \$80,000 for sales made at appraised value (minimum acceptable price) and as much as \$550,000 for sales both at and above appraised value.

Also, we found that Region 6 officials were aware as early as 1959 that some timber sale revenues were being lost because the scaling bureaus were improperly measuring certain 17-, 35-, and 43-foot logs; however, during the following 6-year period, they had obtained only partial corrective action. Although the Forest Service did not agree with our computation of the estimated losses of revenue to the Government, it agreed with our recommendation that, in the future, if the agency is unsuccessful in achieving necessary changes in scaling bureau procedures for the measuring of timber or there are unreasonable delays in achieving such changes, action should be taken to discontinue, as soon as practicable, the use of the services of any scaling bureau that does not implement the necessary changes.

RURAL ELECTRIFICATION ADMINISTRATION

Examination into alternative transmission plans considered prior to approval of a loan to East River Electric Power Cooperative, Inc., Madison, S. Dak., B-157545, Feb. 10, 1966

At the request of the Chairman of the Subcommittee on Department of Agriculture and Related Agencies, Senate Committee on Appropriations, we examined into the cost and feasibility of each of three transmission plans—straight-wheeling, joint, and independent—considered by REA prior to its decision to make a loan to East River Electric Power Cooperative, Inc. We concluded that, solely on the basis of the foreseeable benefits of the joint plan, the adoption of that plan would have apparently resulted in greater economies to East River than would the adoption of the independent plan. In addition, we noted that REA had considered the joint plan to offer a more reliable system than the independent plan.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

In approving the independent plan, REA cited certain possibilities for achieving economies under this plan which might offset the foreseeable benefits of the joint plan. We expressed the opinion that REA did not fully explore these possibilities in order to ascertain their likelihood of occurring and the resultant effect on the alternative plan. To what extent the results of further exploration might have affected the decision to approve the independent plan could not be measured when the loan was approved; nor was it evident, at the time we completed our review, that developments subsequent to the loan approval had either confirmed or disproved that such possibilities would materialize.

SOIL CONSERVATION SERVICE

Opportunities for reducing the number of vehicles maintained in fleet, B-114833, May 24, 1966

Our review of the utilization of 453 vehicles assigned to selected SCS offices in three States indicated that 84 vehicles, or about 19 percent of the vehicles assigned to the selected offices, were not needed. We expressed the opinion that the accumulation of more vehicles than were needed at the selected offices evidenced a need for (1) the pooling of vehicles among offices located in proximity to each other, where possible, and (2) the assigning of vehicles on the basis of actual usage. We also expressed the belief that appropriate revision of the agency's procedures to consider these matters would afford an opportunity to reduce the vehicle fleet by a larger number of vehicles than the specific number indicated by our review at the selected field offices.

We recommended that the Secretary of Agriculture request the Administrator of the SCS to initiate a Service-wide review of daily vehicle utilization for the purpose of establishing the number of vehicles needed by the agency, giving due consideration to the possibility of pooling vehicles at locations where there is more than one office, as well as to planned changes in future program activity. We recommended also that agency guidelines for assigning vehicles be supplemented to provide for the pooling, where feasible, of vehicles at locations where SCS has more than one office and that all assignments be periodically reviewed as to reasonableness and justified on the basis of actual usage of vehicles. At the end of the fiscal year no action had been taken on our recommendations.

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

Relocation of railroad facilities, Walter F. George Lock and Dam, Fort Gaines, Ga., B-156516, Mar. 11, 1966

Our review of the railroad's general ledger accounts indicated that the Corps paid the railroad about \$770,000 more than it cost the railroad to relocate certain railroad facilities necessitated by the construction of the Walter F. George Lock and Dam near Fort Gaines, Ga. Although the general policy of the Corps was to use cost-reimbursable-type contracts for major relocations, the Corps entered into a firm fixed-price contract with the railroad because it believed that the fixed-price contract would result in savings to the Government. A more complete evaluation of the cost estimates, which we believe reasonably should have been made in the circumstances, would have indicated that the proposed amount of the fixed-price contract would not have resulted in the savings anticipated by the Corps and, therefore, that there was no need to deviate from the general policy of using cost-reimbursable contracts.

In response to our recommendation, the Chief of Engineers amended the Corps' regulations to require that field requests for permission to enter into fixed-price contracts for major relocations be accompanied by detailed cost analyses which should enable the headquarters office to properly evaluate the circumstances requiring a deviation from the prescribed procedures.

Opportunity for savings by reducing overtime on revetment construction and maintenance on the Lower Mississippi River, B-118634, Apr. 29, 1966

On the basis of our review of regularly scheduled overtime on revetment construction and maintenance work performed by the Corps of Engineers on the

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

Lower Mississippi River, we believe that, in most cases, the Corps of Engineers could accomplish planned revetment work over an extended construction period by using a 40-hour workweek in lieu of scheduled overtime work to accelerate revetment operations. Revetment construction involves the laying of concrete mattresses at selected bank locations to protect vulnerable bank areas from the eroding action of the river currents.

We estimated that the Corps of Engineers could have realized savings of about \$521,000 during fiscal years 1962 through 1965 by eliminating scheduled overtime in revetment construction activities performed by the Memphis District of the Corps of Engineers on the Lower Mississippi River. We therefore recommended that the Chief of Engineers direct the Lower Mississippi Valley Division to use a 40-hour workweek in programming revetment construction by the Memphis District and that overtime be limited to that required after it becomes apparent that necessary work cannot be accomplished on a 40-hour workweek basis.

DEPARTMENT OF COMMERCE

AREA REDEVELOPMENT ADMINISTRATION

Questionable basis for approving loans for the construction of three motels, B-153449, Oct. 22, 1965

ARA approved loans totaling \$1.1 million for the construction of three motels against the recommendations of the Small Business Administration and without, in our opinion, having reasonable assurance of repayment. We proposed that ARA act in accordance with the recommendations of SBA unless there was convincing information that would negate SBA's conclusions. ARA agreed in principle with this proposal. As one of the motels had not been constructed, we further proposed that the loan commitment be reexamined and that ARA attempt to obtain a mutual agreement for cancellation of the loan. As a result of our proposal, ARA engaged a consultant who concluded that the project as planned was not economically feasible but that a smaller project would be feasible. Accordingly, a smaller motel was planned and Federal financial assistance was reduced by \$200,000.

Information relating to local employment created by the accelerated public works program, B-153449, Feb. 18, 1966

Procedures to encourage the employment of local labor by contractors on accelerated public works projects, adopted by the various participating Government agencies we reviewed, were generally ineffective. For projects constructed under the direct supervision of the Forest Service, Department of Agriculture, however, the work forces hired by that agency generally were residents of the areas in which the projects were situated. Officials of two agencies expressed the opinion that the skills required for the construction of certain public works projects in small rural areas were scarce. For projects constructed by contract, the actual project cost to produce one man-year of work generally exceeded the ARA ceiling because estimates of the number of jobs to be created were overly optimistic. One agency official believed the ceiling to be unrealistic and could not be obtained for projects such as sewage treatment works.

The Acting Administrator, ARA, advised us that, if a program such as the accelerated public works program were reenacted, consideration would be given to changes in regulations and procedures, and the enforcement thereof, which would serve to increase the employment of local labor on the construction sites.

BUREAU OF PUBLIC ROADS

Problems and additional costs expected to result from use of stage construction of the Capital Beltway, Interstate Route 495, in the State of Maryland, B-118653, Dec. 17, 1965

The Bureau approved construction in stages for a portion of an interstate highway without requiring the State to prepare an analysis comparing the benefits to be derived with the anticipated additional costs involved. For the most part, six lanes were provided in the initial construction and two additional lanes were to

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966--Continued

be provided at a later date. Additional Federal costs resulting from stage construction were estimated at \$1.3 million. We recommended that the Federal Highway Administrator require that decisions regarding use of stage construction be based on thorough economic analysis of the benefits and additional costs involved. The Bureau and the State did not agree that the use of stage construction in this instance was inappropriate. Although its comments indicated recognition of the need for economic analyses, the Bureau stated that attention to overall public benefits was also important. It did not consider that specific instructions to its field engineers and State highway departments as to the methods to be used to justify stage construction were necessary.

Need for specific guidelines regarding Federal participation in costs of standard-type plans, B-118653, Mar. 10, 1966

Eligibility for Federal participation in the engineering costs involved in preparing typical design drawings for commonly used items—such as speed-limit, stop, and yield signs and sign panels and structures—was not based on a meaningful analysis of the work to be done to determine whether such drawings could actually be used generally and repetitively but was based on whether the State specifically identified the work as the preparation of standard plans. In one State, the Bureau concluded that engineering costs for typical design drawings, identified as standard plans for more than one project, were in the nature of administrative expenses not eligible for Federal participation whereas in another State, the cost of similar design drawings prepared under consultant contracts, not identified as standard plans, were allowed for Federal participation.

In accordance with the Federal-aid highway regulations, the Bureau considered the preparation of standard plans to be an administrative function of the State and, therefore, not eligible for Federal aid. In the interest of providing consistent adherence with the applicable regulation, we proposed that the Bureau establish a policy which would prohibit Federal participation in the costs of preparing all drawings suitable for use as standard plans. We also suggested that the Bureau consider means whereby the resources, including engineering talent, available to the States and the Bureau for the administration of the highway program can be utilized in work of an original nature rather than in the preparation of plans and drawings of a type that have already been completed and found acceptable by the Bureau for other projects and in other States. The Bureau subsequently issued instructions to its field engineers aimed at achieving the objectives of our proposals.

Need for further improvement in accounting and financial reporting system, B-115368, June 30, 1966

The Bureau's accounting system did not produce adequate breakdowns of costs so as to provide management with the kind of financial information that, in our opinion, would be helpful in controlling costs and evaluating financial performance. Also, the Bureau did not prepare integrated overall financial statements for use by management in reporting to the public on the custody and application of financial resources for which it is responsible. The Bureau concurred in our proposals to revise its accounting and financial reporting procedures so as to provide management with additional cost information for current use in evaluating performance and to disclose costs of carrying out the Bureau's various operations, and to produce overall integrated financial reports.

With the exception of the aforementioned items, the Bureau's accounting system is generally in accord with the principles and standards prescribed by the Comptroller General; however, we have not stated our approval of the Bureau's accounting system pending further development of its cost accounting and financial reporting procedures.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Audit of financial statements of Saint Lawrence Seaway Development Corporation for calendar year 1964, B-125007, July 26, 1965

We expressed our opinion that the Corporation's financial statements presented fairly its financial position at December 31, 1964, and the results of its operations and the source and application of its funds for the year then ended, in conformity with the principles and standards of accounting prescribed for executive agencies by the Comptroller General of the United States applied on a

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

basis consistent with that of the preceding year, except for the treatment of depreciation of land rights, relocations, channels, and canals, with which we concur.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF THE SECRETARY

Deficiencies in administration of donable surplus personal property program for educational and public health purposes in the State of Missouri, B-133265, Aug. 12, 1965

A review of 226 selected items of surplus property with a reported acquisition cost of \$1,019,000 showed that donee institutions had not put in use, or had not used in accordance with requirements established by the Department for the maximum utilization of such property, 67 items with an acquisition cost of about \$210,000. In some cases property was found to be in the hands of other than the original donees, or was sold, traded, or otherwise used for other than originally intended purposes. At the time of our review we found that the Department's regional representatives had not made the required administrative reviews of the State's surplus property distribution agency.

Consistent with our recommendation the Department informed us in September 1965 that it was revising its administrative review instructions and forms with a view toward more regularity and thoroughness of the entire administrative review activity, including positive follow-through to obtain corrective action and that steps were being taken to assure that each State agency would either be audited or administratively reviewed each year.

PUBLIC HEALTH SERVICE

Weaknesses in management of vaccines stored for the civil defense medical stockpile, B-133038, July 23, 1965

Storage methods employed by the Public Health Service were deficient to the point of impairing the effectiveness of the emergency health service program. We noted that in the event of an emergency it would have been highly improbable for vaccines to be distributed in a timely manner because additional processing to put the vaccines in a useable form would have been required after their removal from the stockpile. In response to our proposal, the Department advised us that quantities of four types of vaccines (of the 17 types contained in the medical stockpile) had been converted from bulk stock form to finished products and that it was contemplated to continue to convert all bulk stocks to finished products during fiscal year 1966, with the exception of the stocks of four vaccines, valued at about \$527,000, which would remain in bulk form until they deteriorated because they are no longer considered to be required in a national emergency. Pursuant to our recommendation to make the unneeded vaccines available for use by other Government agencies, the PHS transferred the entire stock of three of the vaccines to the Department of Defense.

Further, we noted that most of the vaccines were not adequately deployed to prevent the total loss of one or more types of vaccines in the event of damage to or destruction of a storage depot and, on the basis of available criteria, that the storage depots were not located in areas which would provide the greatest margin of safety in the event of enemy attack. The Department, in line with our proposal, informed us that the converted vaccines had been strategically stored at three medical depots.

Excessive procurement of equipment and supplies for packaged disaster hospitals, B-133038, Aug. 3, 1965

The PHS made procurements of many items of equipment and supplies in quantities greater than necessary to meet the established requirements for the 2,680 Packaged Disaster hospitals for which funds had been authorized by the Congress. PHS officials informed us that the excessive procurement of one item, surgical plaster costing about \$664,000, which is subject to relatively fast deterioration, was made to prevent the loss of funds before the appropriation would expire on June 30, 1962, and that the excess was to be made part of a reserve supply to be maintained at civil defense medical

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

depots. Since the Congress has not specifically authorized a reserve supply, or total disaster hospitals in excess of 2,680, and PHS did not have any assurance that such authorization would be obtained in the near future, we proposed that PHS limit procurements for disaster hospitals to the quantities needed to stock and maintain the existing disaster hospitals until such time as the Congress expressly approved procurement for additional disaster hospitals and reserves. The Department informed us that corrective measures had been taken in line with our proposal.

Also, pursuant to our recommendation, PHS stated in September 1965 that it had undertaken action to determine whether equipment and supplies excessive to the needs of the medical stockpile can be effectively utilized in other PHS activities; any items that cannot be so utilized are being made available for use by other Government agencies or for sale or donation in accordance with the Federal Property Management Regulations.

Actions being taken to achieve greater utilization of limited-life and long-supply items in civil defense medical stockpile managed by Public Health Service, B-133038, Feb. 17, 1966

Opportunities existed for savings if limited-life items or long-supply items in excess of currently authorized requirements in the civil defense medical stockpile could be transferred to the Department of Defense, the Veterans Administration, and the Public Health Service hospitals and clinics for current use in the conduct of the medical programs of these agencies. Such rotation of stocks among the various medical programs would reduce stockpile losses caused by deterioration and certain other related costs and would enable replacement in the civil defense medical stockpile with new stocks. Also, the utilization of long-supply items would lessen the need for new procurements for the medical programs of DOD, VA, and PHS. We pointed out that losses from deterioration amounting to many millions of dollars would continue indefinitely unless an effective program was established for rotation of limited-life items.

We had previously reported to the Subcommittee on Federal Procurement and Regulation, Joint Economic Committee, the nature of our findings relative to our review of the medical stockpile program. Based on a recommendation made by the Subcommittee, officials of PHS, DOD, VA, and GSA established an Interagency Coordinating Committee to develop a firm routine for maximum utilization of shelf-life and excess items in the medical stockpile.

From January 1965, when we communicated our findings to the agency, through June 30, 1966, PHS transferred to other Federal agencies medical items valued at about \$8.7 million which otherwise may have deteriorated.

SOCIAL SECURITY ADMINISTRATION

Proposed principles of reimbursement for provider costs under Public Law 89-97, B-142983, May 24, 1966

At the request of the Chairman, Senate Committee on Finance, we reviewed the principles prepared by the Social Security Administration for reimbursing the providers of services to beneficiaries under Public Law 89-97, the health insurance for the aged act. We identified certain questions and problem areas which we believed, from the standpoint of policy and administration, were deserving of further consideration in the determination of whether the proposed principles should be promulgated in their existing form.

One of the most significant of our questions centered on whether making interest free advance payments as contemplated in the principles would result in financial benefits to the program commensurate with the consequent loss of earnings to the hospital insurance trust fund and also, from the overall government standpoint, the desirability of establishing a precedent for making advances for future government programs.

As a result of this and other questions which we raised, SSA revised the principles to eliminate the making of advance payments and provided instead for reimbursement of providers' costs concurrently with the rendering of services; to disallow interest on current indebtedness as a reimbursable cost to the extent that costs of services are reimbursed concurrently; to require the offsetting of interest earned in prior years on funded depreciation against current interest expense in instances where depreciation funds are not used for capital pur-

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

poses directly related to patient care; to restrict changes in methods of depreciation to one change during the useful life of a particular asset; and to require the inclusion, in the determination of allowable costs, of gains and losses realized on the disposal of depreciable assets.

WELFARE ADMINISTRATION

Federal financial participation in the costs of prescribed drugs for welfare recipients in the State of Pennsylvania, B-114836, Feb. 3, 1966

Our review of Federal financial participation in the costs of prescribed drugs for welfare recipients in the State of Pennsylvania indicated that Federal savings of from \$354,000 to as much as \$705,000 could have been realized during fiscal year 1964 through maximum use of less expensive nonproprietary (generic) name drugs. Subsequent to our review, the Department enunciated as its policy that nonproprietary or generic name drugs should be used both by constituent operating agencies and grantees whenever it is practicable and economical.

We recommended that, in implementing the Department's policy, the Commissioner, Welfare Administration, issue a policy specifically recommending that State agencies administering federally aided public assistance programs adopt policies and procedures designed to encourage physicians to prescribe, and pharmacists to dispense, for the use of welfare recipients, less expensive nonproprietary name drugs, whenever practicable, and consistent with the recipients' welfare. Following our recommendation, the Department stated in May 1966 that a policy statement along the lines recommended would be developed.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

Increased costs incurred by Government purchase of credit reports rather than insistence that lenders submit acceptable credit reports, B-114860, July 22, 1965

During fiscal years 1963 and 1964, FHA costs were increased unnecessarily by an estimated \$400,000 because the agency, rather than lenders, obtained and paid for supplemental credit reports on applicants for mortgage insurance. The reports were purchased by the Administration because lenders had failed to submit acceptable credit reports initially, contrary to FHA requirements. Although the number of credit reports purchased by the agency declined significantly in calendar year 1964, we estimated that between \$40,000 and \$50,000 was spent unnecessarily to purchase credit reports during fiscal year 1965.

In response to our proposal, the Commissioner, FHA, stated his belief that its adoption would create serious practical problems and additional costs for an extensive credit bureau qualification review system or would require FHA to accept reports only from a small group of approved credit reporting sources. We do not believe that significant problems and costs would be involved in adopting our proposal because the Commissioner has informed us that the great majority of mortgages are now submitting adequate credit reports. Subsequent to the issuance of our report, the Commissioner took some corrective action by instructing insuring office directors to bring to the attention of mortgages involved the accumulated evidence of the deficiencies in the credit reports they were submitting.

Need for increased efforts to minimize rental delinquencies on acquired properties, B-114860, Jan. 17, 1966

Our review of delinquent rentals on properties owned by the FHA disclosed that the agency's actual and potential losses of rental income were sizable and had been increasing, partially, in our opinion, as a result of insufficient agency effort toward minimizing rental delinquencies of tenants occupying agency-owned housing. During fiscal year 1964, about \$248,000 in delinquent rents, nationwide, were written off by FHA as uncollectible; and on June 30, 1964, remaining delinquent rents totaled about \$762,000 of which about \$480,000 was owed by persons no longer living in the housing.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

In our opinion, the increasing problem of rental delinquencies was attributable, in part, to insufficient supervision of broker's activities by the insuring offices, weaknesses in central office management controls, and insufficient follow-up on agency internal audit reports. The Commissioner, FHA, advised us of various corrective measures which had been adopted in Washington and the insuring offices which, in our opinion, should help to minimize losses and improve control over delinquent rental accounts.

Approval of mortgage insurance for a housing project for the elderly located near Fort Worth, Tex., B-114860, Feb. 17, 1966

In approving mortgage insurance on a \$4.5 million mortgage on a housing project for the elderly FHA did not take reasonable precautions to assure itself that the project's sponsors had the ability, or were aware of their responsibility, to fully subsidize the operations of the project which the agency recognized might incur large operating deficits. We believe that the agency placed undue reliance on the national organization to which the sponsors belonged for ensuring the financial success of the project. Also, FHA permitted the builder to contribute funds needed by the sponsors and as a result, the sponsors were not required to demonstrate any independent fund-raising ability.

We proposed to the Commissioner, FHA, that the agency's procedures be revised to require reasonably firm assurance from central or national organizations before permitting insuring offices to consider as prospective tenants persons who are not residents of the locality in which the project is to be constructed, and also to require nonprofit sponsors to raise necessary funds from persons or organizations which do not stand to profit from the approval of mortgage insurance for the project. The Commissioner informed us that these matters were being considered by the agency.

Approval of mortgage insurance on housing project for the elderly in Houston, Tex., B-114860, Feb. 23, 1966

Our review indicated that the approval of insurance for a \$4.7 million mortgage for this project was contrary to the agency's prescribed policy because the project did not have the long-term support of a sponsoring organization having demonstrated reliability, substance, and ability to give reasonable assurance of the successful continuity of the project throughout the term of the mortgage. Also, in our opinion, the agency officials' action in establishing a land valuation for insuring purposes which was substantially higher than the valuation determined by the agency's technical staff appraisers was questionable and their action in increasing estimated project rental income over the rental income anticipated by the mortgagor was not adequately supported. These actions resulted in a larger insured mortgage and thereby increased the risk of loss to the Government in the event the project is not successful.

We recommended that the FHA Commissioner stress the importance to agency officials of close adherence to existing procedures and requirements and that he impress upon these officials the need to guard against the assumption of unnecessary risks when insuring such mortgages. We have been informed by agency officials that copies of the report have been distributed to all insuring office directors and other cognizant officials.

Examination of financial statements of Federal Housing Administration for fiscal year 1964, B-114860, Mar. 3, 1966

We expressed our opinion that, except for certain items explained in the report, the agency's financial statements present fairly its financial position at June 30, 1964, and the results of its operations and the source and application of its funds for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with Federal laws.

Approval of mortgage insurance for a high-rise multifamily housing project in Newark, N.J., B-114860, Mar. 10, 1966

The agency insured a \$4.5 million mortgage for a high-rise multifamily project although agency surveys and reviews available at the time indicated that only a limited demand existed in Newark for the type of apartment units at the range of rents proposed and that the market was unable to readily absorb other newly completed, agency-insured, high-rise structures which were being

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

offered at generally similar rental levels. Also, in computing the value of the land for the project for mortgage insurance purposes, the agency used methods and procedures that differed from those normally followed which resulted in a higher land valuation than would have been obtained had the agency's normal method been followed. Further, agency analysts, in reviewing the application for mortgage insurance, deviated from agency procedures, which contributed to estimates of project rental income and real estate tax expense that appeared to us to be overly optimistic.

We recommended that the Commissioner, FHA, bring the report to the attention of agency officials to stress the importance of (1) requiring adherence to prescribed underwriting procedures and (2) carefully evaluating future proposals for projects to ensure their being in line with current and forecast area rental conditions and markets. We have since been informed by agency officials that copies of the report have been distributed to all insuring office directors and other cognizant officials.

Repair practices relating to single-family properties acquired through mortgage insurance programs, B-114860, June 21, 1966

This report supplemented a previous report to the Congress concerning repair practices for single-family properties acquired by the agency in Wichita, Kans., and stated that many acquired single-family properties in the State of Georgia, owned by FHA and managed by the Atlanta insuring office, were in deteriorated condition and had not been repaired in a timely manner, as required by agency procedures. In our opinion the timely repair of properties improves their sales potential and decreases the cost of holding these properties in inventory. If effectively implemented, the agency's revised instructions and the increased emphasis now being directed toward the problem should, in our opinion, help to correct the situation discussed in this report.

PUBLIC HOUSING ADMINISTRATION

Inclusion of balconies and use of high-cost brick in constructing low-rent public housing projects, B-118718, Feb. 17, 1966

Our limited review showed that PHA permitted three local housing authorities (LHA) to include balconies in the construction of low-rent housing at 12 project sites and one LHA to use high-cost brick in the construction of housing at 19 project sites. We estimated that these features increased construction costs and related interest charges for the 31 projects by about \$3.8 million. The legislative history of section 15(5) of the U.S. Housing Act of 1937, as amended, indicates that the Congress intended low-rent housing projects to be built at the most economical cost consistent with providing decent, safe, and sanitary dwellings, simple in design and, to the extent practicable, of inexpensive materials. Neither the balconies nor the high cost brick had been justified on the basis that their inclusion would promote economy and would be necessary to provide decent, safe, and sanitary housing.

The increase in project development costs at the 31 projects due to the inclusion of balconies and the use of high-cost brick was, in our opinion, inconsistent with the legislative intent of section 15(5) of the housing act and demonstrated the need for adequate criteria for determining the types of designs and materials that will reasonably ensure economical costs. Therefore, we recommended that the Secretary of Housing and Urban Development require the Public Housing Commissioner to establish such criteria and to instruct PHA regional directors not to concur in plans for future low-rent public housing projects, which are not in conformance with such established criteria. The Secretary informed us that he was not in favor of establishing criteria as we had recommended because he believed they would impose undesirable restraints on the design and construction of housing projects.

Examination of financial statements of Public Housing Administration for fiscal years 1965 and 1964, B-114863, Mar. 2, 1966

The report contained our opinion that the financial statements presented fairly the financial position of PHA at June 30, 1965, and June 30, 1964, the results of its operations and the sources and application of its funds for the years then ended, in conformity with generally accepted accounting principles

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

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

URBAN RENEWAL ADMINISTRATION

Increased Federal participation resulting from overallocation of public facility costs to five urban renewal projects in Hawaii and California, B-118754, Aug. 23, 1965

The San Francisco HUD Regional Office approved what we believe to be overallocations of costs for public facilities to five urban renewal projects. The approvals were based, in our opinion, on incomplete or inaccurate data, which resulted in the costs of the facilities not being properly allocated between the project areas and areas outside the project on the basis of relative benefits to be provided. We estimated that about \$753,000 of the \$1,580,000 cost allocated to the five projects was excessive. The Federal Government's share of the cost of these allowances would have been about \$500,000. We believe that the excessive credits were the result of inadequate reviews and evaluations by the agency of the claims for noncash grant-in-aid credits submitted by the local public agencies.

Based on our findings, URA disallowed credits of about \$650,000 from project costs for four of the projects but had taken no action by the end of the fiscal year 1966 with regard to the remaining credit which we believed to be excessive. URA also took action, in accordance with our recommendation, to further strengthen procedures in the regional offices for reviewing claims for noncash grant-in-aid credits.

Allocation of school facility costs to five federally assisted urban renewal projects in New Jersey and Illinois, B-118754, Feb. 17, 1966

The Philadelphia and Chicago HUD regional offices approved, in our opinion, overallocations of costs for school facilities in five urban renewal projects in New Jersey and Illinois. We estimated that about \$3.8 million of the \$8.4 million cost allocated to the five projects was excessive because, in our opinion, the Philadelphia and Chicago HUD regional offices used incomplete or incorrect student enrollment data and unrealistic methods of determining relative benefits of schools to project areas and to areas outside the projects. The Federal Government's share of the overallocation was about \$2.6 million.

URA generally did not agree that the credits for the schools were excessive or that there was a need to adjust the credits. We believe, however, that the data on which the approvals were based do not support the position to continue to allow the excessive allocation of noncash grant-in-aid credits to the projects, and recommended that the credits be reduced to amounts more representative of the benefits derived by the urban renewal projects.

Pertinent data obtained in preliminary review of University-Euclid Urban Renewal Project No. 1, Cleveland, Ohio, B-118754, dated May 23, 1966

At the request of Congressman Charles A. Vanik we made a preliminary review of certain aspects of the planning and execution of the University-Euclid Urban Renewal Project No. 1 in Cleveland, Ohio, approved on March 5, 1962.

We found that significant project delays have occurred which may be indicative of inadequate planning and/or execution of the project. The records of the local public agency showed that as of December 31, 1965: (1) only about 12 percent (163 buildings containing 592 dwelling units) of the revised number of about 1,300 buildings containing about 4,000 dwelling units requiring rehabilitation had been completed even though about 50 percent of the amount budgeted for consulting fees and salaries for the rehabilitation phase of the project had been incurred and (2) no new residential construction had been started and the 20 sites originally planned for residential redevelopment had been reduced to 7 sites which it was estimated would contain up to about 1,200 dwelling units. The records showed also that as of March 1966, contracts had been awarded for only about one-third of the amount of improvements planned to be provided during project execution.

Records of the Department showed that it was aware that difficulties were occurring on Project No. 1 and that a request from the local public agency in Cleveland for assistance in the preparation of urban renewal plans and programs for additional areas in the city of Cleveland was denied in March

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

1966 until other urgent and outstanding obligations in regard to existing projects had been dealt with by the local agency.

DEPARTMENT OF THE INTERIOR

THE ALASKA RAILROAD

Improvements in the budget presentation of proposed major capital expenditures, B-114886, June 21, 1966

Our examination of Railroad budget justifications disclosed that the Railroad had not adequately informed the Congress of the proposed acquisition of two new river barges for use by a lessee-operator although the Congress had specifically instructed the Railroad to furnish details of the proposal for congressional consideration. Furthermore, the nondisclosure of the proposed acquisitions was contrary to the Senate Appropriations Committee's directive that no major capital improvement was to be made until it was presented to and approved by the Congress. Also, we found that there was not full understanding on the use of a nonprogrammed reserve account from which one of the barges was financed, and we concluded that the Railroad had not adequately prepared its budget justifications and the Department had not adequately reviewed Railroad budgetary matters. The Department, in commenting on our report, advised that it agreed with our findings and that steps would be taken to strengthen the preparation and review of Railroad budgets, clarify the use of the nonprogrammed reserve account as it relates to major capital improvements, and disclose fully the barge acquisitions to the Congress.

Inquiry relating to barge operations of the Alaska Railroad (request of Senator Ernest Gruening) B-154645, Mar. 18, 1966

We examined into the involvement of the Alaska Railroad in river barge traffic on the Alaska inland riverways to determine whether the Railroad's lessee-operator of river barge service was competing unfairly with the operator of a privately-owned barge. Our review showed that the two barge operators were in competition for the transportation of river cargo which consisted primarily of military bulk petroleum. Our review also showed that the military services preferred the two-carrier system to maintain the keen competition which allegedly has resulted in reduced tariff rates and allocate bulk petroleum shipments between the two carriers up to the capabilities of the individual carriers but not to exceed 50 percent. We concluded therefore that a significant factor in evaluating the competitive situation for river barge traffic appeared to be the control exercised by the military services and that the continued involvement of the Railroad in barge operations was a matter for legislative and executive policy determinations.

BONNEVILLE POWER ADMINISTRATION

Examination of financial statements of the Columbia River Federal Power System and related activities, fiscal year 1965, B-114858, Dec. 30, 1965

The report to the Secretary of the Interior on our examination of the financial statements of the Columbia River Federal Power System for fiscal year 1965 was included in the Bonneville Power Administrator's report sent to the Congress in accordance with the requirements of the Bonneville Project Act (16 U.S.C. 832 h(c)).

We expressed our opinion that the financial statements, together with the explanatory comments included in our report, present fairly the assets and liabilities of the Columbia River Federal Power System at June 30, 1965, the financial results of its power operations for the year then ended, and the financial effects of the substantial changes in accounting principles and practices adopted between June 30, 1962, and June 30, 1965, in conformity with principles and standards of accounting prescribed for executive agencies of the Federal Government by the Comptroller General of the United States, except for the lack of firm construction cost allocations, the financial effect of which is not now determinable. The accounts and financial statements are subject to adjustment because firm cost allocations of the cost of constructing joint-use facilities at 8 of

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

the 16 generating projects in operation at June 30, 1963, had not been made to power and nonpower purposes.

BUREAU OF INDIAN AFFAIRS

Unauthorized acquisition of passenger vehicles, B-154282, Nov. 3, 1965

Our review disclosed that passenger vehicles acquired by the Bureau of Indian Affairs exceeded the number authorized by the Congress by 64 vehicles in fiscal year 1962 and by 124 vehicles in fiscal year 1963. The unauthorized acquisitions consisted of 86 new passenger vehicles purchased and 102 used passenger vehicles obtained from other Government agencies without transfer of funds. The purchase of the 86 new vehicles was in violation of the Anti-Deficiency Act (31 U.S.C. 665) and occurred primarily because the Bureau's accounting system did not provide adequate controls to ensure compliance with provisions of the annual appropriation acts. The Bureau did not consider the acquisition of the 102 used passenger vehicles from other Government agencies as being chargeable against appropriation act limitations because no transfer of funds was involved. Our review showed also that the Bureau augmented its passenger vehicle fleet by the concurrent use of old vehicles with their replacements, a practice which is inconsistent with the intent of existing legislation. Corrective action was taken after we brought these matters to the attention of the Department and the Bureau.

Need for improvements in the management of moneys held in trust for Indians, B-114868, Mar. 11, 1966

The Bureau of Indian Affairs could have earned substantial additional interest income for Indian peoples by investing Indian money held in trust that was excess to current disbursement needs. In addition, the Bureau improperly withheld funds from certain depositors to avoid recording overdrafts after erroneous payments had been made to other persons. We also found that income from investments was inequitably distributed, interest income was not being properly recorded, and not all interest earned on investments was collected.

After these matters were brought to their attention, Department and Bureau officials advised us that a centralized investment program would be initiated within the next 2 years, when the Bureau's accounting system is centralized. As an interim measure, however, the Bureau initiated an intensive review program of month-end balances and encouraged area offices to review the present method of determining the disbursing needs so that excess cash can be invested. The Bureau stated that as a result of these actions the uninvested cash balances were reduced from \$11,223,000 to \$6,271,000 and that it is expected that this sum will be further reduced.

In regard to the other findings noted above, the Department advised us that the Bureau had taken actions to correct the deficiencies noted. The Bureau also agreed to credit the rightful recipient's account after it has been learned that erroneous payments have been made.

Need for improvement in the management of vehicle utilization, B-154282, Mar. 24, 1966

Our examination into vehicle utilization at seven locations under the jurisdiction of the Anadarko and Muskogee Area Offices indicated that a substantial number of Bureau-owned vehicles were not being adequately utilized because of the Bureau's practice of assigning vehicles on an individual basis, rather than using pool operations. Our analyses of motor vehicle usage reports at the Central Office indicated the possibility that a substantial number of Bureau-owned vehicles were not being adequately utilized at locations that were not included in our detailed field examinations.

After we brought our finding to the attention of Department and Bureau officials, we were advised by the Department that the findings in our report disclosed some significant weaknesses in the management of vehicles and that the Bureau had initiated action for an almost complete take-over of its motor vehicle fleet by the General Services Administration. Transfers of vehicles have been completed at the Anadarko and Muskogee Area Offices, and, as a result of the pooling operations, it is expected that the annual operating costs of the Anadarko

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

and Muskogee Area Offices will be reduced by about \$33,000 and \$40,000, respectively, and that total vehicle needs will be reduced by about 100 vehicles.

Examination into policies for the recovery of Government expenditures incurred in the management and operation of Indian forest enterprises, B-114868, Mar. 24, 1966

In 1944 the Department of the Interior established a policy of deducting a maximum fee of 10 percent of timber sales proceeds with the intent of recovering costs incurred by the Bureau of Indian Affairs in the management and operation of Indian forest enterprises. Since that time, however, the Department has not increased the stipulated percentage despite a rapidly increasing Federal deficit in the management and operation of Indian forest enterprises in recent years. Our review at six selected Indian reservations disclosed that, during the 5-year period ended June 30, 1965, unrecovered agency office expenditures totaled over \$1.4 million for five of the six selected reservations, even though the net income accruing to the Indians from these five forest enterprises totaled over \$30 million.

The Department justified the use of the 10 percent maximum fee primarily on the basis that the authorizing legislation is broadly permissive and allows the Secretary to use his discretion in establishing fee deductions from timber sale proceeds. In our opinion, inasmuch as Bureau expenditures incurred in the management and operation of a forest enterprise at a specific reservation bear no fixed percentage relationship to the reservation's timber sale proceeds, the practice of applying a maximum predetermined percentage to timber sale proceeds at all reservations is not a sound method for reasonable recovery of Government expenditures. We therefore brought the results of our review to the attention of the Congress in the event the Congress wishes to express its views on the matter.

Savings attainable through revisions of construction standards to avoid excess seating capacity in school dining facilities, B-114868, Apr. 12, 1966

As a result of our review, the Bureau of Indian Affairs revised its construction standards, and we estimate that construction and furniture costs of dining facilities at four 1,000-pupil schools being planned by the Bureau will be lowered by about \$146,000 as a result of the reduction in excess seating capacity. In addition, savings in construction and furniture costs can be realized by the reduction of seating capacities of dining facilities at smaller schools.

Although the Bureau took action to reduce excess seating capacity in school dining facilities after we brought our findings to the attention of the Department, the action taken was based on the results of a survey of dining operations that appeared questionable since actual counts of vacant seats in the dining facilities were not made. Consequently, we believe that further savings may be attainable. We therefore recommended that the Commissioner of Indian Affairs reevaluate seating capacity needs at school dining facilities before giving his approval for the revised construction standards.

Need for effective guidance of Navajo Tribe of Indians in management of tribal funds, B-114868, June 30, 1966

Our review of selected tribal activities showed that in recent years a significant amount of tribal funds had been dissipated through (1) the unauthorized expenditure of funds for the expansion and continued operation of a heavy equipment pool which was operating at a deficit, (2) the unauthorized expenditure of funds for the establishment and liquidation of a commissary which was never opened for business, and (3) unsound purchasing practices.

We concluded that the Bureau had not provided the type of guidance needed and recommended that (1) the programs for which tribal funds are currently being expended be reviewed, (2) the adequacy of the financial controls and practices for the expenditure of the funds be reviewed and evaluated, (3) a comprehensive plan for the effective utilization of tribal assets be formulated and implemented, (4) the guidelines used by Bureau personnel for carrying out the Government's responsibility for guidance of tribal officials be improved and periodically reviewed, and (5) the actions necessary to correct the deficiencies in the management of tribal funds be discussed with the Joint Committee on Navajo-Hopi Indian Administration.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

BUREAU OF RECLAMATION AND BONNEVILLE POWER ADMINISTRATION

Need for improved coordination of transmission line construction practices of the Bureau of Reclamation and the Bonneville Power Administration, B-114858, Apr. 29, 1966

The Bureau of Reclamation and the Bonneville Power Administration have adopted different practices in constructing tower footings for high voltage transmission lines without fully evaluating alternative methods of construction. Our review showed that, because of these different practices, there have been substantial differences between the amounts which the Bureau and the Administration have agreed to pay for the construction of tower footings. We recommended that the Secretary of the Interior require that a study be made to determine the full extent of the differences between the transmission line construction practices of the Bureau and the Administration and the potential for effecting savings by the adoption of more uniform practices. We recommended further that this study be used as the basis for determining the degree of coordination necessary and practicable to effect the potential savings and for developing procedures to implement such coordination.

OFFICE OF TERRITORIES

Examination of financial statements, fiscal year 1965, Virgin Islands Corporation, B-114822, Mar. 2, 1966

The report includes our opinion that, subject to any adjustments resulting from action which may be taken concerning the sale of the electric power and salt water distillation facilities, the Corporation's financial statements present fairly the financial position of the Corporation at June 30, 1965, 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.

Activities of the Office of the Government Comptroller of the Virgin Islands, fiscal years 1963, 1964, and 1965, B-114808, Apr. 28, 1966

During our reviews of the audit activities of the Government Comptroller for fiscal years 1963 and 1964, we proposed the establishment of several procedures to improve the value of the services rendered by the Government Comptroller to the Government of the Virgin Islands. Our fiscal year 1965 review disclosed that the Government Comptroller had adopted our proposals. We stated our belief that the Government Comptroller was carrying out his audit responsibilities under section 17 of the Revised Organic Act of the Virgin Islands in a manner which substantially fulfills the requirements of the act.

In regard to financing, we recommended that the Congress consider requiring that future operations of the Office of the Government Comptroller be financed from revenues collected by the United States Treasury which are otherwise transferable to the insular government as Federal grants.

SOUTHWESTERN POWER ADMINISTRATION

Examination of financial statements for the Southwestern Power System and related activities, fiscal year 1964, B-125031, Oct. 20, 1965

Corps district offices in the southwestern area in fiscal year 1964 continued to use inconsistent bases in establishing service lives of plant-in-service assets. This deficiency was pointed out in our prior report to the Congress on the audit of the Southwestern Power System and Related Activities (B-125031, May 22, 1963). The Department of the Army informed us in July 1965 that corrective action had been taken on establishing service lives for the plant-in-service assets and that as of June 30, 1965, depreciation for all projects had been entered in the accounts on the same basis.

A joint study is being made by the Department of the Interior and the Corps of Engineers to determine the propriety of depreciation methods and rates currently in use. The nature and extent of changes in depreciation methods or rates which may result from this study, the resultant effects on interest on

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

the unrepaid investment in power facilities, and the effect on the financial statements, if any, are not now determinable.

We expressed our opinion that, subject to the comments in the preceding paragraphs, the financial statements present fairly the financial position of the Southwestern Power System and Related Activities at June 30, 1964, and the results of its power operations for the year ended, and the cumulative sources and application of its funds to June 30, 1964, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States applied on a basis consistent with that followed in prior financial statements—except for changes, in which we concur, in recording amortization and interest costs.

U.S. FISH AND WILDLIFE SERVICE

Cost-sharing arrangements with the State of Oregon for the operation of fish hatcheries, Bureau of Commercial Fisheries, B-157612, Feb. 17, 1966

Since fiscal year 1953, the Federal Government has borne all increases in the operation and maintenance costs incurred under cost-sharing arrangements with the State of Oregon for the joint-financing of operations at four State fish hatcheries which were expanded and modernized with Federal funds under the Columbia River Fishery Development program. We stated our belief that, on the basis of operating costs experienced at the hatcheries immediately preceding and following expansion, Federal participation in the operating costs of the hatcheries had exceeded its proportionate share by \$720,000 through fiscal year 1965 and that, unless the cost-sharing agreements were revised to provide for increased State financial participation, additional costs of \$316,000 would be incurred through fiscal year 1968. The Department advised us that it agreed that a greater cost participation in the operation and maintenance of fish hatcheries by the State was desirable and that it was ready and willing to negotiate revised cost-sharing agreements with the State.

Violation of statutes by use of management and investigations of resources funds for general administrative expenses, Bureau of Commercial Fisheries, B-154942, June 30, 1966

The Bureau improperly used funds appropriated for management and investigations of resources to finance expenses of executive direction and general administration, even though the Congress had specifically provided a separate appropriation for such expenses. On the basis of information obtained in our review of 1 fiscal year, we estimated that the improper assessments totaled \$1.4 million during fiscal years 1962 through 1965. The Bureau's action constituted a violation of 31 U.S.C. 628, which requires that funds be expended solely for the objects for which appropriated and no others, and also a violation of the Anti-Deficiency Act, as amended (31 U.S.C. 665), which provides that obligations shall not be created under any appropriation in excess of the amount available therein. After we brought this matter to its attention, the Department advised us that it would report the violation in accordance with the provisions of the Anti-Deficiency Act and stated that it had communicated with the House and Senate Appropriations Committees to make full disclosures of the financing practices on which the Bureau had relied.

DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

Examination of the financial statements of Federal Prison Industries, Inc., for fiscal year 1965, B-114826, Jan. 19, 1966

Our report expressed the opinion that the Corporation's financial statements presented fairly its financial position at June 30, 1965, 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.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966--Continued

Prices charged for meals served to employees and visitors at penal institutions, B-133223, May 31, 1966

Meals were being furnished to employees and visitors at the Bureau's penal institutions at prices lower than those charged at certain other Government agencies where reasonably comparable meals were served. On the basis of our comparisons, we believe that the prices charged by the Bureau were below the reasonable value of the meals. Unless Bureau of Prisons' prices are brought more in line with certain other Government agencies, we estimate that, based on the number of meals served in fiscal year 1965, Bureau of Prisons' employees and visitors will continue to pay up to \$100,000 annually less than employees of certain other Government agencies.

The Bureau did not agree with our contention that its meals could be equated to those of other Government agencies. Although certain differences exist between the meals served by the Bureau and those served by other Government agencies, we believe that the differences are not sufficiently significant to justify the relatively low price charged by the Bureau. We therefore recommended that the Director, Bureau of Prisons, increase meal prices then in effect to prices more in line with the higher prices charged by other Government agencies.

DEPARTMENT OF LABOR

BUREAU OF EMPLOYMENT SECURITY

Uneconomical use of Federal funds in the reorganization and expansion of the Chicago employment offices, Illinois State Employment Service, B-133182, July 22, 1965

The Bureau of Employment Security had urged the Illinois State Employment Service to proceed with the reorganization and expansion of the Chicago employment offices without obtaining reasonable assurance that the work would be accomplished economically and at an orderly pace. The reorganization was carried out, including the hiring of additional personnel, at the rate funds became available. We estimated that several hundred thousand dollars of Federal funds were ineffectively spent on the improvement program, principally in fiscal years 1962 and 1963, because the Federal Government was prematurely committed to the financing of this undertaking. In commenting on our findings, the Department stated that it had placed the reorganization program in Chicago, as well as in other metropolitan areas, under careful scrutiny and had reduced the number of positions allocated to the Chicago offices by about 70 at an annual savings of about \$420,700.

We recommended that the Department (1) make a review of the Chicago area employment service with the objective of further reducing the staff of the Chicago offices to levels consistent with realistic estimates of workloads pertaining to essential public services and (2) approve future reorganizations and expansions of State employment service programs only on the basis of realistic goals and detailed working plans. We also recommended that the Department reconsider its plans to eliminate work measurement standards and, because of their usefulness in measuring staff needs and performance, seek to establish more realistic standards.

Potential savings through consolidation and reduction of certain employment service activities in Wisconsin, B-133182, May 3, 1966

Based on our observations at the Wisconsin State Employment Service, we pointed out opportunities for savings and for improvements in the operating efficiency of employment services through changes in organization and in the scope of activities associated with teacher placement which, in our opinion, could have been discontinued in view of the abundance of available teaching positions. In addition, we pointed out certain disadvantages associated with service agreements entered into by the State agency with employers which resulted in expenses related to the employers' normal personnel activities being financed with Federal funds.

The State subsequently agreed to consider a reorganization of its activities but not a curtailment, because it considered all of its activities necessary. Also, the Department did not agree that the employment service activities cited in the

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

report were not appropriate for the expenditure of Federal funds. In view of the questions raised and the Department's disagreement, we brought these matters to the attention of the Congress in case it might wish to express its views on the appropriateness of using Federal funds to finance the activities.

OFFICE OF MANPOWER, AUTOMATION, AND TRAINING

Absences of trainees enrolled in institutional training programs authorized by the Manpower Development and Training Act of 1962, Department of Labor and Department of Health, Education, and Welfare, B-146879, Apr. 29, 1966

In the absence of Federal guidelines as to trainee attendance requirements or any definition of "satisfactory attendance," local training organizations were reporting attendance as satisfactory and trainees under the Manpower Development and Training Act of 1962 were receiving full weekly training allowances even though they had records of extensive absenteeism. In many instances, absenteeism was in excess of 25 percent of the total course time. We estimated that from program inception through fiscal year 1964, the Department of Labor paid, nationwide, about \$3.1 million of a total of \$36.9 million as training allowances for days on which the trainees were absent from classes.

After we brought this matter to its attention, the Department of Labor issued instructions in September 1964 providing for reduction of training allowances to eliminate payment for unexcused absences. To determine the effectiveness of these instructions we recommended that HEW make periodic reviews and analyses of attendance and, in the event of a continuation of extensive absenteeism, guidelines be provided to State agencies for use in determining the number of absences, excused and unexcused, permissible for satisfactory attendance. We also recommended, in the interest of orderly and uniform administration of the payment of training allowances, that the Department of Labor establish guideline criteria as to the number of excused absences for which training allowances may be paid.

Selection and use of training facilities in Chicago, Illinois, for manpower training authorized by the Manpower Development and Training Act of 1962, Department of Labor and Department of Health, Education, and Welfare, B-146879, June 29, 1966

We estimated that about \$125,000 in additional costs were incurred because HEW had approved (1) the use of private training facilities in Chicago, Ill., without, in our opinion, giving adequate consideration to the use of less expensive and available public school facilities and (2) the cost of equipping and remodeling a new central location for clerical training although public facilities with training equipment were already available. Following our inquiry into the use of private facilities for training, HEW issued revised procedures to its field representatives authorizing them to approve training projects proposed by State authorities only upon receipt of documented evidence showing that both public and private educational facilities had been considered for the training and showing the basis for the selection made.

With regard to future expenditures for equipping and remodeling new facilities, we recommended that HEW, with the concurrence of the Department of Labor, issue instructions to State agencies requiring that they verify and document that existing facilities are not adequate before approving proposals to equip and remodel additional facilities for training.

POST OFFICE DEPARTMENT

Unnecessary interest costs incurred by advancing funds to United States air carriers for transporting mail of foreign countries, B-133083, July 15, 1965

Certain conditions, which existed in 1940 when the Congress enacted legislation giving the Postmaster General the discretionary authority to advance funds to United States air carriers for transporting mail of foreign countries, had been alleviated or eliminated and continuation of the program was not justified. We estimated that unnecessary interest costs of about \$95,000 had been incurred for such advances of funds for services performed by the carriers in fiscal year 1963. The Postmaster General agreed that there was no longer a justification

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

for advancing funds and informed us that the Department would discontinue the program and would return the \$7 million revolving fund to the Treasury Department.

Need for strengthening controls over sick leave, B-114874, Oct. 22, 1965

Matters noted by us in our review of the administration of sick leave in eight post offices in four postal regions were (1) lack of information to enable supervisors to determine whether outside employment was causing abuse of sick leave, (2) need to improve control over sick leave absences, (3) lack of consideration of patterns of sick leave in determining whether sick leave advances and periodic pay increases should be approved, and (4) insufficient reviews by postal inspectors, internal auditors, and finance examiners at post offices with high sick leave usage.

In fiscal year 1963 the average usage of sick leave by employees of the eight post offices exceeded the average usage by all other postal employees. We estimated that the cost of sick leave used in fiscal year 1963 by employees in these eight post offices, over and above the average sick leave used by employees in all other post offices, amounted to \$3 million. At four of these post offices there were indications of abuse of sick leave by some employees who had outside employment.

The Department reviewed the specific cases involved and in some cases took disciplinary action. The Department also is considering our recommendations for strengthening the controls over sick leave.

Savings available through more extensive use of contract vehicle service and of certain mail-handling equipment, B-114874, Nov. 29, 1965

At two postal regions savings of about \$200,000 could be realized annually by making certain changes in the methods employed in transporting mail between post offices and postal stations and to and from railroad depots and airports. These potential savings related to cost reductions which would result from contracting for transportation service and using more efficient mail-handling equipment. The Department is precluded from using contract service at some locations because the law prohibits the use of such service between an airport and a post office if Government-owned motor vehicle service is available and the distance to the airport is not more than 35 miles. The Department was considering our suggestions for effecting these savings and for strengthening the Department's procedures in considering possible future changes in means of transporting mail in all postal regions. Also, the Department agreed to consider submitting to the Congress a proposal for repeal of the law prohibiting use of contract service between certain airports and post offices.

Use of contractor-furnished personnel in violation of statutes governing Federal employment, B-118662, Jan. 18, 1966

The Department's practice of using contractor-furnished personnel in its research and engineering activity resulted in a relationship being established which was tantamount to an employer-employee relationship and thus in violation of the statutes governing Federal employment. We estimated that for the period July 1961 through Nov. 1964 the practice had resulted in costs about \$205,000 greater than would have been incurred by using civil service personnel. The Postmaster General disagreed with our computations showing that excess costs had been incurred but advised the Civil Service Commission that the Department was planning to let the existing contracts expire and then replace them with new contracts which would eliminate the employer-employee relationship.

Need to strengthen supervision over city delivery carriers, B-114874, Feb. 17, 1966

At seven major post offices many city delivery carriers had routes which could be completed in considerably less time than that assigned and the carriers were using the excess time for their own purposes. We estimated that the time used by these carriers for their own purposes was costing the Department several million dollars annually and pointed out that, because the causes were Department-wide in scope, similar conditions probably existed in varying degrees at many other post offices throughout the country. Pursuant to our suggestions, the Department issued revised instructions on supervision of city delivery carriers' activities, agreed to study the feasibility of establishing standards for city

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

delivery carriers, and stated that a program had been initiated for identifying the post offices where the average number of minutes per delivery on city carrier routes was highest so that postal officials could concentrate their efforts on these offices.

Accelerated business collection and delivery program at Baltimore, Boston, and Washington, D.C., post offices, B-114874, May 31, 1966

We questioned whether continued operation of the accelerated business collection and delivery program at the Baltimore, Md.; Boston, Mass.; and Washington, D.C., post offices was justified because the estimated additional annual costs of about \$214,000 incurred in operating the program at these offices did not appear to be commensurate with the quantity of mail delivered earlier as a result of the program. The Postmaster General advised us that, pursuant to our proposal, the Department had scheduled a special review of the program's operations at these three post offices even though it believed that the need for the program had been substantiated by the service improvements achieved and that no modifications of the program were necessary.

TREASURY DEPARTMENT

BUREAU OF ENGRAVING AND PRINTING

Examination of financial statements of the Bureau of Engraving and Printing Fund, fiscal years 1964-1965, B-114801, June 21, 1966

We expressed our opinion that the financial statements presented fairly the financial position of the Bureau of Engraving and Printing Fund at June 30, 1964 and 1965, and the results of its operations and the sources and application of its funds for the two fiscal years ended June 30, 1965, in conformity with the principles and standards of accounting prescribed by the Comptroller General of the United States applied on a basis consistent with that of preceding years.

INTERNAL REVENUE SERVICE

Disposal of good serviceable furniture due to inadequate management action, B-133327, July 15, 1965

In this report we pointed out that good serviceable furniture, badly needed to replace worn-out and obsolete furniture in use, was released by IRS as property excess to its needs. Furniture valued at about \$33,000 was transferred to other Government agencies, and furniture valued at about \$121,000 was transferred to various State agencies without reimbursement. These transfers were due to the lack of adequate planning and timely action by responsible officials in accordance with the established policy for replacing furniture, and the action will result in the need to expend funds to acquire office furniture needed in the IRS national office.

After we brought this matter to IRS's attention, detailed guidelines were issued for carrying out the program of replacing worn-out and obsolete furniture. If effectively implemented, these guidelines should reasonably assure the Service that good serviceable furniture will not be disposed of in the future.

Self-employment tax payment and collection practices, B-156154, Mar. 3, 1966

Our review disclosed that, if the Internal Revenue Code (26 U.S.C. 1) were amended to require self-employed individuals to pay estimated self-employment taxes on a pay-as-you-go basis throughout the tax year, the Service could improve its administration of the billing and collection of unpaid taxes and the Government could save annually interest on borrowings estimated to be, at a minimum, about \$5 million.

In a draft of this report submitted to the Secretary of the Treasury and the Commissioner of Internal Revenue in October 1965, we proposed a recommendation to the Congress that the Code be amended to provide that self-employed individuals make an estimate of self-employment taxes payable for the current year at the time the taxpayer is required to file a declaration of estimated income tax and pay the tax in installments during the year. Our proposed recommendation was made a part of the Administration's 1966 tax recommendations to the Congress, and the Congress, subsequent to issuance of

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our report, included a provision in Public Law 89-368 requiring the payment of self-employment taxes in installments during taxable years beginning after December 31, 1966.

Possibility of increasing the dollar income limitation above the established \$10,000 ceiling to obtain greater use of United States Individual Income Tax Return (Form 1040A), B-158552, Mar. 11, 1966

This report was made to the Chairman, Legal and Monetary Affairs Subcommittee, House Committee on Government Operations, in response to his request that we explore with IRS the possibility of increasing the dollar income limitation above the established \$10,000 ceiling to ascertain whether more taxpayers could use the card form United States Individual Income Tax Return (Form 1040A). In our report, we stated that we believed that the conclusion reached by IRS that it is inadvisable to raise the income limitation above \$10,000 appeared to be appropriate.

UNITED STATES COAST GUARD

Potential savings through the use of houses owned by the Federal Housing Administration as Government quarters for certain Coast Guard members in the St. Petersburg and Miami, Fla., areas, B-146987, Dec. 17, 1965

We estimated that annual savings of about \$244,000 could be realized if the Coast Guard were granted authority to lease Government-owned houses for use as Government quarters for Coast Guard members in lieu of paying basic allowances for quarters. In response to our recommendation to the Congress, a provision was included in the act of March 30, 1966 (Public Law 89-381) granting authority to the Coast Guard to lease such quarters. On June 27, 1966, the Coast Guard issued instructions which provided information and procedures for implementing its Leased Housing Program.

Need to reexamine planned replacement and augmentation of high-endurance vessels, Western Area, B-114851, Feb. 18, 1966

On the basis of our review of the operating experience during fiscal years 1962-64, we expressed the belief that the Coast Guard's plans for acquiring 14 high-endurance vessels to replace the 11 high-endurance vessels presently assigned to its Western Area were questionable. Our analysis indicated that the stated requirements could be reduced by 3 high-endurance vessels thereby saving about \$45 million in construction costs and about \$3.5 million annually in vessel operating costs.

The Commandant of the Coast Guard concurred with our proposal that the Coast Guard reexamine its planned replacement and augmentation program for high-endurance vessels in the Western Area. He stated that several actions had been taken or were in process which would improve the Coast Guard's techniques for analyzing its requirements and that our previous report on requirements for high-endurance vessels in the Eastern Area and our finding relating to the vessels in the Western Area would be used as guidelines in the Coast Guard's planning and analytical efforts. The Coast Guard later established procedures, effective July 1, 1966, providing for the collection of data to be used to (1) measure vessel or other operating unit workload and effectiveness, (2) determine resource utilization and needs, (3) justify budget requests to meet projected requirements, and (4) analyze system operations for potential savings.

Administration of certain transfers of Coast Guard members between permanent duty stations, B-114851, June 17, 1966

Many enlisted members transferred into and within certain Coast Guard districts were circuitously routed through district offices en route to their ultimate duty stations. We estimated that the Coast Guard could save about \$36,100 annually by directly transferring many of these members. In response to our proposal that indirect transfers be avoided wherever possible, the Coast Guard took some corrective action; however, we believe that this action needs to be broadened in order to be applicable to all members regardless of rate or marital status, and the report contained a recommendation to accomplish this objective.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

In response to our proposal that the Coast Guard use available Government-owned quarters to temporarily house members transferring to or from San Juan, Puer o Rico, the Coast Guard took corrective action which we believe will result in annual savings of about \$37,500 in temporary lodging allowance costs.

ATOMIC ENERGY COMMISSION

Deficiencies in motor vehicle maintenance, use, and replacement practices, B-152006, July 20, 1965

Our review of selected motor vehicle activities at 12 AEC contractor-operated facilities disclosed that (1) at two facilities excessive motor vehicle maintenance costs had resulted because repairs had been made to vehicles in some instances, without regard to their age, condition, or imminence of removal from the fleet or to the cost of replacement vehicles, (2) at two facilities unnecessary costs had been incurred because, in many instances, motor vehicles had been replaced without an adequate evaluation having been made of the economic feasibility of continued use of the vehicles, (3) at three facilities many vehicles had been used far less than reasonable which indicated the possibility that a number of vehicles in the fleet were in excess of actual needs, and (4) at four facilities passenger vehicles had been retained in operation after replacement vehicles had been acquired and put into operation, a practice which is inconsistent with the intent of existing legislation.

After the above matters were brought to its attention, the Commission informed us that a number of corrective actions had been or would be initiated which were generally in accordance with our proposals. In addition, we recommended that AEC require each of its field offices to establish use objectives for vehicles under its jurisdiction and appropriate procedures to ensure that these use objectives are properly considered in measuring the adequacy of the use of such vehicles.

Savings attainable by discontinuing nonessential bus transportation services at Hanford Works, Richland, Wash., B-114878, July 21, 1965

Our review of the contractor-operated bus transportation system servicing the Hanford Works, Richland, Wash., of the AEC disclosed that annual savings of as much as \$145,000 were attainable by discontinuing bus transportation services between (1) various points in the city of Richland and the bus terminal and (2) the bus terminal and the "300 work area" on the Federal reservation. The Commission informed us that, in connection with the current implementation of a program of diversification under which the various activities at the Hanford Works will be conducted by a number of contractors rather than a single contractor, bus transportation to the "300 work area" will not be provided to its employees and that other segments of the bus operations would be considered as the diversification program proceeded.

Because the diversification program will not be fully implemented until mid-1967, we recommended that the Commission take such action as may be appropriate to attain a more timely discontinuance of all Government transportation services in the city of Richland and the "300 work area."

Possible savings through purchasing rather than leasing certain copying machines, B-146930, Oct. 21, 1965

Our comparison of the cost of leasing with the cost of purchasing office copiers being leased by the AEC's Chicago Operations Office and Argonne National Laboratory indicated that substantial savings could be realized through purchasing rather than leasing certain copiers. As a result of our bringing this matter to its attention, the Commission initiated an agency-wide lease-versus-purchase study of office copiers. Although the study indicated that it would be financially advantageous to purchase certain copiers rather than to continue leasing them, our subsequent review showed that the Commission and its operating contractors were not fully realizing the potential savings available from the purchase of leased copiers.

After we brought this matter to the Commission's attention, we were informed that, as a result of its lease-versus-purchase study which was being carried forward by the Commission and its contractors on a continuing basis, the Commission had either purchased or planned to purchase a total of 46 copiers and

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

it anticipated or had realized further economies by the replacement or release of 27 other copiers. We estimate that the purchases of the 46 office copiers will result in a savings of about \$535,000 over the 5-year period following their purchase.

Controls over utilization and procurement of photographic equipment at the Sandia Laboratory, Albuquerque, N. Mex., B-114878, Jan. 18, 1966

We found that, because of inadequate management controls over the procurement, utilization, and retention of cameras at the Sandia Laboratory, certain organizational units had retained cameras, costing about \$274,000, which were excess to their needs and that certain organizational units had purchased new cameras costing about \$62,000 although it appeared that the requirements could have been fulfilled by reassigning the cameras on hand. We found also that Sandia generally did not realize the benefits that might have been obtained through competitive procurement because cameras had been requisitioned and procured by brand name and model without adequate consideration as to whether other brands or models would meet the requirements.

The organizational elements included in our review subsequently reported 140 cameras as excess to their requirements and reassigned 33 of the cameras, costing about \$40,000, to other Sandia organizational units in need of the cameras, thereby obviating the necessity for procurement of similar equipment. Also, Sandia took action to strengthen its procedures for assuring proper utilization and assignment of the cameras and for assuring proper authorization and adequate justification in future procurements of new cameras. Also, the Commission directed its field offices to make reviews of operating contractors' equipment-acquisition-and-use controls and of the practices and procedures for determining when equipment is excess, particularly in reprogrammed areas or areas of reduced activity.

Savings attainable through reductions in fire department and guard force staffing at contractor-operated installations under the supervision of the Oak Ridge Operations Office, B-146924, Apr. 21, 1966

Our review indicated that savings of about \$189,000 annually were available to the AEC through reductions in fire department and guard management staffs at contractor-operated installations under the supervision of the Oak Ridge Operations Office. Information about these potential economy measures was available to the Commission officials at Oak Ridge from annual fire loss, protection, and prevention costs reports and from quarterly wage and salary reports submitted by operating contractors.

We recommended that the Commission's General Manager require a review of fire protection and prevention and guard force activities at its other contractor-operated installations and direct the attention of Commission employees to the importance of thorough reviews and analyses of cost and staffing reports regularly submitted by operating contractors. The contractors and the Commission stated reasons why personnel reductions could not have been made earlier, but they indicated that steps were being taken to realize the potential economies.

Preferential allowances paid to certain contractor employees at the Hanford Works, Richland, Wash., B-114878, May 31, 1966

Under a wage realignment adopted in 1948, certain contractor employees were paid a preferential allowance because the contractor considered it inadvisable to reduce the total wages of about 3,400 employees receiving wages at rates higher than the rates established under the wage realignment. Our review showed that within 3 years after the new wage structure became effective, the basic wage rates for most affected job classifications had, through general wage increases, equaled or exceeded the previous basic wage rates. Not only was the preferential allowance retained after the new basic rates were raised above the previous rates, but it also was increased as basic wage rates were increased. As of February 1, 1965, 146 employees were still receiving the allowance which totaled about \$55,000 annually.

A new general contractor commenced operations at the Hanford Works effective March 1, 1966, and initiated negotiations with the employees' union with a view toward ultimate resolution of the problem. We proposed that the Com-

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

mission consider reviewing the wage structures at its other contractor-operated installations and adopt a policy applicable to all its installations, which will provide that a specific or determinable time limit be placed on any similar allowances in the future. Regarding our proposals, the General Manager informed us that the Commission was taking steps to accomplish the intent of our proposals.

DISTRICT OF COLUMBIA GOVERNMENT

Inadequate supervision of payroll activities, B-118638, July 22, 1965

Inadequate supervision by the Departments of Highways and Traffic, Public Welfare, and Sanitary Engineering of payroll activities resulted in some employees receiving more pay and more leave than they were entitled to under existing laws and regulations and in the need for recovering the overpayments and adjusting the leave records. The District informed us that, in accordance with our proposals, measures have been taken to improve payroll systems and procedures, to place more emphasis on supervision of payroll and leave matters, and to initiate better internal audit procedures for evaluating the effectiveness with which all departments and agencies discharge their responsibilities for pay and leave matters.

Need for reappraisal of task system assignments for collection of refuse, Department of Sanitary Engineering, B-118638, Dec. 17, 1965

Adequate policies and procedures had not been prescribed for administering the task system, including a requirement for periodic reviews to determine the appropriateness of tasks assigned to employees engaged in the collection of refuse. We found that under the task system the employees had been paid on the basis of an 8-hour workday but that they generally had worked significantly less than 8 hours a day. The District advised us that, in accordance with our proposals, action would be taken, as rapidly as staff capabilities permitted, to develop written policies, procedures, and guidelines for determining the refuse collection tasks for a normal 8-hour workday, reviewing task assignments periodically to ascertain whether they are appropriate, and making necessary adjustments when task assignments are at variance with established criteria.

Hospital and surgical-medical insurance benefits available under Blue Cross-Blue Shield plans, Department of Public Health, B-133173, Jan. 18, 1966

The District had not collected Blue Cross-Blue Shield supplemental benefits totaling about \$119,500 that had been paid to or were available to policyholders under the Government-wide Service Benefit Plan for hospital and surgical-medical services provided to insured District residents at the District of Columbia General Hospital, Glenn Dale Hospital, and Saint Elizabeths Hospital during the period from July 1960 through September 1963. The District agreed to our proposal that action necessary to collect the supplemental benefits be determined. As of June 30, 1966, about \$85,500 of the supplemental benefits had been collected.

We also noted that the District could have received additional basic benefits for hospital and surgical-medical services provided at the District of Columbia General Hospital to patients insured under various Blue Cross-Blue Shield plans if the hospital had been a member hospital under the plans and had maintained its accounting system in accordance with the system prescribed for a member hospital under such plans and had submitted billings for the hospital services on the basis of the applicable per diem charges and for the surgical-medical services on the basis of the amounts normally allowed for such services. The District informed us that the feasibility of implementing and maintaining a detailed billing system would be considered as plans advanced for the expansion of automatic data processing applications in the Department of Public Health.

Need for improved procedures for determining ability of patients and responsible relatives to pay for care at Saint Elizabeths Hospital, Department of Public Health, B-133099, Mar. 11, 1966

Our review of the determinations made by the Department of Public Health of the ability of District voluntary and involuntary patients at Saint Elizabeths

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

Hospital, and of their legally responsible relatives, to pay for hospital care indicated that the initial determinations had been made without sufficient investigation to obtain complete and accurate information as to their financial resources. Also, periodic investigations of involuntary patients generally were not made subsequent to the commitment of the patients to determine whether changes in the financial status of the patients and their responsible relatives had resulted in an increased ability to pay for hospital care. As a result of these procedural weaknesses, some patients and/or their responsible relatives may not be paying the District amounts commensurate with their ability to pay.

The District informed us that in general it agreed with our proposals for achieving closer compliance with the statutory requirement that District residents at Saint Elizabeths Hospital, and/or their legally responsible relatives, reimburse the District for the cost of the hospital care in such amounts as they are reasonably able to pay. We were informed also that efforts would be made to carry the proposals out within existing resources but that a larger staff would be necessary before the proposals could be fully implemented.

FARM CREDIT ADMINISTRATION

Audit of Farm Credit Administration, fiscal year 1965, B-114806, Feb. 17, 1966

We expressed the opinion that (1) the financial statement of the FCA presented fairly the available funds and obligations incurred during fiscal year 1965 and the unobligated balance at June 30, 1965, and (2) the financial statements of the 12 Federal intermediate credit banks and the 13 banks for cooperatives supervised by FCA, and the Banks for Cooperatives Investment Fund administered by FCA, presented fairly their financial positions at June 30, 1965, and the results of their operations and the sources and application of their funds for the year then ended.

FEDERAL AVIATION AGENCY

Additional costs resulting from failure to provide purchase options for automatic data processing equipment, B-133127, July 30, 1965

FAA incurred additional costs of about \$147,000 because it did not provide for purchase options in its equipment rental contracts. We found that FAA officials responsible for the procurement of the equipment did not make a timely determination of the savings in costs that could have been realized by the use of purchase options. We expressed the belief that a more timely determination by the Agency of the best method of acquiring certain automatic data processing equipment would have shown that the lease-with-option-to-purchase method was the most advantageous to the Government. FAA agreed that it should have made a more timely study of the methods of acquiring the equipment and should have provided for appropriate purchase options. The Agency advised us it had taken, or was in the process of taking, certain actions designed to provide for timely studies and the use of purchase options where appropriate.

Additional costs incurred in the management of automatic data processing equipment at National Aviation Facilities Experimental Center, B-133127, Aug. 13, 1965

As a result of not utilizing a rented computer system for substantial periods of time, FAA had not received benefits commensurate with about \$259,000 of rental payments. Also, FAA incurred unnecessary maintenance and rental charges for Government-owned and rented computer equipment, which either was in storage or was not available for use because of modifications being made to the equipment.

In commenting on our findings, FAA stated that it was in the process of revising its reporting procedures for computer utilization and was attempting to achieve the greatest degree of standardization as was practicable in computer programming and that these actions should effectively implement our proposals on utilization of automatic data processing resources. FAA stated also that refunds had been negotiated for the excessive maintenance and rental charges identified by us.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

Economies from making electron tubes available to other Government users, B-133127, Mar. 24, 1966

FAA had not taken adequate action to identify and dispose of electron tubes excess to its reasonably current needs because it had established retention levels which, in our opinion, were too high in view of the ready availability of tubes on the market. The Agency retained for long periods over \$1 million worth of tubes which should have been made available to other Government users. We noted that in 1963 and 1964 the Department of Defense purchased from commercial sources significant quantities of tubes which, at the times they were purchased, could have been supplied from FAA stocks.

In April 1964, about midway through our review, the Agency entered into an agreement with the Defense Electronic Supply Center which resulted in the reduction of FAA's retention levels for certain tubes. However, the Agency did not reduce its retention levels for tubes that were not to be reported to the Supply Center and did not make overstocks of such tubes available to the General Services Administration for possible use by several civil agencies which were also users of many FAA tube types.

In responding to our proposals, the FAA agreed that certain tubes had been held in quantities which were excessive to current needs and had not been made available for the use of other Government users. FAA also stated that it was in the process of revising its retention levels for tubes and that, after the revisions were made, inventories of tubes would be adjusted and excess stocks reported.

Long-term medical research on aging of aviation personnel, B-158515, Apr. 12, 1966

FAA is financing a 25-year research project to develop methods for measuring the physiologic age, as distinguished from the chronologic age, of aviation personnel. The Public Health Service (PHS), Department of Health, Education, and Welfare, is also supporting a 30-year project through a research grant to learn more about the process of physiological aging and its progress in relation to chronological age, using pilots as a study group. The projects will cost the Government \$9.7 million (\$5 million for FAA and \$4.7 million for PHS) if they are financed to completion.

We concluded that, before initiating its own study, FAA should have formally communicated with PHS to determine whether one long-term project could be devised to meet the needs of both agencies at substantially lower cost to the Government. FAA acknowledged that there were no formal procedures for coordinating research between it and PHS and advised us that it would establish formal procedures for coordinating new research projects with PHS.

Opportunities for savings through greater use of available military aircraft parts, B-133127, Apr. 12, 1966

We expressed the opinion that substantial savings could be achieved through the greater use by FAA of military aircraft parts. During fiscal year 1964, the Agency's purchases of aircraft parts from commercial sources amounted to about \$2.2 million, whereas we found that (1) the majority of the types of items purchased from commercial sources were carried in the Air Force supply system, (2) a number of these types of items were in long supply in the Air Force system, and (3) many of the parts in the Air Force system were acquired from the same commercial sources as those used by FAA. We concluded that it was unlikely that maximum use of military parts would be achieved by FAA unless its policy was changed to emphasize that military stocks be considered as the first source of supply.

In response to our findings, FAA stated that it agreed that the policy in effect at the time of our review did limit the use of military parts and that the Agency should use the Department of Defense supply system as the prime source of supply for aircraft parts whenever possible. FAA further stated that a recently issued Agency directive authorized the use of military aircraft parts on certificated Agency aircraft and that overhauled and repaired military parts would be used as well as new parts. Also, the Agency issued a directive for the guidance of its procurement personnel which stated, in part, that personal property requirements would not be procured from commercial sources until it has been determined that the needed items were not available from other agencies.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

Although FAA's actions were responsive to our findings, we recommended, in view of the importance of the matters discussed, that the FAA Administrator ascertain through future management reviews and internal audits that the aforementioned directives were being effectively administered.

Opportunity for savings through payment of relocation costs rather than subsistence allowances for contractor-furnished employees, B-133127, Apr. 21, 1966

During the 5-year period ended June 30, 1964, the Government incurred significant additional costs that could have been avoided if FAA had paid relocation costs rather than subsistence allowances for certain contractor-furnished employees assigned to work at its National Aviation Facilities Experimental Center. We expressed the belief that, when it was advantageous to do so, FAA's contracting personnel should have authorized or requested relocation, at Government expense, of contractor-furnished employees assigned to work on projects at the Center for periods in excess of 1 year. We also pointed out that in our opinion the basic cause for the additional costs was the absence of specific guidelines for use by FAA's contracting personnel in evaluating the allowability and reasonableness of subsistence and relocation allowances.

In response to our proposals, FAA advised us that it was developing guidelines for use by contracting personnel in evaluating the allowability and reasonableness of subsistence and relocation expenses when negotiating and administering contracts and that it had initiated action to strengthen other controls in the subsistence and relocation allowances area.

Savings available by use of conventionally designed airport traffic control towers at low-activity airports, B-133127, June 21, 1966

FAA approved the construction of control towers without first having analyzed the relative benefits and costs of the tower design. As a result, we estimated that the Agency would incur additional costs of about \$2,250,000 for the construction of 28 control towers of a new design at low-activity airports. FAA proceeded with the construction of these towers even though available cost information showed that their cost would significantly exceed the cost of conventionally designed towers previously constructed at other low-activity airports.

Further, FAA had planned to construct, in addition to the 28 towers being constructed, similarly designed towers at four low-activity airports in calendar year 1965. Our comparison of the relative merits of the new and conventional designs indicated that the additional costs were largely attributable to aesthetic factors inherent in the nonconventional design of the new towers. Agency officials informed us that such nonconventional design provided no significant functional improvements over conventionally designed towers previously constructed.

In view of these factors, we questioned whether the more expensive design was justified. FAA indicated agreement with our findings and advised us that towers of a lower cost design would be substituted at the four locations which already had been scheduled for new towers and that, to conform to FAA's policy of selecting economical architectural designs that meet their operational and technical requirements, the Agency was pursuing means of reducing the cost of not only the towers designed for low-activity airports but also the towers planned for high-activity airports. However, to avoid recurrence of the situation described in this report, we recommended that the FAA Administrator direct that this policy be set forth in written directives.

FEDERAL DEPOSIT INSURANCE CORPORATION

Audit of Federal Deposit Insurance Corporation for the year ended June 30, 1964, B-114831, Feb. 28, 1966

We were unable to fully discharge our audit responsibility under the Federal Deposit Insurance Act because, except for closed banks, officials of the Corporation did not give us unrestricted access to examination reports, files and other records maintained by the Corporation relative to the banks it insures. There has been an increase in both the number of problem banks and the number of bank failures for which the Corporation was carrying deposit insurance. From July 1, 1963, through Dec. 31, 1965, the number of banks classified by

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

the Corporation as problem banks increased from 151 to 228 and during the same period 13 insured banks failed.

Because of the restrictions placed upon our examination, because the Corporation did not disclose in its financial statements the potential effect insured problem banks may have on its financial condition, 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 Corporation's financial statements for the 1964 fiscal year. However, subject to our comments relating to the adequacy of the deposit insurance fund, we expressed the opinion that the individual amounts shown in the financial statements were fairly stated at June 30, 1964, 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.

Report on examination of financial statements of Federal Deposit Insurance Corporation for the year ended June 30, 1964, B-114831, Mar. 11, 1966

In this report, submitted to the Corporation for inclusion in its annual report to the Congress, we pointed out that the Corporation did not disclose in its financial statements the potential effect insured problem banks may have on the Corporation's financial condition and that we were unable to make an evaluation of the Corporation's contingent indemnity liability for problem banks because of the restrictions imposed by Corporation officials on our access to examination reports and related data.

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 were unable to express an overall opinion on the Corporation's financial statements for the 1964 fiscal year. However, subject to our comments relating to the adequacy of the deposit insurance fund, we expressed the opinion that the individual amounts shown in the financial statements were fairly stated at June 30, 1964, 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.

FEDERAL HOME LOAN BANK BOARD AND CORPORATIONS SUPERVISED

Audit of Federal Home Loan Bank Board for the period July 1, 1963, to Dec. 31, 1964, B-114827, Oct. 25, 1965

We expressed our opinion that the financial statements presented fairly the financial position of the Federal Home Loan Bank Board at Dec. 31, 1964, and its income and expenses for the 18-month period from July 1, 1963, to Dec. 31, 1964.

Audit of Federal Home Loan Banks supervised by the Federal Home Loan Bank Board for the period July 1, 1963, to Dec. 31, 1964, B-114827, Nov. 29, 1965

We expressed our opinion that the financial statements presented fairly the financial position of the 12 Federal Home Loan Banks at Dec. 31, 1964, and the results of their operations and the sources and application of their funds for the 18-month period then ended.

GENERAL SERVICES ADMINISTRATION

Savings resulting from elimination of the requirement that general office desks be equipped with locks, B-114807, Oct. 22, 1965

Our review disclosed that the elimination of the requirement for a lock in general office desks purchased by Federal agencies would result in savings of about \$250,000 a year. Federal agencies had been purchasing, in recent years, an annual average of about 170,000 general office desks, each equipped with a lock and locking mechanism. Federal agencies generally do not require employees to lock their desks and, hence, the incremental cost for a lock on a desk was an unnecessary expense in most instances. We identified additional savings that could be obtained if locks on rehabilitated desks were repaired or replaced only in those instances where there is a requirement for locks.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

Also, we noted that GSA did not have a "value engineering" program which emphasizes an independent review of items in the supply system to determine whether unnecessary features or components can be removed or changed at a reduction in cost.

As a result of our proposals and recommendations, GSA revised the appropriate standards and specifications so that Federal agencies could purchase desks without locks and adopted a "no lock" policy in the rehabilitation of office desks. GSA also advised us that it would make greater use of the principles of value engineering in the development of standards and specifications. At our urging, GSA also revised its invitations to bid, which were being drafted while our review was in progress, for suppliers to provide steel office desks during the period May 1, 1965, through April 30, 1966. GSA estimated that the Government would save about \$194,000 during the contract year 1965-66 by eliminating locks from most steel general office desks 1 year earlier than originally planned.

Need for improvement in multiple-award contracting policy, B-114807, Apr. 12, 1966

We estimated that increased costs of about \$300,000 were incurred by Federal agencies during the period September 1962 through February 1964 in their purchase of certain felt tip markers from a supplier whose prices were substantially greater than those negotiated with suppliers of two other brands, comparable in performance. The increased costs that were incurred could have been avoided if, at the beginning of a new contract period, GSA had either negotiated a lower price with the supplier of the high-priced markers or, failing this, had not extended nor renewed the contract with that supplier, thereby removing that brand of marker from sources of supply available to Federal agencies. GSA stated that under its multiple-award contracting system, the contracting officer had no alternative to awarding the contract short of removing all markers from the Federal supply system.

We recommended to the Administrator of General Services that GSA revise the policy governing its multiple-award system of contracting, so that a contracting officer is not required as a matter of policy to award a contract to, or to extend or renew a contract with, a supplier with whom he cannot negotiate a reasonable price. GSA has advised us that the language of the policy statement quoted in our report was in no way intended to suggest that contracting officers would, as a matter of policy, enter into contracts at any price without considering the reasonableness of the price in relation to others offered. However, GSA did agree to review its existing written policy guidance to determine whether further clarification would be desirable.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Development of certain scientific instruments for the Surveyor project, B-158625, May 25, 1966

NASA has expended about \$5.7 million for the design and development of certain scientific instruments which were removed from the approved Surveyor spacecraft payload after a reduction in the predicted capability of the Atlas/Centaur launch vehicle required a drastic reduction in the weight of the spacecraft instrument payload. On the basis of our review of the management of instrumentation development, we believe that a significant part of these costs were incurred after it became apparent that the use of the instruments was no longer feasible.

We found that NASA had not promptly initiated appropriate studies for establishing the instrumentation it desired for a lighter spacecraft for the early Surveyor flights when it was evident that such action was necessary. We found also that no action was taken to discontinue the development of instruments for use on a heavier weight spacecraft at the time that data became available which showed that the reduced launch vehicle performance and the correspondingly reduced instrument payload would apply to all approved flights.

NASA did not agree with our finding. However, we believe that if NASA had taken timely action to suspend or discontinue development of these instruments, expenditures of as much as \$2.5 million could have been avoided and that scientific and technical manpower in both the Government and industry

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

could have been released to meet other, and possibly more pressing, demands at a time when the demand for scientists and engineers exceeded the supply.

Planning for and utilization of automatic data processing equipment, Ames Research Center, B-154068, May 25, 1966

Ames had in recent years leased computers that had been significantly underutilized and, as a result, had incurred relatively high computer processing costs. We attributed this situation to Ames permitting its various organizational units to pursue separate courses of action with respect to ADP activities and not requiring thorough analytical studies which would have served as a basis for the evaluation and selection of the optimum equipment configuration needed to meet Center-wide processing requirements.

NASA advised us that it did not agree that unused computer capacity was avoidable or that the use of only one computer at Ames, if it had been feasible, would have resulted in economies. However, in line with our proposals, NASA advised us that responsibilities were assigned at NASA Headquarters for the central management of ADP, instructions were being formulated which would require management evaluation of installation effectiveness, and a review board had been established at Ames to consider all ADP resources and needs on a Center-wide basis.

PANAMA CANAL COMPANY

Examination of financial statements of the Panama Canal Company for fiscal years 1965 and 1964, B-114839, Apr. 21, 1966

We expressed our opinion, that, subject to certain comments regarding the need to consider a change in the Company's depreciation or amortization policy under any new treaty arrangements, the Company's financial statements presented fairly its financial position at June 30, 1965, and 1964, and the results of operations and the source 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 of the United States applied on a consistent basis.

TENNESSEE VALLEY AUTHORITY

Examination of financial statements for fiscal year 1965, B-114850, Jan. 28, 1966

The report includes our opinion that the financial statements present fairly the financial position of the Tennessee Valley Authority at June 30, 1965, and the results of its operations and the source and disposition of its funds for the year then ended, in conformance with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

VETERANS ADMINISTRATION

Retention of land excess to needs at hospitals and domiciliaries, B-133044, Aug. 18, 1965

We expressed the opinion that about 1,200 acres of land with an estimated value of \$44 million at 11 field stations were excess to current or demonstrated future needs. Most of the land had been excess for many years, and considerable sums had been spent for maintenance. After our field reviews, the VA established additional controls over the management of its landholdings. As a result, lands at many field stations not included in our review were being considered by VA for disposal action.

In commenting on our findings, the VA stated that it did not agree that the 1,200 acres of land at the 11 field stations were being retained unnecessarily. The VA advised us, however, that much of this land was either reported to GSA as excess; relinquished to the Bureau of Land Management, Department of the Interior; or being considered for excess action by the Central Office. In connection with one tract of land with an estimated value of about \$41 million, the VA advised us that in view of the high land value and the increasing demand for Federal services in the area, preliminary studies to develop an

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

integrated master plan for the use of the land were being coordinated with GSA and the Bureau of the Budget and that, accordingly, disposal action should not be contemplated until these plans were finalized.

Potential savings through use of Government-owned laundry facilities at hospitals rather than use of contract services, B-133044, Sept. 20, 1965

We estimated that annual savings of about \$97,000 at two VA hospitals were possible through use of Government-owned laundry facilities at the hospitals rather than the use of contract laundry service. The VA hospitals were contracting for their laundry service in compliance with Bureau of the Budget bulletins which expressed the general Government policy of using private enterprise rather than commercial-industrial activities of the Government to provide services for governmental use. The Bureau of the Budget bulletins provided for exceptions, on the basis of cost, to the general policy; however, the bulletins required the inclusion of certain cost factors in the cost comparability studies which we believed resulted in unrealistic cost comparisons.

The Bureau of the Budget in March 1966 issued revised guidelines for cost comparisons. Subsequently, the VA informed us that it would begin in-house laundry activities in at least one of the hospitals during fiscal year 1967.

Improvements to be made in administration of employee travel, B-133044, Sept. 30, 1965

Weaknesses in VA's administration of employee travel resulted in excessive charges to duty time and in additional travel costs to the Government. We found that, in accordance with VA policy, employees traveling by privately owned vehicles for their own convenience on official business were allowed driving time rather than constructive common carrier travel time. As a result, excess travel time performed on workdays was charged to official duty rather than to annual leave. We also found a significant number of errors in employee claims for reimbursement of travel expenses, which resulted primarily from the failure of travelers to adhere to established requirements. For example, travelers submitted incorrect or incomplete claims, used unauthorized and more costly transportation, and failed to charge to leave the time spent in travel for personal reasons. In response to our proposals, VA revised its policy to require that travelers be charged with annual leave when travel time exceeds that required by common carrier and increased its internal audit activity in the area of employee travel.

Examination of financial statements of Veterans Canteen Service for fiscal year 1965, B-114818, Jan. 4, 1966

We expressed our opinion that the financial statements presented fairly the financial position of the Veterans Canteen Service at June 30, 1965, 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.

Efforts to collect debts resulting from default of guaranteed housing loans, B-118660, Jan. 18, 1966

Principally because of the failure to follow instructions of the Washington Central Office, five VA regional offices had not effectively attempted to collect debts owed to the Government resulting from foreclosures of VA guaranteed mortgages. In response to our proposals in this report and in a previous report (B-118660, December 1964) on similar deficiencies in collection practices at another VA regional office, the VA took certain corrective measures, and we subsequently noted that debt collection efforts had improved.

Procedures for terminating total disability benefits under National Service Life Insurance Policies, B-114859, Mar. 10, 1966

We estimated that, if the findings disclosed by our review of selected cases were representative of VA's actions, additional benefits of about \$750,000 were awarded by the VA during fiscal years 1962 and 1963 because of delays in terminating disability benefits on insurance policies after the insureds had apparently recovered their abilities to follow substantially gainful occupations. We expressed the belief that the VA Central Office did not provide sufficiently specific instructions to the insurance centers and did not adequately review their operations. We found also that, although the VA Central Office had, for a

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

number of years, been aware that insureds were being granted benefits for extended periods after they were no longer totally disabled, no effective corrective action had been taken. After bringing these matters to the attention of the agency, the VA advised that corrective action had been or was being taken and we expressed the opinion that such actions would substantially correct the deficiencies disclosed in our review.

Savings available through utilization of greater quantities of excess medical equipment and supplies, B-133044, Apr. 21, 1966

We expressed the belief that the VA could have used considerably greater quantities of certain medical equipment and supplies declared excess by another Government agency than it actually acquired. Of selected excess items costing about \$2.7 million, about \$1.8 million were acquired by various Government agencies—including about \$450,000 worth acquired by VA—and about \$900,000 were donated to recipients outside the Government. We expressed the opinion that a significant quantity of the \$900,000 worth of donated items could have been used throughout the VA hospital system and that the VA did not acquire the maximum useable quantities of the excess items because the responsibility for screening and evaluating excess property for use by the VA was not centralized and was therefore ineffective. In response to our proposals, the VA advised that it had developed procedures centralizing the responsibility for screening and maximizing the utilization of excess property.

Eligibility of veterans for total disability insurance, B-114859, June 21, 1966

We pointed out the need for more effective management controls to attain compliance with regulations and instructions regarding the eligibility requirements for participation in the total disability insurance programs. We expressed the belief that in 41 cases, or 26 percent of the sample of cases examined by us, the agency regulations and instructions were not adhered to and that, as a result, evaluations of insureds' health were not properly made prior to issuance of the insurance, or action was not promptly taken to investigate evidence which strongly suggested that the insurance had been fraudulently obtained. We reported that VA had agreed that the evidence regarding eligibility for total disability insurance had not been adequately reviewed in most of the cases questioned by us and has informed us that corrective action had been or was being taken to correct the deficiencies disclosed by our review.

Purchase of title insurance on properties acquired in the State of Florida under the Loan Guaranty Program, B-118660, June 21, 1966

We found that significant savings could be realized if the St. Petersburg, Fla., VA regional office discontinued the practice of purchasing title insurance on properties acquired in Florida. We proposed that the purchase of title insurance in Florida be discontinued because VA had obtained adequate assurance of good and marketable title from mortgage holders who conveyed the properties to VA upon default of guaranteed loans. We proposed also that the Washington Central Office (1) make more penetrating evaluations of the reasons offered by certain other regional offices for purchasing costly title evidence and (2) direct regional offices to confine purchases of title evidence to that which is absolutely essential.

In response to our proposals, the VA informed us that the purchase of title insurance on properties acquired in Florida had been discontinued and that only four regional offices were still purchasing title insurance but that appropriate plans were being developed to resolve certain problems at these offices in the immediate future. We estimated that savings of about \$180,000 a year would be realized as a result of discontinuing the purchase of title insurance in Florida.

LEGISLATIVE BRANCH

GOVERNMENT PRINTING OFFICE

Examination of financial statements of Government Printing Office for the fiscal year 1964, B-114829, Aug. 31, 1965

In this report we expressed our opinion that the financial statements present fairly the financial position of the Government Printing Office at June 30, 1964, and the results of its operations and the sources and application of its funds for the

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year then ended, in conformity with principles and standards of accounting prescribed for executive agencies by the Comptroller General of the United States applied on a basis consistent with that of the preceding year except for two changes in which we concurred. These changes consisted of (1) putting the appropriation for administrative expenses, Public Documents Division, on an accrual basis and (2) increasing the depreciation rates on plant machinery and equipment to those promulgated by the Internal Revenue Service. The change in depreciation rates resulted in a decrease of \$381,000 in the net gain from printing and binding operations for the 1964 fiscal year as compared with the net gain that would have resulted if the depreciation rates had remained unchanged.

DEPARTMENT OF DEFENSE

SUPPLY MANAGEMENT, REQUIREMENTS DETERMINATIONS

Procurement of aircraft engine cylinder assemblies without consideration of actual usage experience, Department of the Navy, B-146727, Aug. 30, 1965

The Navy bought about 2,100 aircraft engine cylinder assemblies, costing more than \$1 million, which exceeded all known needs at the time of procurement. This occurred because the Aviation Supply Office had projected its requirements on the basis of predetermined (estimated) usage rates which were higher than the actual usage rates. Also, even though it was known that some cylinder assemblies were to be reclaimed from excess engines, in our opinion, adequate consideration was not given to the effect that this would have on the stock position.

The Navy stated that the action by the Aviation Supply Office was in accordance with procedures in effect at the time but that new Uniform Inventory Control Point procedures have since been established to improve supply management in this area. Under the new procedures, the predetermined usage rate for an item will be used initially and will be changed gradually to the actual rate as information on experienced usage becomes available.

Procedures and practices for terminating procurement of excess missile spare parts, United States Army Missile Command, Department of the Army, B-156760, Aug. 31, 1965

Our review of procurements of about \$612,000 worth of missile spare parts that were later considered to be excess showed that \$154,000, plus an undetermined portion of \$355,000, of the costs incurred could have been avoided had the Army Missile Command taken appropriate action to cancel or reduce the procurements in accordance with reduction in needs. Proper procurement cancellation actions were not taken because of a lack of adequate missile command instructions to the supply commodity managers to implement the broad Army policy that, when determinations are made that quantities of parts on procurement are no longer needed because of reduced requirements, the procurements be reduced or canceled if this can be done economically. In none of the cases we reviewed did the supply commodity managers make comparison of the costs of canceling the procurements with the costs of accepting and holding the parts for possible future needs.

The Army agreed that there had been deficiencies in procedures and practices for terminating procurement actions and advised us that the Missile Command had been directed to amend its procedures to more clearly state the information to be exchanged between the supply commodity manager and the contracting officer.

Procurement of fault locating indicators for the Nike Hercules Guided Missile, Department of the Army, B-157274, Oct. 20, 1965

The Army Missile Command was in the process of procuring, at an estimated cost of \$1.4 million, an additional quantity of a fault locating indicator (an item of test equipment for the NIKE HERCULES guided missile) although those previously procured and issued to the troops were not being used. The Missile Command planned this procurement without being aware that field experience over a period of several years had demonstrated that other testing equipment, which had been in use since prior to the initial issuance of the fault locating indicators, was serving the users' needs. A survey by the manu-

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

facturer's representatives—about a year prior to the plan to procure the additional quantity—had shown that 74 percent of the assigned indicators were not being used—some had not even been uncrated—and that the remaining 26 percent were being used only occasionally. After we brought this matter to the attention of the Missile Command, the procurement in process was canceled.

We recommended that the Army establish procedures to provide that (1) volume procurement of major items of equipment be based on requirement determinations properly confirmed by the applicable using forces or the principal using command, and (2) using commands promptly advise the commodity managing command if equipment issued or planned for issue is not needed or is not fully utilized. In reply the Army expressed its belief that the existing procedures are in consonance with our recommendations and that despite the facts in this case, with which it agreed, the existing procedures were basically sound.

SUPPLY MANAGEMENT, MANAGEMENT OF EXCESS STOCKS

Failure to recover needed aircraft parts previously determined to be Government surplus, Department of the Army, B-156733, July 15, 1965

The procedures of the Army Aviation Materiel Command were not effective for recovery of aircraft parts previously authorized for disposal when the parts were later found to be needed. Such parts were being recovered only when need arose within 15 days after disposal had been authorized. We pointed this out to the Command and, as a result, the procedures were revised to provide for recovery of parts within a 9-month rather than a 15-day period. This led to the immediate recovery of about \$185,000 worth of parts and a later recovery of 92 additional parts of undetermined value. The Command further strengthened its procedures by a machine accounting program which will alert supply analysts, as soon as a requirement occurs, to the need for initiating recovery action.

Shipment of excess aeronautical spare parts to Oklahoma City Air Materiel Area by Air Force Bases, Department of the Air Force, B-133019, Aug. 12, 1965

About \$390,000 of transportation and handling costs were incurred in 1963 because Air Force bases made about 26,000 shipments of excess aeronautical spare parts to Oklahoma City Air Materiel Area rather than disposing of the excess parts locally. These shipments were made because (1) Oklahoma City commodity management officials had not directed the bases to dispose of the excess spare parts locally, (2) Air Force bases failed to dispose of the excess spare parts locally even when directed to do so by commodity management officials, and (3) there were certain deficiencies in the Air Force regulations governing disposals.

The Air Force advised us that, subsequent to the period covered by our review, electronic data processing capability had increased throughout the Air Force and that Air Force activities had acquired a means of reporting local excesses to the appropriate Air Materiel Area and of receiving disposition instructions within 14 days.

Retention of obsolete telephone cable, Department of the Army, B-156531, Aug. 12, 1965

We found that the Army was retaining about 55 million feet of telephone cable which became obsolete in 1962 and should have been disposed of. We pointed out that retention of the cable denied to the Government use of funds ranging from \$450,000 (value as scrap copper) to \$2.4 million (value as cable) at current market prices. This was resulting in increased interest costs to the Government ranging from \$16,000 to \$88,000 annually. After we brought this matter to its attention, the Army Electronics Command initiated action to dispose of the cable and, in addition, issued instructions implementing an Army regulation regarding the orderly and economical phasing of items into or out of the supply system.

Potential savings through use of an oversupply of stabilator assemblies for F-4 aircraft, Department of the Navy, B-152600, Sept. 30, 1965

The Navy had excess F-4 aircraft stabilator assemblies on hand which could have been provided either to the airframe manufacturer for use in production

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

of new aircraft or to the Air Force to satisfy its needs for spare parts. Because of inaccurate stock records, the Navy was not aware it had excess assemblies on hand. After we brought this matter to its attention, the Navy arranged to transfer 16 stabilators to the airframe manufacturer and 2 to the Air Force. The transfer avoided procurement costs of about \$702,000. The Navy also took action to improve the accuracy of its stock records.

Potential savings through improved management of ammunition, Department of Defense, B-146917, Apr. 29, 1966

The Army authorized the procurement of .22-caliber and 90-millimeter ammunition although the Marine Corps had substantial quantities of these types of ammunition which were excess to its current needs. After we brought this matter to the attention of the Army, ammunition valued at about \$713,000 was transferred from the Marine Corps and procurement plans of the Army were reduced or cancelled. The Department of Defense acknowledged that the Army had erred in authorizing the procurement of the ammunition without first determining, in accordance with interservice policies and procedures, whether the other services had excesses that could be made available to meet the Army's needs. The Department of Defense stated also that, effective July 1, 1966, ammunition would be included in the mechanized system for integrating Defense-wide requirements and Defense-wide assets available to meet the requirements.

Recovery of needed parts from excess aircraft engines, Department of the Air Force, B-146730, May 27, 1966

Although the Air Force has placed considerable emphasis on the importance of recovery of parts from excess aircraft engines being processed for disposal, we found that because of errors, oversights, and misunderstandings, needed parts costing about \$872,000 were not listed for reclamation when J57 and R4360 aircraft engines were processed for disposal. After we brought this to the attention of the Air Force, parts costing about \$213,400 were recovered; the remainder had already been disposed of. The Air Force acknowledged that the deficiencies we cited had existed and had caused the loss of needed parts and advised us of procedural changes which had since been made to preclude recurrence.

SUPPLY MANAGEMENT, STOCK RECORDS

Possible savings from improving the management control of projectile fuze covers and other reusable ammunition components, Department of the Navy, B-146917, Jan. 28, 1966

The Navy incurred costs of about \$218,000 in the 3-year period ended June 30, 1964, because reusable fuze covers were not being returned for reuse or, if returned, were lost or so'd as scrap. We estimated that inasmuch as the Navy had a continuing need for these fuze covers, about \$595,000 could be saved in the 5-year period ending June 30, 1970, by establishing effective controls over the return and reuse of such covers. Our review did not extend to other reusable ammunition components. However, we did note that the user installations were failing to return many of such items. We recommended that the Navy develop and implement appropriate accounting controls over the issue and return of reusable ammunition components and establish surveillance over the operation of such controls to ensure their effectiveness.

In March 1966, the Navy advised us that the Navy Auditor General would conduct a service-wide audit of the Navy's ammunition supply system and that the audit would include a review of the adequacy of existing accounting procedures for control and surveillance.

Management of inventories by the Army Map Service, Washington, D.C., Department of the Army, B-125056, Mar. 11, 1966

Of a total of \$1.1 million invested in inventory of map-making and other supplies, about \$700,000 was excess to the current needs of the Army Map Service at the time of our review. The accumulation of unneeded supplies was particularly significant because the excess inventory included substantial quantities of film and photographic supplies which deteriorate if stored too long and some of the supplies had already been on hand for periods longer than those

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recommended. We found that a combination of (1) inaccurate stock records, (2) incorrect usage data, and (3) unnecessarily high stock levels had been a major factor contributing to the accumulation of the excesses. We brought our findings to the attention of the Department of Defense and pointed out that reductions in the inventory could produce savings not only by decreasing losses through deterioration and obsolescence but also by reducing storage and handling costs. We were subsequently advised that corrective measures had been taken to maintain the inventory at the minimum consistent with mission requirements.

SUPPLY MANAGEMENT, GENERAL

Readiness of combat and combat support equipment assigned to the 2d Marine Division and Force Troops, Camp Lejeune, N.C., United States Marine Corps, Department of the Navy, B-146832, Sept. 20, 1965

We found the combat and combat support equipment assigned to the 2d Marine Division and Force Troops to be in a substantially more favorable state of readiness than we had found to be the case with respect to similar equipment assigned during fiscal year 1962 to the 3d Marine Division (Reinforced) stationed at Okinawa. Our findings in the earlier review, reported to the Congress in October 1963, indicated that large quantities of combat equipment were out of service for repair for extended periods and that the unsatisfactory condition was attributable to inadequate emphasis on maintenance within the 3d Marine Division and to shortages of needed repair parts.

The significant improvement we found in the 2d Marine Division and Force Troops was due in part to the increased emphasis placed by top management of the Marine Corps on the review and evaluation of equipment status reports and to the attention that has been directed to the day-to-day condition of the equipment. As a result, there has been a greater awareness by Marine Corps personnel of the need for more effective maintenance and spare parts support.

Army aircraft grounded because of lack of required repair parts, Department of the Army, B-157373, Nov. 29, 1965

Army reports showed that, in the 18-month period October 1962 through March 1964, an average of 437 aircraft (worth about \$82 million) were in a grounded status because repair parts were not available when needed. These aircraft included 318 helicopters and 119 fixed-wing aircraft. We found that the required repair parts could have been made more readily available through (1) more effective action on the part of the Army Aviation Materiel Command, (2) better guidelines for the initial positioning of stocks in the system, (3) more effective supply management practices at field installations, and (4) closer surveillance of open contracts for repair parts to reduce delinquencies in delivery by contractors. The Army generally agreed with our proposals for correcting the basic causes of supply shortages.

Equipment modification program for M48A1 tanks, Department of the Army, B-158572, June 21, 1966

Pertinent cost and other information with respect to the question of whether to convert used or unused gasoline-powered M48A1 tanks to the diesel-powered M48A3 configuration was not presented to top management officials, at the Army Chief of Staff and Secretary of the Army level, for consideration when the decision was made to convert the unused tanks. At the time of the decision, the Army was rebuilding used tanks and had plans for continuing the rebuild of those vehicles. On the basis of cost data available at the time, about \$2.3 million could have been saved by installing the diesel engines and other conversion features during the process of rebuilding used tanks rather than converting the unused tanks. On the basis of costs actually incurred, about \$5.7 million would have been saved if used tanks had been converted during the rebuild process.

We recommended that, when major equipment modifications are to be undertaken, the Secretary of the Army specifically provide that (1) if a normal overhaul program is also to be undertaken, Army personnel develop all pertinent cost and other factors concerning the alternative of accomplishing the modifications at the same time and (2) the data be furnished to top level Army personnel for consideration in connection with program approval.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

Certain aspects of the supply and maintenance support provided Honest John missile battalions in Korea, Department of the Army, B-159041, June 28, 1966

This report contains information affecting the national defense of the United States and has been classified "Confidential".

Savings that can be attained by rebuilding used motor vehicle tires, Department of the Air Force, B-159200, June 29, 1966

On the basis of our analysis of the tire-rebuilding statistics for 80 Air Force installations and our observations of tire inspection and rebuilding practices at 11 of the installations, we estimated that more extensive rebuilding of used motor vehicle tires by Air Force installations, instead of buying new replacement tires, would have resulted in savings of as much as \$2 million in one fiscal year and could result in substantial savings in future years. Many used tires were being condemned when they could have been rebuilt. Others were being used to the point where there was insufficient tread remaining to permit rebuilding. Although the Air Force had established general policy guidance with respect to tire maintenance, the extent to which the policy guidance had been implemented varied substantially among individual installations.

We discussed our findings with Air Force officials and were informed that appropriate action would be taken to provide closer supervision over the inspection and removal of used tires and to prevent disposal of tires that could be rebuilt. The Department of Defense brought our findings to the attention of the other military departments and requested all commands to give additional attention to this matter to ensure compliance with applicable policies and technical publications.

PROCUREMENT, NEGOTIATION OF CONTRACT PRICES

Need for improvement in pricing of change orders for construction of naval vessels, Department of the Navy, B-146990, Sept. 20, 1965

We examined into the pricing of 110 of the 820 change orders issued under a fixed-price contract awarded by the Navy for construction of a nuclear-powered fleet ballistic missile submarine. We found that the prices negotiated for 58 of the change orders were about \$269,000 more than appeared justified under the circumstances. The contractor had proposed, and Navy officials had accepted, prices which were not based on current cost data, included costs for work not authorized, and provided insufficient credit for reduced or modified contract requirements. The contractor agreed with the facts presented in our report and acknowledged that overpricing had occurred in some instances. The contractor pointed out, however, that it did not consider its recorded costs to be sufficiently reliable to be used as a basis for establishing change-order prices and that the urgency of the Polaris program called for instant response by the contractor to changes decided by the Navy without awaiting issuance of the formal change order.

Inasmuch as we had found, and reported in prior years, deficiencies in change-order practices at several other privately owned shipyards, we recommended to the Navy that an examination be made into the prices negotiated for change orders issued under Navy contracts recently awarded to the principal privately owned shipyards and that, where appropriate, adjustments in contract prices be obtained. In reply, the Navy stated that it was making a reevaluation of the change order prices in this case and that our recommendation would be considered in the light of the results of the reevaluation.

Pricing of recorders purchased from Midwestern Instruments, Inc., Tulsa, Oklahoma, Department of the Air Force, B-146966, Feb. 17, 1966

The price negotiated by Midwestern, a subcontractor, and Lockheed-Georgia Company, a prime contractor, was overstated by about \$192,800 because the most recent cost experience was not used as a basis for the price proposal. This resulted in additional cost to the Government of about \$234,600 after taking into account charges and profit added by Lockheed. In response to our suggestion that appropriate recovery be made, the Air Force recovered \$234,623 from Lockheed by offset action. Lockheed appealed this action to the Armed Services Board of Contract Appeals and hearings were held in May 1966. At the request of the Air Force, representatives of our Office

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

appeared as witnesses at the hearings. The Board had not handed down its decision at August 31, 1966.

Prices negotiated on selected contracts for ammunition and weapon components, Department of the Army, B-157535, Apr. 21, 1966

We found that two contractors had proposed, and the Government had accepted, prices that were overstated in relation to cost information available to the contractors prior to the time the proposals had been made. As a consequence, the prices of the contracts awarded to these contractors were overstated by about \$957,000 and \$239,000, respectively. Each of the contracts was awarded after enactment of Public Law 87-653 and included provisions for price adjustments. These findings, which resulted from our selective examination of the contracts, were brought to the attention of the Army and the Army initiated a further and more detailed examination. As a result of its detailed examination, the Army determined that the contract which we found to have been overpriced by \$957,000 actually had been overpriced by about \$2.8 million. The Army informed us that action was being taken to obtain appropriate refunds from the contractors.

PROCUREMENT, ADMINISTRATION OF CONTRACT TERMS AND CONDITIONS

Need for postaward audits to detect lack of disclosure of significant cost or pricing data available prior to contract negotiation and award, Department of Defense, B-158193, Feb. 23, 1966

We had found, as stated in a number of reports issued to the Congress and in other reports in process, that significant cost information was not disclosed to Government negotiators although it was available or known to contractors prior to negotiation of contract prices or prior to the award of the contracts. As a result, contract prices were increased by the inclusion in price proposals of estimated costs that were substantially higher than the costs that should reasonably have been anticipated on the basis of information known to the contractors. For various reasons, preaward audits, where made, were not effective in disclosing cost estimates that were excessive in the light of information available at the time of negotiation and at the time of award of the contracts. Accordingly, we proposed (1) that the Defense Contract Audit Agency establish a program for regularly scheduled postaward reviews of selected contracts, (2) that contracting officers evaluate the need for postaward audits of contracts awarded on the basis of certified cost or pricing data which they have reason to believe may not be accurate, complete, or current or may not be adequately verified; and (3) that the Armed Services Procurement Regulation be revised to provide that a clause be included, in appropriate circumstances, granting the contracting officer the contractual rights to examine records, generated during the contract period, considered necessary for verifying that the data submitted and used in establishing the contract price were accurate, complete and current at the time of negotiation and award. The Department of Defense advised us of agreement with the first two proposals and stated that the third proposal was under consideration by a subcommittee of the Armed Services Procurement Regulation Committee.

Royalties charged to the United States Government for use by Government contractors of chemical milling inventions, Department of the Air Force, B-133386, Apr. 12, 1966

The basic chemical milling invention was developed by a prime contractor of the Air Force. Inventor laboratory notes, technical reports, and other records of the contractor showed that the invention was developed to solve a problem arising in the performance of an Air Force research and development missile contract. The contractor classified the invention as not being subject to the patent rights provisions of the contract and the Government was charged royalties for its use. The terms of the contract were subject to varied interpretations but, in our opinion, a reasonable interpretation would have granted the Government a royalty-free license to use the invention. At the time of our review, Government contracts with other firms had been charged royalties totaling about \$500,000, of which an unidentified portion covered improvement patents of another company whose records were not subject to our review.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

In response to our findings and our proposal that the matter be settled on equitable grounds, the Air Force negotiated a settlement agreement with the contractor. The agreement provides for (1) a rebate to the Government of \$157,000 as settlement of one half of the contractor's share of the royalties paid by Government contractors through September 30, 1964, (2) a continuing rebate of one half of the contractor's future share of such royalties, and (3) a grant of royalty-free licenses on certain of the contractor's inventions.

Because of the varied interpretations of the term "subject invention" as defined in the Armed Services Procurement Regulation (ASPR) we proposed that the patent provision of ASPR be amended to provide a more definitive description of the term and to establish a presumption that any invention, which relates to the subject matter of the contract or to work incident to or required under the contract, is a "subject invention." We also proposed that consideration be given to further amend the patent provisions of ASPR to provide that both the military services and the Comptroller General of the United States have the right of access to records necessary to determine whether any invention of a contractor is a subject invention or to determine compliance by a contractor with the requirements of the patent rights clause. The Department of Defense stated that our proposals would be considered by the ASPR Committee. In July 1966, the Department of Defense advised us that the ASPR Committee considered our proposed definition of "subject invention" as too far reaching and beyond that for which the Government pays or to which it is entitled. The Committee agreed, however, with our proposal to provide contracting officers rights of access to records.

In later discussions with officials of the Department of Defense, we were informed that, although our recommendations were not fully accepted, certain changes had been approved by the ASPR Committee for inclusion in the ASPR to improve administration of patent provisions of contracts.

Selected overhead costs charged to Government contracts by the Univac Division of Sperry Rand Corporation, St. Paul, Minn., Department of Defense, B-146962, Apr. 21, 1966

About \$264,000 of overhead costs charged to Government contracts were found to be questionable in our opinion. These included (1) plant maintenance and occupancy costs allocated on the basis of an average cost per square foot of plant space for its eight plants rather than on the basis of the cost per square foot of space of the plant where the work was performed (\$152,000) and (2) interest (\$29,000) and accelerated amortization of leasehold improvements (\$83,000) which appeared to be unallowable charges under pertinent provisions of the Armed Services Procurement Regulation.

The Department of Defense has advised us that it has recovered the interest charges and that it is seeking an adjustment of charges for the other elements of overhead.

PROCUREMENT, CONTRACTOR-FURNISHED VS. GOVERNMENT-FURNISHED SUBSYSTEMS AND EQUIPMENT

Policy guidance strengthened on direct procurement of components needed by contractors in production of weapon systems and other major end items, Department of Defense, B-158604, Apr. 29, 1966

We had issued to the Congress a large number of reports over the past several years on reviews of the policies, procedures, and practices followed within the Department of Defense in determining whether certain components needed for installation in weapon systems or other major end items being produced should be purchased by the contractors or purchased by the Government and furnished to the contractors. (The synopses of five such reports, issued in fiscal year 1966, are presented immediately following.) In these reports we pointed out the economies that could be realized in Government procurement if the Department of Defense and the military services would make greater efforts to furnish components to contractors in instances where it is feasible and to the advantage of the Government to do so.

The economies stem from several factors. Purchasing of the components by the Government provides an opportunity to consolidate requirements for a

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

component common to several weapon systems or other major end items and to take advantage of the lower prices that may be available for purchases in larger quantities. Inasmuch as military procurement is subject to provisions of the Armed Services Procurement Regulation which requires the use of formal advertising procedures designed to obtain full and free competition, unless specifically excepted by law, the Government is more likely to purchase the components competitively, thus affording all qualified producers an opportunity to participate in supplying the Government's needs. Also, the furnishing of components to the contractor places the Government in a sound position to negotiate a lower price for the end item by reducing the profit or fee which otherwise would be allowed on the contractor's cost of items purchased under the contract.

The Department of Defense policy guidance, in effect during the periods covered by our reports, appeared to us to tend to discourage the practice we were advocating. It gave the military services broad latitude and was variously interpreted in their implementing instructions. The interpretations ranged from the position of the Air Force, that components should be Government furnished to the maximum practicable extent, to the position of the Navy's Bureau of Ships, that the furnishing of such items should be "reduced to an absolute minimum."

On October 1, 1965, the Department of Defense added new guidance to the Armed Services Procurement Regulation. The new provision, as revised December 1, 1965, contains a policy statement and procedural guidance designed to encourage and expand the practice of furnishing components to contractors when the circumstances are appropriate. It also fixes responsibility for decisions and for maintenance of appropriate records to document the basis of decisions. We believe that the new guidance represents a significant step toward realizing more fully the economies which are obtainable by direct procurement.

Cost of indirect procurement of F-105 aircraft multiple-ejector bomb-rack assemblies, Department of the Air Force, B-156639, Aug. 12, 1965

The Air Force incurred increased costs of about \$727,000 because an airframe manufacturer purchased assemblies which, in our opinion, the Air Force could have purchased and furnished to the airframe manufacturer. The amount of \$727,000 represents the profit allowed the airframe manufacturer on the cost of the purchase.

Potential savings by direct rather than indirect procurement of selected subsystems for F-4 type of aircraft, Department of the Navy, B-152600, Sept. 21, 1965

The Navy allowed an airframe manufacturer about \$975,000 in fees for purchasing three subsystems which, in our opinion, the Navy could have purchased and furnished to the airframe manufacturer.

Costs incurred in procuring MADREC electronic system components manufactured by Midwestern Instruments, Inc., from Lockheed-Georgia Company, Department of the Air Force, B-146966, Sept. 30, 1965

The Air Force paid Lockheed about \$550,000 more for certain components purchased by Lockheed for use in production of the MADREC systems than it would have paid if it had purchased the components direct from the manufacturer and furnished them to Lockheed. In our opinion, direct purchase by the Air Force would have been feasible. The amount of \$550,000 represents profit allowed Lockheed on the purchase cost plus an allocation of Lockheed's indirect expenses.

Potential savings by direct rather than indirect purchase of selected major subsystems for A-6A type of aircraft, Department of the Navy, B-157137, Oct. 22, 1965

The Navy allowed an airframe manufacturer about \$250,000 in fees for purchasing two subsystems which, in our opinion, the Navy could have purchased and furnished to the airframe manufacturer.

Potential savings through direct procurement of components used in production of variable timing fuzes, Department of the Navy, B-132977, Feb. 23, 1966

The Navy incurred increased costs of about \$421,000 because the contractor was authorized to purchase certain components which, in our opinion, the Navy could have purchased and furnished to the contractor. The amount of

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

\$421,000 represents the profit allowed the contractor on the cost of the purchase.

PROCUREMENT, GENERAL

Management of the procurement of major equipment and related spare parts by the United States Marine Corps, Department of the Navy, B-158482, June 3, 1966

We found a diffusion of responsibility in the management and supervision of major equipment procurement programs. Because of this diffusion, 234 new-type cargo trucks costing about \$1.8 million, purchased for use by ground support elements of four Marine Corps air units, were delivered without combat essential spare parts. As a result, the readiness of the four units was affected for a period of 14 months after delivery of the trucks. During this period the units were required to use old, deteriorated trucks while the new trucks remained in storage. There were five separate management organizations involved in the procurement of the trucks—three in the Navy, one in the Marine Corps, and one in the Army. A lack of coordination among these organizations resulted in the procurement of the trucks without concurrent procurement of spare parts. The omission was not detected until delivery of the trucks was imminent.

The Navy concurred in our findings and advised us that a proposal was being considered to give the Commandant of the Marine Corps the total responsibility for all aspects of procurement of combat-type equipment for Marine Corps use, including concurrent delivery of spare parts. In order that there be adequate management control within the Marine Corps, we recommended to the Commandant that the basic responsibility for the coordination and supervision of major equipment programs be assigned to a specific organization.

MANPOWER, MILITARY PAY AND ALLOWANCES

Need for improved administration of allowances paid for uniforms of cadets in the Reserve Officers' Training Corps, Departments of the Army and the Air Force, B-153785, Sept. 30, 1965

The allowances paid by the Army and Air Force to civilian schools for uniforms worn by cadets enrolled in the basic course of the Reserve Officers' Training Corps (ROTC) were in excess of the cost of furnishing uniforms from military stocks. We estimated that, in fiscal year 1963 alone, the difference in cost was about \$365,000. We found, also, significant differences in the policies of the Army, Navy, and Air Force which resulted in inequities among participating schools and among individual members of ROTC units. The Secretary of each of the military departments is authorized either to pay participating schools a clothing allowance (generally known as commutation) or to issue them uniforms-in-kind. The Air Force encouraged the schools to accept commutation and most schools agreed. The Army permitted the schools to make the choice and most schools elected to receive uniforms-in-kind for basic-course cadets. The Navy issued uniforms-in-kind for all ROTC students and did not pay commutation. Army and Air Force policies and procedures also differed significantly with respect to the latitude allowed the schools in their use and administration of the commutation payments made to them. These differences among the services appeared to be unnecessary and were confusing, particularly since many schools have ROTC programs for two or all three of the services.

In response to our recommendations, the Department of Defense reduced the commutation rate to the approximate cost of furnishing uniforms-in-kind and provided guidelines to avoid differences in policies among the military departments.

Collection of excess-weight costs incurred in shipping household goods, Department of the Army, B-146911, Aug. 12, 1965

Military personnel are entitled to have their household goods shipped at Government expense, subject to certain conditions and weight limitations, when personnel are transferred from one duty station to another. Regulations require the Government to pay to carriers the full amount of the bill for transportation of household goods and to recover, from the military personnel involved, that portion of the cost which applies to weight in excess of prescribed limits.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

We found that the Army Finance Center, which has responsibility for billing and collecting excess-weight costs incurred by Army and Air Force personnel, was not making proper collections for excess-weight charges. We estimated that, with respect to about 4,100 shipments of household goods in calendar year 1962, excess-weight charges of about \$266,000 were not collected and overcharges of about \$41,000 were erroneously collected from military personnel. This occurred because procedures for identifying overweight shipments were ineffective; controls over collections for identified excess-weight cases were inadequate; clerical errors remained undetected as there was no provision for verifying accuracy of computations; and supervisory review was inadequate.

In response to our proposals for corrective action, the Army instituted a review of this area of operations and provided more detailed instructions to its examiners and strengthened supervision of their work. The Army also stated that it would continue to monitor excess-weight determination and collection operations and would take such further remedial action as might be needed.

Need for increased use of quarters in Air Force-leased hotels by military personnel on official duty in London, England, Department of Defense, B-154547 Aug. 18, 1965

We found that billeting facilities in two hotels leased by the Air Force in downtown London could, in our opinion, be used to a greater extent by military personnel on official duty and could result in significant savings of allowances that are otherwise payable. Personnel without dependents under permanent-change-of-station orders, upon arrival in or before departure from the London area, were paid basic allowance for quarters and temporary lodging allowance. If they had resided in these hotels, such payments would have been avoided. Also, personnel on official temporary duty received per diem at a rate of \$17; residence in the hotels would have reduced this amount to \$8.50. We estimated that annual payments of allowances to personnel who could be occupying the facilities in the two hotels could be reduced by as much as \$159,000.

In response to our findings, the Department of Defense stated that in the future, these facilities would be used to the fullest extent practicable by personnel on official duty in the London area. The Department stated further that a policy change had been effected requiring all unaccompanied personnel to reside in these facilities during their periods of temporary duty if space is available.

Causes for overpayments and underpayments of mileage reimbursements for travel of service members and their dependents, Department of the Army and Department of the Air Force, B-125037, Oct. 22, 1965

We found numerous errors by Army and Air Force finance personnel in computing distances for reimbursable travel of service members and their dependents. (Our review did not include mileage reimbursement payments by the Navy.) On the basis of our tests of payments made in fiscal year 1963, we estimated that overpayments of about \$800,000 and underpayments of about \$300,000 had been made in that year as the result of erroneous distance computations. These erroneous payments resulted from the fact that finance office personnel at the bases (1) did not compute distances on the basis of the shortest usually traveled route—generally because of incorrect interpretation or improper application of instructions in the Official Table of Distances, (2) used an incorrect mode of transportation as a basis for computing distances, and (3) used incorrect locally prepared files of distances.

The Department of Defense agreed with our proposals for strengthening of internal review procedures in this area of operations and advised us that each of the three military departments was taking appropriate action.

Improvement in administrative audit of accrued-leave payments to reenlistees by the Finance Center, United States Army, Fort Benjamin Harrison, Indianapolis, Ind., Department of the Army, B-133063, Dec. 14, 1965

As a result of our findings and proposals for corrective action, the Finance Center improved its techniques for audit of amounts paid military members for unused accrued leave. The improved techniques provide for (1) comparing the number of days charged against accrued leave as shown on the

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

individual leave records with the periods for which members were paid in lieu of rations in kind as shown on the military pay vouchers and (2) checking the mathematical accuracy of the entries on the leave records dating back to the previous settlements for accrued leave. These techniques had previously been used by the Finance Center but were discontinued in September 1963 when the scope of audit was reduced. We estimated that overpayments which were undetected because of the reduced scope of audit amounted to about \$520,000 in the period from September 1963 to April 1965.

Potential savings through improved management controls over allowances paid to members of shore patrols, Department of the Navy, B-146729, Dec. 17, 1965

We made a follow-up review of allowances paid to members of shore patrols. In our report on an earlier review, submitted to the Congress in May 1962, we stated (1) that we had found a widespread practice by members on temporary shore patrol duty of submitting fraudulent claims for lodging allowances and (2) that unnecessary payments of lodging and subsistence allowances were being made because shore patrol members were not required to use available Government quarters and messing facilities. On the basis of that report, the Navy took action to improve its procedures and controls. Our follow-up review covered payments made to shore patrol members on duty in the Boston, Massachusetts, area and in Hong Kong. We found substantial improvement in the Boston area. However, the situation in Hong Kong indicated a need for considerable improvement in management controls. About \$94,000, of the \$126,000 paid in the period June 1963 through December 1964 for lodging and subsistence allowances, could have been saved had the Navy required the shore patrol members to use Government quarters and messing facilities available on ships. The Navy agreed with certain proposals we made and stated that corrective action was being taken to improve administration of lodging and subsistence allowances paid to military personnel assigned to shore patrol duty at overseas locations.

Management and utilization of Capehart, Wherry, and other Government-owned family housing, Department of the Army, B-133102, Mar. 24, 1966

Available family housing at Army installations remained vacant or was used for other than its intended purpose while military personnel were being paid quarters allowances to provide their own housing. This increased annual expenditures for quarters allowances by about \$3 million. Officials did not (1) control the time taken to prepare housing for reoccupancy, (2) maintain complete listings of eligible personnel, (3) direct eligible personnel to occupy available housing, and (4) redesignate excess officer housing to meet needs of enlisted men.

The Deputy Assistant Secretary of Defense (Family Housing) generally concurred with our proposals and outlined to us a series of corrective actions.

MANPOWER, GENERAL

Assignment of enlisted personnel to nonmilitary activities, Department of Defense, B-146890, Dec. 27, 1965

Department of Defense policies in general state that civilians will be used in positions which do not require military personnel. We found, however, that the Army, Navy, and Air Force were using enlisted personnel in such nonmilitary activities as officers' and noncommissioned officers' clubs, hobby shops, bowling alleys, golf courses, and commissary stores. We estimated that about 9,000 enlisted personnel, whose annual pay and allowances totaled about \$40.5 million, were being used in nonmilitary activities. After completion of our review, the Secretary of Defense initiated a program for reassigning to military duties those personnel who were assigned to noncombat, support-type activities.

On July 15, 1966, the Chairman, Subcommittee on Manpower, House Committee on Post Office and Civil Service, announced that he had been informed by the Assistant Secretary of Defense for Manpower that the Department of Defense was in process of replacing about 3,500 military personnel with civilians in commissary stores, officers' clubs, bowling alleys, golf courses, theaters, etc., and that this substitution was in addition to a program, started

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last year largely at the request of the Subcommittee, whereby 74,000 military personnel were being replaced in support-type jobs with 60,500 civilians. The Chairman stated that the Department of Defense expected the substitution of the 3,500 military personnel with civilians to be completed by December 1967 and that, at that time, a review will be made to determine the need for continuing the use of military-trained personnel in about 10,800 other civilian-type jobs in commissary stores and in welfare and recreation activities. The Chairman pointed out that this action reflects the results of the General Accounting Office study and the continued efforts of the Subcommittee.

Reemployment leave travel benefits granted certain civil service employees in States of Alaska and Hawaii, Department of Defense and other Government agencies, B-122796, Apr. 21, 1966

The Government pays the expenses of round trip travel of certain employees and the transportation of their families from their posts of duty in Alaska or Hawaii to their designated residences, at time of appointment or transfer, for the purpose of taking leave between tours of duty. Many employees were obtaining these benefits although they had lived for many years in, had registered to vote in, and had bought homes in, Alaska or Hawaii. Under existing law nonresidents at the time of appointment or transfer are permanently entitled to reemployment leave travel benefits. We recommended that the Bureau of the Budget specify criteria for determining "actual residence at time of appointment or transfer" and determining entitlement to reemployment leave travel benefits. We suggested also that the Congress may wish to consider legislation providing for discontinuing such benefits when no longer appropriate.

SUPPORT SERVICES

Use of Government-owned aircraft by the Army Mobility Command and Army Tank-Automotive Center, Department of the Army, B-156819, July 26, 1965

The Command and the Center were operating two Government-owned aircraft for transportation of their personnel. The annual cost of operating the aircraft was about \$138,900 higher than the cost of available commercial air transportation. The stated reason for retention of the aircraft was that urgent mission demands could not be satisfied by commercial transportation because of timing requirements or the locations involved. However, our review of the flights for a 6-month period failed to disclose any instances where the flights were of an urgent nature. On the contrary, the flights were nonurgent and involved destinations served daily by commercial airlines. In response to our findings, the Army directed the withdrawal of the two aircraft and associated operating personnel.

Questionable need for purchase of commercial computer time by the Air Force Cambridge Research Laboratories, Bedford, Mass., Department of the Air Force, B-146981, Aug. 19, 1965

Since 1962, the Cambridge Research Laboratories have been purchasing computer time from an outside commercial company although sufficient time has been available on computers leased by Lincoln Laboratory, a Government-owned contractor-operated installation in the same locality—within about one-half mile. We pointed out that this practice had resulted in additional costs of about \$363,000 during the period from July 1962 through May 1965. In commenting on our findings, the Department of Defense acknowledged that some economies could have been achieved by Cambridge through use of Lincoln's computer facilities during the period covered by our review but that, on the basis of an Air Force study, only a limited amount of time could now—or in the foreseeable future—be made available to Cambridge.

We questioned the adequacy of the Air Force study and recommended that the Department of Defense direct a reexamination of the factors considered by the Air Force in arriving at its decision. We also recommended that existing directives and instructions of the Department of Defense be amended to require that activities of the Department of Defense use any available and suitable data processing equipment, owned or leased under the cognizance of the De-

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

partment, before authorizing the purchase of computer time from commercial sources.

In October 1965, the Department of Defense replied to these recommendations. The Department stated that it fully supported the computer-sharing program and the desirability of achieving maximum feasible utilization of current resources before contracting with commercial sources but that a reexamination of the current factors involved in the Cambridge case showed that the conclusion of the Air Force, with which the Department concurred, was sound.

Potential savings by reducing the packing requirements for mattresses shipped within the United States, Department of Defense, B-146779, Aug. 19, 1965

On the basis of information developed in our review of packing requirements established by the Department of Defense for the transportation of household goods of its personnel, we are of the opinion that savings of about \$1 million a year could be realized by reducing the packing requirements applicable to mattresses shipped within the United States. Mattresses were required to be packed in cardboard cartons even though carriers offered lighter weight, less expensive paper covers which would adequately protect the mattresses.

We recommended that the Military Traffic Management and Terminal Service be directed to study the feasibility of using less expensive covers offered by carriers. After some preliminary studies of the matter, the Military Traffic Management and Terminal Service, with the participation of eight military transportation offices, undertook a study on July 1, 1966, to evaluate the relative merits of paper bags and cartons as packing materials for shipment of mattresses and box springs.

Transportation of privately owned vehicles on foreign-flag vessels, the Military Sea Transportation Service, Department of the Navy, B-154811, Apr. 21, 1966

Our review showed that the Military Sea Transportation Service of the Navy paid about \$240,000 in fiscal year 1964 to have military service members' private vehicles transported on ocean vessels of foreign registry although the law required that the vehicles be transported on United States Government-owned vessels or by privately owned American shipping services. Prior to issuance of our report, the Congress passed legislation affecting use of foreign-flag services. Section 1 of the act of July 30, 1965 (79 Stat. 425) authorizes the shipment of privately owned vehicles on foreign-flag vessels if American or Government-owned vessels are not reasonably available. In view of the provision of the new law and the difficulties that would be encountered in identifying all payments made prior to its enactment, we did not take exceptions to payments made for the transportation on foreign-flag vessels prior to the effective date of the law.

Potential savings by buying instead of leasing specialized transportation equipment, Department of the Air Force, B-157711, Apr. 21, 1966

The Air Force expended, during the period October 1961 through June 1965, about \$1 million more to lease liquid oxygen and nitrogen transport trailers from common carriers than it would have expended to purchase and maintain the trailers. The Air Force had not considered comparative costs before it made the agreements with the carriers. The Air Force, while recognizing the advantages of cost comparisons, and agreeing to revise its transportation regulations to require a cost analysis when a long-term requirement existed for specialized transportation equipment, did not agree that the leasing arrangements resulted in avoidable costs in this instance. It took the position that acceptable military design trailers could not have been purchased in time to meet requirements and, since the trailers in its inventory were of military design, it would not have considered procurement of commercial design trailers. We pointed out that the leased trailers were of commercial design, that they were considered satisfactory for their purpose, and that they would have been equally satisfactory had they been owned by the Government.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

Readiness status of idle ammunition-production facilities, Department of the Army,
B-158514, June 16, 1966

Our review of the readiness status of selected idle ammunition-production facilities of the Army, and a broader study later conducted by the Army, indicated that many of the facilities considered essential for mobilization purposes would probably not be available when needed. The facilities lacked equipment, technical support, subcontractor support, or competent production personnel. On the other hand, some facilities were maintained in a high state of readiness without adequate justification and at considerable cost to the Government. This resulted, in our opinion, from a general lack of management attention to this critical area and the fact that too few qualified persons were assigned to industrial readiness planning. A low priority had been given to this area by procurement and contract administration organizations and a comprehensive review of mobilization capabilities for ammunition production had not been made for some time.

The Army study team made certain proposals, with which we concurred, designed to improve readiness status of the production facilities.

FACILITIES AND CONSTRUCTION

Need for current evaluation of available community housing prior to construction of military housing, Department of the Navy, B-146987, Nov. 29, 1965

Savings in military housing construction expenditures may be realized by reevaluation of available housing in the community prior to award of a construction contract in those cases where there has been a delay since the need for the project was determined. Had this been done by the Naval Supply Depot, Mechanicsburg, Pennsylvania, before award of a construction contract it would have been found that use of vacant housing repurchased by the Federal Housing Administration could reduce the construction program by about \$1 million (61 military family housing units). The construction contract was awarded in May 1964 on the basis of a survey made in February 1963 which indicated that sufficient adequate housing was not available. Consideration was not given to the changes in the housing situation between February 1963 and May 1964.

Operation of a dairy farm by the United States Naval Academy, Annapolis, Md., Department of the Navy, B-156167, Mar. 23, 1966

In response to a request from Congressman Charles McC. Mathias, Jr., we undertook a review of the operation of a dairy farm by the United States Naval Academy. However, because the matter related to the general policy of the Government in conducting activities to produce supplies available from private enterprise, we reported our findings to the Congress.

The records maintained by the dairy indicated that the cost to the Government for milk and milk products obtained from the Academy dairy was less than the prices charged other Government activities by commercial sources. We found however, that certain additional adjustments to the dairy costs were necessary to reflect the true cost to the Government. For example, adjustments were necessary for interest cost to the Government on the funds invested in the dairy, for certain salaries, and for Federal payments to a local school district which provided education for children of the dairy's employees. We estimated that, taking these adjustments into account, annual savings of about \$84,000 would be realized if the dairy were sold and the Academy obtained the needed milk and milk products from commercial sources. We proposed that the Navy consider disposal of the dairy. The Navy agreed and stated that the dairy would be phased out under a plan which would produce a minimum impact on the local farm community.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

Potential savings by consolidation of field organizations and facilities for recruiting military personnel, Department of Defense, B-157371, June 3, 1966

Millions of dollars could be saved annually if the separate field recruiting organizations and facilities of the four military services were consolidated. Consolidation would also help achieve the purpose of the President's new program for improving and facilitating communications with the public. Each of the services canvasses the entire country through separate networks of many hundreds of branch stations. This results in substantial duplication of expense for office space and equipment, utilities, personnel, motor vehicles, and recruiting forms.

We brought our findings to the attention of the Department of Defense and were advised that a Defense-wide study was underway to develop plans for relocating and combining separate recruiting offices to the extent practicable and to identify appropriate geographical areas for conducting a test of the consolidation of recruiting offices. The Department informed us also of action taken to further combine and unify physical examining, mental testing, and enlistment processing functions within the military services.

We recommended to the Secretary of Defense that the contemplated field test be undertaken and completed as expeditiously as feasible. We requested that the Secretary of Defense furnish us with the results of the study as well as the results of the field test to be made of the consolidation of recruiting offices.

INTERNATIONAL ACTIVITIES

AGENCY FOR INTERNATIONAL DEVELOPMENT

Audit of loan program financial statements for fiscal years 1962, 1963, and 1964, B-133220, Mar. 11, 1966

Our review of the Agency for International Development Loan Program financial statements for loans made to foreign countries encompassed over one thousand signed loan agreements totaling about \$12 billion and having an outstanding balance on June 30, 1964, of about \$7.4 billion. We found that the Agency's accounting and financial management system has a number of significant weaknesses and does not comply with the accounting principles and standards prescribed by the Comptroller General.

As a result of our recommendations, the Agency has taken or is in the process of taking certain corrective actions for improvements in their financial management system for these loan programs.

DEPARTMENT OF DEFENSE

MILITARY ASSISTANCE PROGRAM

Need for improvement in supply support for aircraft under the military assistance program for the Republic of China, B-125087, Feb. 23, 1966

Our review of supply support furnished under the military assistance program for the Chinese Air Force disclosed that there was a need for improvement in the supply of vital aircraft parts. This condition resulted from (1) the failure of Chinese supply personnel to order sufficient quantities of parts and to process priority requisitions in a timely manner, and (2) the failure of the United States Air Force supply personnel to process priority requisitions in a timely manner.

Following our recommendations, the Department of Defense advised that necessary corrective actions had been taken or were being taken by the Department of the Air Force and the Military Assistance Advisory Group in the Republic of China.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

Potential savings to be realized by providing Government quarters in lieu of payment of quarters allowances to United States military personnel in Taiwan, B-157995, Mar. 2, 1966

Our review of the policies and practices of the Department of Defense relating to the payment of allowances for quarters to United States military personnel (including the Military Assistance Advisory Group) living in housing facilities owned by the Republic of China disclosed that potential savings of up to \$615,000 a year could be realized in the payment of allowances for quarters. In our opinion, these savings could be made if the United States were to arrange with the Republic of China that it provide the facilities to United States personnel as Government quarters in kind or, as a less desirable alternative, that the United States lease or otherwise acquire control of the facilities and provide them to military personnel as Government quarters. Such an arrangement would obviate the need for payment of quarters allowances.

Review of air defense equipment furnished to and procured for the Republic of China under the military assistance program, B-125087, June 3, 1966

Our review disclosed that the Chinese Army ordnance missile support unit had about \$450,000 worth of items which were excess to the support units' then current needs. These excess items accounted for over 37 percent of the inventory of high-value items.

We found that there was a need for increased continuing efforts by United States advisory personnel in identifying spare parts, provided under the military assistance program, which are excess to the needs of the recipient country and reporting them for redistribution to meet other valid requirements.

Review of the military assistance program for India, B-158845, June 3, 1966

Our review indicated that there was a need for improvement with respect to the programming and management of the assistance previously furnished to India under the military assistance program.

INTERAGENCY PROGRAMS

FOOD FOR PEACE

Questionable grant of corn to the United Arab Republic under title II, Agricultural Trade Development and Assistance Act of 1954 (commonly known as Public Law 480), B-146820, July 16, 1965

The Agency for International Development (AID) granted about 186,000 metric tons of corn costing over \$23,700,000 to the United Arab Republic (UAR) on the basis of representations made by the UAR that a famine would occur as a result of crop failures. The grant was made without adequate verification by AID of the actual need for the requested assistance and official statistics of the UAR showed that their corn crop had not failed. In addition responsible United States agencies did not check on the distribution of 85 percent of the corn and do not know whether this quantity of corn ever reached the intended recipients. The limited distribution checks which were made disclosed that substantial quantities, which the UAR had agreed to give to needy people, were sold.

We recommended to the Congress that consideration be given to enacting legislation which would require that commodities be donated under title II of Public Law 480 only upon a certification by the United States Chief of Mission that he has verified the need for such commodities or upon the determination by the Secretary of State that such food donations are in the interests of the United States; also, that the Congress may wish to consider whether it would be more appropriate to require that the expenses of providing surplus agricultural commodities to foreign governments to meet United States foreign

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

policy objectives be met from appropriations made available to the Department of State or the Agency for International Development, rather than from Department of Agriculture appropriations.

Displacement of commercial dollar sales of tallow to the United Arab Republic, B-156922, July 20, 1965

United States commercial dollar sales of tallow to the United Arab Republic (UAR) have been displaced by sales of surplus tallow for foreign currency under title I, Agricultural Trade Development and Assistance Act of 1954. We estimated that commercial sales totaling about \$5.5 million were displaced between 1962 and 1964 and that under existing agreements, additional sales were likely to be displaced in 1965. This situation resulted because United States agencies made increasing amounts of title I surplus tallow available without establishing realistic commercial import requirements for the UAR. Commercial import requirements are specified in each Public Law 480 sales agreement as a means of ensuring that title I sales do not displace normal commercial sales.

We suggested that the Congress may wish to clarify the provisions of Public Law 480 to express more specifically its intentions regarding the displacement of United States commercial sales by Public Law 480 programs for foreign policy considerations.

Significant dollar savings available in financing foreign sales agents' commissions on surplus agricultural commodities exported under title I, Agricultural Trade Development and Assistance Act of 1954, B-146820, July 23, 1965

Our review disclosed that the Commodity Credit Corporation had been expending dollars to finance commissions paid by United States exporters to their foreign sales agents for services performed in connection with sales of surplus agricultural commodities under title I, Public Law 480. These commissions, in most instances could have been paid by the exporters from proceeds of the title I sales in the local currencies of the importing countries and need not have been financed by the Corporation.

In line with our proposal, the Department of Agriculture, in January 1966, instituted new procedures which require that foreign sales agents, having a place of business in the importing country receiving a particular title I commodity, be paid sales commissions in the currency of the importing country, rather than in dollars.

We estimate that the Department should achieve savings in dollar expenditures of about \$1.2 million annually, if the new procedures are properly implemented and if sales and sales commissions continued at about the same levels as in fiscal years 1963 and 1964.

Insufficient amounts claimed from foreign governments for recovery of ocean transportation costs financed under the Agricultural Trade Development and Assistance Act of 1954, B-152538, July 30, 1965

The procedure followed by the Department of Agriculture for determining amounts due from foreign governments for ocean transportation costs financed in dollars on shipments of surplus agricultural commodities under titles I and IV, Public Law 480, resulted in foreign governments' paying less than their proper share of such costs. We estimated that the United States Government had failed, or would fail, to claim and recover the equivalent of about \$5.5 million in foreign currencies under title I agreements and about \$175,000 under title IV agreements, including interest, with respect to shipments made or to be made on sales agreements entered into through December 31, 1964.

As a result of our proposal, the Department took action to revise its procedures so that foreign governments would be required to pay their proper share on most future shipments under title I and title IV agreements. We estimated that changes instituted by the Department should save the Government about \$1 million annually.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

Review of policies and procedures applied in evaluating foreign source components and barter bids for an undersea cable communications system, B-152980, Jan. 6, 1966

The Department of the Air Force, at the direction of the Department of Defense, awarded a contract for the domestic source procurement of a communications system at a price \$2.3 million higher than a foreign source bid in order to minimize dollar payments abroad. Also, the Department of Defense did not attempt to evaluate another offer of the low bidder to accept surplus agricultural commodities in partial payment (barter) for the communication system. Under this offer, the low bidder proposed to sell the commodities abroad and use the proceeds to pay his foreign costs. This offer, which was \$2,150,000 lower than the successful bidder's price, was rejected on the grounds that existing policy did not permit consideration of a barter offer from a foreign source bidder whose dollar bid had been rejected. Had the barter offer been accepted under arrangements that would not result in a significant reduction of commercial United States agricultural exports, substantial financial advantages would have been realized by the United States.

Certain special aspects of food distribution under title III of the Agricultural Trade Development and Assistance Act of 1954, B-157846, Jan. 17, 1966

In a classified report, which received limited distribution because of the sensitivity of the matters discussed therein, it was disclosed that certain food donations made in a foreign country under the provisions of title III of the Agricultural Trade Development and Assistance Act of 1954, were not made by a voluntary relief agency in accordance with authorized distribution plans.

Effects of foreign currency sales on commercial sales of wheat to the United Arab Republic, title I of the Agricultural Trade Development and Assistance Act of 1954, B-157438, Mar. 11, 1966

Our review disclosed that commercial wheat imports of the United Arab Republic (UAR) declined significantly as United States Government financed wheat sales for foreign currency expanded. We believe that the actions taken, primarily by the Department of State, had certain adverse effects because (1) potential dollar sales in the UAR were not made and this has impaired efforts to improve the critical balance-of-payments problems; and (2) the reductions and waivers of requirements for the UAR to purchase specified quantities of wheat with dollars or other hard currencies permitted that country to conserve a substantial amount of its foreign exchange, which is another form of economic assistance. However, unlike economic assistance, it had not been approved by the Congress and it gave the UAR substantial resources with which to support programs not sanctioned by the United States.

Possible savings in ocean transportation costs for surplus agricultural commodities donated under titles II and III, Agricultural Trade Development and Assistance Act of 1954, B-152538, Mar. 11, 1966

Ocean transportation charges incurred by the Government for the shipment of agricultural commodities donated for assistance to needy persons abroad were increased in some cases because United States agencies did not, by exercising reasonable traffic management, attempt to take advantage of shipping arrangements more economical than those used. Under procedures then in effect, the Department of Agriculture and each voluntary relief agency made their own arrangements for shipping donated commodities abroad at Government expense. Their usual practice was to ship relatively small quantities on ocean liners although this practice resulted in higher costs than those that would be incurred if commodities were to be accumulated in boatload quantities and shipped in chartered tramp vessels.

In accordance with our proposals, the Department of Agriculture, the Agency for International Development, and voluntary relief agencies, subsequently cooperated in the consolidation of shipments of donated commodities, and the Department of Agriculture advised that at least \$880,000 had been realized by the consolidation of these shipments.

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

Review of the expedited signing of certain agreements under title I of the Agricultural Trade Development and Assistance Act of 1954, B-158225, Apr. 21, 1966

The Department of State and the Agency for International Development had made special efforts to ensure that agreements for the sale of surplus agricultural commodities to the Republic of Korea and the Republic of China were signed on or before December 31, 1964. This enabled these countries to avoid the effect of newly enacted legislation which required recipient countries to pay for foreign exchange costs of ocean freight, starting with agreements signed after that date.

We estimate that, by signing agreements with the two countries by December 31, 1964, the United States will pay several million dollars in additional dollar costs for ocean freight charges over what would have been paid had the agreements been signed on the following day—January 1, 1965—or thereafter.

Management of donated food programs for Mexico under title III, Agricultural Trade Development and Assistance Act of 1954, B-158798, June 30, 1966

Our review of relief programs carried out in Mexico with food donated under the provisions of title III, Agricultural Trade Development and Assistance Act of 1954, showed areas in which the programs were administered in a manner contrary to United States agency regulations and to agreements between the United States and voluntary relief agencies. Relief programs expanded in Mexico nearly 500 percent between fiscal years 1961 and 1964 and during this period, Mexico experienced a steady growth in economy and greatly increased its agricultural production. In fact, Mexico exported the same kinds of commodities that were being donated under the title III program. In our opinion, these conditions are attributable largely to limitations in staffing and financial support by distributing agencies, as well as to insufficient support and recognition of title III programs by the Mexican Government. We believe that there was only limited surveillance of program operations by United States Government agencies having responsibility for administering the program.

Following our recommendations, the responsible United States Government agencies generally agreed that there was a need for corrective action. The agencies later advised us that for the reasons noted in our report, principally that Mexico had attained a high degree of economic self-sufficiency and had been exporting agricultural commodities similar to those donated by the United States, food donation programs to Mexico had been terminated as of June 30, 1965.

UTILIZATION OF FOREIGN CURRENCIES

Additional income possible by obtaining more equitable rates of interest on United States-owned foreign currencies, B-146749, Sept. 30, 1965

Large balances of United States-owned foreign currencies were being held in non-interest-bearing accounts in Korea and thus were not earning interest income. This income could have been used to offset United States dollar expenditures for purchases of goods and services in Korea, which averaged about \$34 million annually during fiscal years 1963 and 1964. We estimate that, from November 1962 to October 1964, the equivalent of as much as \$1.8 million in interest was not realized; substantial additional amounts of interest could have been realized in prior and subsequent periods.

The Treasury Department and the Agency for International Development accepted our proposals and advised that United States negotiators had been instructed to seek more equitable interest rates on United States-owned Korean won.

Use of dollars rather than foreign currencies to pay United States expenses in the Republic of Korea, B-157558, Oct. 29, 1965

The Agency for International Development continued to obtain relatively small amounts of Korean currency (counterpart funds) to meet United States

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

needs in Korea despite evidence of congressional intent, leading up to and including the enactment of the Foreign Assistance Act of 1961, that the collection of such amounts be increased. Had the collection of this currency been increased during the period February 1961 through October 1964, we estimate that an additional \$25 million in Korean currency would have been available for use, in lieu of dollars, to meet United States obligations in that country and that significant balance-of-payments benefits could have accrued to the United States. During the fiscal years 1962 through 1964, United States dollar expenditures for the purchase of goods and services in Korea averaged over \$39 million annually.

We recommended that the Secretary of State and the Administrator of the Agency for International Development establish appropriate intradepartmental procedures providing for the documentation of decisions affecting the use of foreign currencies abroad.

Suspension of competitive rate accommodation exchange service for United States Government personnel in Brazil, B-146749, Nov. 29, 1965

The United States failed to realize an estimated \$3.5 million in dollar receipts because of what we consider to have been (1) an unnecessary suspension of competitive rate accommodation exchange service for United States Government personnel in Brazil for a 16-month period and (2) an unnecessary delay in reinstating such service at the American consulate in Recife, Brazil, despite instructions to do so from the Embassy in Rio de Janeiro, Brazil.

Because this service was not provided, United States Government personnel in Brazil spent dollars to buy Brazilian currency (cruzeiros) for their personal expenses from Brazilian exchange houses rather than from the United States Treasury, thereby adding to the United States balance-of-payments problem. Also, the United States owned substantial amounts of cruzeiro funds which were not being utilized and which could have been used for accommodation exchange purposes.

In conformance with our recommendations, the Department of State issued instructions to 21 posts in countries in which the United States has excess or near-excess foreign currencies and urged intensified and expanded use of accommodation exchange service for eligible individuals.

DEPARTMENT OF STATE

Disparities in transporting overseas personnel to and from work, B-156996, July 30, 1965

While one or more agencies at several overseas locations were providing free transportation to and from work to their American employees on the grounds that there was no practical alternative, other agencies at the same posts were not providing such transportation and their employees were commuting without using Government-furnished transportation. We found also that a substantial number of personnel were receiving Government-furnished transportation to and from work daily even though privately owned vehicles of these employees had been transported to their post at Government expense. We estimate that this practice on a worldwide basis was resulting in uncovered costs to the United States Government of several hundred thousand dollars annually.

The Department agreed with our findings and advised that corrective action was being taken.

Limited success in obtaining contributions for the Binational Educational Exchange Program, B-145541, Apr. 29, 1966

The Mutual Educational and Cultural Exchange Act of 1961 states that foreign governments shall be encouraged to participate to the maximum extent feasible in carrying out the act and to contribute funds, property, and services for carrying out the purposes of the act. One of the purposes of the act is carried out by means of the Binational Educational Exchange Program. The De-

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

partment of State, on the whole, has had only limited success thus far in obtaining financial participation in the Binational Educational Exchange Program by other countries. We believe that, in part, there has been a lack of timely action by the Department, since enactment of the Mutual Educational and Cultural Exchange Act in September 1961, to encourage participation by countries sharing in the benefits of the program. The limited success in obtaining financial participation appears to be particularly noteworthy with regard to the relatively prosperous countries of Western Europe.

As a result of our review, the Department announced a policy to nurture, develop, and negotiate arrangements wherein contributions by foreign governments and foreign private donors for financing educational and cultural activities will be maximized.

We suggested that the Congress may wish to consider with the Department the actual success achieved under this new policy and, if needed, to suggest more specific criteria for expediting financial participation by other countries to the maximum extent feasible.

Reduction in dollar outflow possible through more extensive use of American-made building materials in Embassy and related construction projects, B-158662, Apr. 29, 1966

Our examination into selected purchases of building materials for embassy and related construction projects overseas disclosed a number of instances where foreign-made materials were used in lieu of American-made materials. Purchases of foreign-made materials with nonexcess foreign currencies or dollars have an adverse effect on the United States balance-of-payments.

The Department was in general agreement with our findings and stated that it had undertaken to review and alter the policies to effect a greater use of American-manufactured products within the limits of practicality in future contracts.

We suggested that the Congress may wish to consider changing the language used in the annual appropriation act to the effect that the use of foreign currencies for constructing and operating foreign buildings is made mandatory only in those instances where such usage will be beneficial to the United States balance-of-payments.

DEPARTMENT OF COMMERCE

Unauthorized expenditures for the repair and reconstruction of a section of the Inter-American Highway in the Republic of Costa Rica, B-118653, Oct. 20, 1965

The Bureau had made expenditures of about \$647,000 and had allotted an additional \$481,000 of United States funds to finance the cost of certain repair and reconstruction work on a 68-mile section of the Inter-American Highway without requiring Costa Rica to bear its proper one-third share of the costs and without obtaining the required determination from the Department of State that the country was not financially capable of providing its share of the cost.

The Bureau advised us that, consistent with our proposal to preclude any further unauthorized expenditures, action had been taken to make funds available to complete the Highway in Costa Rica only on the usual matching basis. This action, with regard to the \$481,000 previously allotted on a nonmatching basis, should result in the reduction of future expenditures of United States appropriated funds by about \$160,000.

POST OFFICE DEPARTMENT

Savings in transportation costs through utilization of United States air carriers rather than foreign air carriers, B-133083, Oct. 29, 1965

The Department was incurring additional costs for the transportation of letter-class airmail internationally by using foreign air carriers rather than United

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

States air carriers which could have provided generally the same service at substantially less cost. Most of the additional costs resulted from using the foreign carriers to fulfill the requirements of the reciprocal agreements. The balance of the additional costs were incurred because, in determining the flights available for dispatch of international mail, the Department did not give adequate consideration to the required arrival times of mail at foreign airports to meet delivery schedules in certain foreign countries.

We estimate that certain actions taken by the Department to discontinue the use of foreign air carriers will result in savings of about \$600,000 annually.

INDEPENDENT AGENCIES

EXPOST-IMPORT BANK OF WASHINGTON

Examination of financial statements, fiscal year 1965, B-114823, Nov. 29, 1965

Our audit included an examination of the Bank's statement of financial condition as of June 30, 1965, and the related statements of income and expense and analysis of retained income reserve and of sources and application of funds for the year then ended. We found that the net income reported by the Bank is stated before any provision for future losses and claims that may be sustained on loans receivable or on guarantees and insurance. All accumulated net income, after the payment of dividends, has been reserved as a provision for future losses and claims. We are unable to express an opinion on the adequacy of the amount of the retained income reserved to meet future losses because of the undeterminable factors affecting the status of the loans, guarantees, and insurance.

UNITED STATES INFORMATION AGENCY

Practices which resulted in the invalid and other questionable use of fiscal year 1964 appropriation, B-118654, Mar. 24, 1966

On the basis of a partial review of the United States Information Agency's numerous year-end procurement transactions, we found (1) a number of year-end transactions which did not meet the requirements of section 1311 of the Supplemental Appropriations Act of 1955 and (2) indications that at least some of the transactions were cases of accelerated procurements at the end of the year that appeared to be contrary to the intent of the Congress with respect to year-end buying or to the purpose for which a single-year appropriation is to be used. We believe that the Agency's past financial management practices have not always permitted realistic determinations of funding needs nor provided adequate internal management controls.

The Agency concurred in our suggestions that a thorough review of Agency internal control procedures was needed and agreed to initiate appropriate action promptly.

GOVERNMENT-WIDE REPORTS

Investigations and actions by certain agencies pertaining to Government employees licensed to drive taxicabs in the District of Columbia, B-146850, Dec. 17, 1965

We reported that the investigations by the Post Office Department, District of Columbia Government, General Services Administration, and Veterans Administration as a result of our report to the Congress dated December 12, 1963, on the lack of effective supervisory controls over Federal and District of Columbia Government employees who are licensed to drive taxicabs in the District of Columbia, confirmed our tentative findings that many Federal employees drove taxicabs while not on authorized leave or on days when sick leave was used. We also reported that the disciplinary actions taken by the agencies varied in degree according to the policies of the respective agencies and the weight of the evidence and appeared to meet the needs of the situation, that improvements in manpower control and utilization were initiated or planned by the

DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE CONGRESS DURING FISCAL YEAR 1966—Continued

four agencies, and that the improvements of two were not as inclusive or specific as we had proposed but were considered adequate if implemented with particular attention to controlling the abuses disclosed by the investigations.

We reported that disciplinary action was not taken in many cases where employees engaged in outside employment while on sick leave and there was doubt as to whether they could perform their Government duties, because neither the applicable statute nor regulations specifically prohibit such a practice. After this matter was taken up with the Civil Service Commission, it issued guidelines in the form of a Federal Personnel Manual System Letter to all agency heads which, if effectively implemented by the agencies, should be helpful in controlling the abuse of sick leave.

We also proposed that the District of Columbia Board of Commissioners and the Public Service Commission take such steps as may be necessary to ensure that periodic checks of manifests (record of trips) are made on a selective basis and that the prescribed penalties are levied for failure to properly maintain such manifests since the investigations disclosed numerous abuses in this respect. In line with our proposal, the President, Board of Commissioners, advised us that the Metropolitan Police Department is planning to give more attention to the enforcement of the taxicab regulations.

Report of compilation of General Accounting Office findings and recommendations, fiscal year 1965, B-138162, May 26, 1966

This report presented, for the information of the Congress, a compilation of General Accounting Office findings and recommendations for improving Government operations. It related, for the most part, to the fiscal year 1965.

The purpose of the report is to provide the Congress with a convenient summary showing the nature, extent, and variety of matters examined by the General Accounting Office in carrying out its audit responsibilities. These responsibilities are derived from the Budget and Accounting Act, 1921, and other laws which require us to independently examine for the Congress the manner in which Government departments and agencies are discharging their financial responsibilities. In addition to findings and recommendations, the report also summarized the actions taken by the departments and agencies on our recommendations.

The financial savings and benefits attributable to our work cannot always be fully measured. However, our records show that collections and other measurable financial benefits identified during the fiscal year 1965, which were directly attributable to the work of the General Accounting Office, amounted to \$186,780,000. Of this amount, \$24,949,000 consisted of collections and \$161,831,000 represented other measurable benefits.

ORGANIZATIONS OUTSIDE THE FEDERAL GOVERNMENT

Examination of financial statements of Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated, for the fiscal year 1965, B-114867, Dec. 28, 1965

In this report, which was addressed to the Board of Directors of the Institute with copies to the Speaker of the House of Representatives and the President of the Senate, we expressed our opinion that the financial statements present fairly the assets and liabilities of the Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated, at June 30, 1965, and the contributions and other income and expenditures and the building fund transactions 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 December 31, 1965, B-114820, Apr. 1, 1966

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

**DIGESTS OF GENERAL ACCOUNTING OFFICE REPORTS TO THE
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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, 1965, 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. Our audit was made at the request of Government Services, Inc.

EXCESSIVE PRICES AND OTHER EXCESSIVE COSTS INCURRED BY THE GOVERNMENT UNDER CONTRACTS

SUMMARY OF CASES REPORTED TO THE CONGRESS BY THE GENERAL ACCOUNTING OFFICE DURING THE FISCAL YEARS 1957-66

During the fiscal years 1957 through 1966 the General Accounting Office submitted audit reports to the Congress disclosing numerous instances of excessive prices and other excessive costs incurred by the Government under contracts. The major portion of these excessive costs relate to excessive prices negotiated by the Government agencies, primarily as a result of contractors' failure to submit or the agencies' failure to obtain accurate, current, or complete cost data upon which to establish prices. Of the \$133 million in total excessive costs, \$72.5 million had been recovered by the Government by the end of the fiscal year 1966 through refunds, price reductions, or other adjustments.

Contractor	Report		Procuring agency	Amount of excess ¹	Recoveries to June 30, 1966	Remainder	
	Reference	Date				No further action to be taken	Under consideration
DEPARTMENT OF DEFENSE CONTRACTORS							
151 reports issued dealing with various contractors and all military services during the fiscal years 1957-66 for which no funds remain under consideration.				\$118,041,000	\$71,784,000	\$46,257,000	
Aerodex, Inc., Miami, Fla.	B-118694	Oct. 1963	Army	250,000			\$250,000
Aerojet General Corporation, Downey, Calif.	B-157535	Apr. 1966	do	2,800,000			2,800,000
Avondale Shipyards, Inc., New Orleans, La.	B-146898	Oct. 1964	Navy	262,000			262,000
Burroughs Corporation, Detroit, Mich.	B-146747	Mar. 1963	Army	556,000			556,000
Cleveland Pneumatic Tool Company, Cleveland, Ohio.	B-157535	Apr. 1966	do	239,000			239,000
Collins Radio Company, Cedar Rapids, Iowa.	B-125016	Dec. 1964	Defense	406,000	53,000		353,000
Foster Wheeler Corporation, New York, N.Y.	B-146733	Jan. 1964	Navy	132,000			132,000
General Dynamics Corporation, Electric Boat Division, Groton, Conn.	B-146990	Sept. 1965	do	269,000		128,000	141,000
General Dynamics Corporation, Fort Worth Division, Fort Worth, Tex., prime contractor; Westinghouse Electric Corporation, Lima, Ohio, subcontractor.	B-118695	Mar. 1964	Air Force	81,000	24,000	19,000	38,000
General Instrument Corporation, Newark, N.J.	B-146736	Dec. 1963	Army	143,000			143,000
Hoffman Electronics Corporation, El Monte, Calif.	B-146922	Aug. 1964	Defense	59,000			59,000
Lockheed Aircraft Corporation, Ga. Division, Marietta, Ga., prime contractor; Midwestern Instruments Inc., Tulsa, Okla., subcontractor.	B-146906	Feb. 1966	Air Force	235,000			235,000

Lockheed Aircraft Corporation, Sunnyvale, Calif., prime contractor; Syston-Donner Corporation, Concord, Calif., subcontractor.	B-146756	Nov. 1962	Navy	303,000			303,000
McDonnell Aircraft Corporation, St. Louis, Mo., prime contractor; Scott Aviation Corporation, Lancaster, N.Y., 1st-tier subcontractor; Rocket Jet Engineering Corporation, Glendale, Calif., 2nd-tier subcontractor.	B-152600	July 1964	Defense	317,000	208,000		109,000
Northwestern Aeronautical Company, St. Paul, Minn.	B-133247	Feb. 1960	Army	125,000			125,000
Radio Engineering Laboratories, Inc., Long Island City, N.Y.	B-146919	Sept. 1964	Air Force	65,000		5,000	60,000
Smith-Corona Marchant, Inc., Kleinschmidt Division, Deerfield, Ill.	B-146785	June 1963	Army	194,000			194,000
Space Corporation, Dallas, Tex.	B-114808	Dec. 1963	Air Force	213,000			213,000
Sperry Rand Corporation, Univac Division, St. Paul, Minn.	B-146862	Apr. 1966	Defense	264,000	21,000	184,000	59,000
Westinghouse Electric Corporation, Lima, Ohio	B-146845	Mar. 1964	Air Force	190,000			190,000
Westinghouse Electric Corporation, Pittsburgh, Pa.	B-146733	Feb. 1964	Navy	705,000			705,000
Westinghouse Electric Corporation, Plant Apparatus Division, Pitts- burgh, Pa., prime contractor; Westinghouse Electric Corporation, Atomic Equipment Department, Cheswick, Pa., subcontractor.	B-146733	July 1962	do	1,068,000			1,068,000
Do.	B-146760	Dec. 1962	do	2,241,000			2,241,000
Westinghouse Electric Corporation, Plant Apparatus Division, Pitts- burgh, Pa., prime contractor; Foster Wheeler Corporation, Livingston, N.J., subcontractor.	B-146733	Mar. 1961	do	490,000			490,000
Westinghouse Electric Corporation, Plant Apparatus Division, Pitts- burgh, Pa., prime contractor; Edwin L. Weigand Company, Pittsburgh, Pa., subcontractor.	B-146760	Feb. 1964	do	280,000			280,000
Youngstown Welding and Engineering Company, Youngstown, Ohio.	B-146932	Oct. 1964	do	215,000			215,000
Total, Department of Defense Contractors.				130,141,000	72,090,000	46,583,700	11,458,000
CIVIL AGENCY CONTRACTORS							
Cases which have been closed out				2,850,000	450,000	2,400,000	
Total, civil agency contractors				2,850,000	450,000	2,400,000	
Total				133,000,000	72,540,000	48,983,000	11,458,000

¹ Amounts do not agree in every case with findings shown in GAO reports due to adjustments made to reflect the results of the agencies' actions on such reports, such as (1) expansion of recommended action to other contracts, (2) adjustments found necessary when negotiations were reopened, and (3) recoveries made by the agencies in situations where the original negotiation files lacked sufficient data to make possible the inclusion of a measure of the extent of overpricing of contracts in the audit report.

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 150 through 175.

[Reports of general interest only are included]

Subject	To	Date	Reference No.
Accountable officer: Relief (H. R. 7026)	H. Judiciary	5- 1-66	B-158854
Accountants: Regulation of practice in D.C. (H. R. 13558)	S. District of Columbia	5-27-66	B-149528
Accounting systems: Compliance (H. R. 10827)	S. District of Columbia	6- 8-66	B-149528
Administrative Expenses Act amendments: Benefits to transferred employees (H. R. 8814) ...	H. Government Operations	11-22-65	B-127287
Air carriers: Depreciation accounting (S. 2334, H. R. 10928)	Sen. Karl Mundt	11-22-65	B-127287
Foreign, safeguarding U. S. airlines against discriminatory acts (S. 3197)	H. Government Operations	7-14-65	B-149785
Air pollution: Regulating gasoline and diesel vehicles (S. 306)	S. Commerce	9-27-65	B-139169
Alaska: Personal injury claimants	H. Interstate & Foreign Comm.	9-29-65	B-139169
Alcoholism: Program to combat (H. R. 13724)	S. Commerce	5-13-66	B-146228
Area redevelopment: "Public applicant" definition	H. Interstate & Foreign Comm.	7-13-65	B-135945
Armed Services: Acceptance of foreign emoluments, etc.	Sen. E. T. Bartlett	5-10-66	B-124046
Back pay check	H. Interstate & Foreign Comm.	5- 9-66	B-158784
Bonus entitlement for W.W. II and Korean conflict	Sen. Edward M. Kennedy	11-29-65	B-157990
Claims, waiver of statute of limitation (S. 2375) ..	Rep. Dante Fascell	2- 3-66	B-158306
Dependents, cost-of-living allowance	Rep. Earle Cabell	1- 4-66	B-114295
Dislocation allowance entitlement	Rep. Alvin E. O'Konski	11- 9-65	B-157911
Dual compensation: Act applicability	S. Judiciary	8-27-65	B-153184
Eligibility of retired member for civilian employment	Sen. Frank J. Lausche	6-17-66	B-159335
Failure to file claim	Sen. Everett McKinley Dirksen	5-20-66	B-159156
Nonappropriated fund employment	Rep. Charles E. Bennett	1-24-66	B-157220
Overpayment relief (H. R. 10133, H. R. 11467) ..	Rep. John G. Dow	9- 9-65	B-157580
Family allotments and allowances: Class E allotment overpayments (H. R. 13800) ..	Rep. Bob Wilson	8-31-65	B-157486
Class Q overpayments (H. R. 8353)	Sen. Winston L. Prouty	5- 2-66	B-158960
Dependent parents	H. Judiciary	8-10-65	B-145159
Family allowance entitlement	do	11-12-65	B-157568
Family allowance overpayments (H. R. 12829) ..	do	12-10-65	B-157580
Family separation allowances	Rep. Jed Johnson, Jr.	12- 6-65	B-158036
Leave overpayments (H. R. 10888)	Rep. John H. Dent	2- 9-66	B-158416
Liability for damaged vehicles (H. R. 12947)	H. Judiciary	4-25-66	B-158066
Mess availability for honor guard detail	H. Judiciary	7- 7-65	B-156906
Mexican divorce validity:	Sen. George Murphy	5-10-66	B-158986
Mileage entitlement	Rep. G. Robert Watkins	7-29-65	B-157276
Mustering-out pay (H. R. 13685)	Sen. Joseph D. Tydings	6- 1-66	B-159190
National Guard: Injury while on training duty	H. Judiciary	4- 4-66	B-158093
Reserve retirement eligibility	Sen. George Murphy	2- 4-66	B-158364
Pay and allowances: Advance pay repayment liability (H. R. 12012) ..	Rep. Bob Dole	5- 9-65	B-157323
Claim barred by act of Oct. 9, 1940	Sen. Thomas J. Dodd	11-18-65	B-157780
Entitlement	H. Judiciary	11-26-65	B-156900
Injury while on training	H. Judiciary	5- 6-66	B-158744
Overpayments: Administrative error (H. R. 12575)	Rep. Peter H. B. Frelinghuysen	7-13-65	B-156855
Erroneous service credit (H. R. 9348)	do	8-27-65	B-156855
Longevity pay (H. R. 8143, H. R. 9127)	Rep. Floyd V. Hicks	2-10-66	B-158435
World War II service	do	2-24-66	B-158435
Per diem for temporary duty overseas (H. R. 10409) ..	do	3-11-66	B-158435
	Rep. John Brademas	8-25-65	B-144951
	H. Judiciary	4-22-66	B-157867
	Sen. Lister Hill	4-22-66	B-158598
	Rep. Hervey G. Machen	2-28-66	B-141725
	H. Judiciary	2-16-66	B-168359
	Sen. Leverett Saltonstall	8-23-65	B-157441
	Sen. Jacob Javits	7-14-65	B-157140
	Rep. Lindley Beekworth	6- 7-66	B-159243
	H. Judiciary	3- 9-66	B-158495
	H. Judiciary	8-17-65	B-157286
	H. Judiciary	7-27-65	B-157059
	Rep. William M. Tuck	11-10-65	B-153801
	H. Judiciary	4-13-66	B-156855

REPORTS ON CONGRESSIONAL INQUIRIES—Continued

Subject	To	Date	Reference No.
Armed Services—Continued			
Quarters:			
Rent.....	Rep. John E. Moss.....	12-22-65	B-158151
Women officers' entitlement.....	Rep. Henry B. Gonzalez.....	4- 8-66	B-158716
Rations commutation (H.R. 10257).....	H. Judiciary.....	8-23-65	B-140612
Readjustment pay overpayment (H.R. 12639).....	H. Judiciary.....	8- 2-66	B-150690
Reserve officer bonus.....	Sen. Richard B. Russell.....	4-26-66	B-157933
Retired pay: Correction of records.....	Sen. Herman E. Talmadge.....	6- 6-66	B-158633
Disability:			
Eligibility.....	Rep. L. Mendel Rivers.....	9- 3-65	B-157556
Service credit error (H.R. 11251).....	H. Judiciary.....	11-24-65	B-157749
Emergency officers' retired pay.....	Sen. John Stennis.....	2-11-66	B-136477
Minority enlistments.....	Sen. George A. Smathers.....	5- 6-66	B-146185
Overpayments.....	Rep. Charles E. Goodell.....	10- 4-65	B-157159
Rate at highest grade held.....	H. Judiciary.....	11-22-65	B-157778
Retirement benefits, waiver of time limitation (H.R. 3349).....	Rep. Bob Wilson.....	5-26-66	B-159158
Service credit error (H.R. 9302).....	S. Judiciary.....	12-14-65	B-145188
Six months death gratuity entitlement.....	H. Judiciary.....	8-11-65	B-157131
Subsistence allowances, verbal orders.....	Rep. J. Irving Whalley.....	5- 4-66	B-158951
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Subject	To	Date	Reference No.
Pribilof Islands Seal Protection: (S. 2102).....	S. Commerce.....	7-26-65	B-152576
Property:			
Private, damage due to military activities.....	Sen. Stuart Symington.....	8-30-65	B-157495
	Rep. William J. Randall.....	8-30-65	B-157495
Public:			
Conveyance to private company (H.R. 11619).....	H. Government Operations.....	10-27-65	B-157869
Medical supplies, proceeds to appropriation.....	S. Government Operations.....	11- 9-65	B-145469
Retraction of jurisdiction to States (H.R. 10613).....	H. Government Operations.....	9- 3-65	B-128495
Surplus:			
Disposition:			
Indian tribes, organizations (S. 525, S. 707, S. 1066, S. 1362, S. 2015).....	S. Government Operations.....	7-14-65	B-105136
			B-106646
			B-116344
			B-140110
State and local agencies (S. 2610, H.R. 11914, H.R. 12863).....	S. Government Operations.....	11-22-65	B-106646
	H. Government Operations.....	1-24-66	B-106646
		3-21-66	B-123844
Use restriction in park and recreation areas.....	Sen. Robert C. Byrd.....	10-26-65	B-157851
Public Buildings Construction:			
Mechanical specialty work (H.R. 6184, S. 1721).....	H. Public Works.....	7-12-65	B-103967
	S. Public Works.....	7-12-65	B-103967
Public Health Services:			
Comprehensive planning (H.R. 13197).....	H. Interstate & Foreign Commerce.....	4-13-66	B-157924
Health professions training (H.R. 13196).....	do.....	4- 4-66	B-143181
Medical library services (H.R. 6001).....	do.....	9-16-65	B-74254
Narcotic addict treatment (H.R. 8621).....	do.....	7-14-65	B-145573
Public Lands: Conveyance (S. 2867).....	S. Government Operations.....	3-24-66	B-149155
Railroad Retirement: Annuity overpayment (H.R. 10959).....	H. Judiciary.....	10-29-65	B-157800
Relocation Assistance: (H.R. 11863).....	H. Government Operations.....	2-9-66	B-145044
Rural Electrification Administration: Federal Electric Bank and Federal Telephone Bank (H.R. 14000, H.R. 14837).....	H. Agriculture.....	5-27-66	B-159292
Springfield Armory: Closing.....	Rep. Edward P. Boland.....	5-23-66	B-156189
States: Federal grants, County courthouse construction (H.R. 8241).....	H. Public Works.....	7-12-65	B-156957
Statutes of limitation in suits by Government: (H.R. 13652).....	H. Judiciary.....	4-13-66	B-158275
Taxes:			
States:			
Payments in lieu (S. 3415).....	S. Government Operations.....	6- 9-66	B-115764
Street assessment.....	Sen. Stuart Symington.....	5-11-66	B-159081
Timber sales procedure:	Sen. Wayne Morse.....	12-29-65	B-125053
	Rep. Wendell Wyatt.....	1- 5-66	B-125053
Traffic safety:			
Motor vehicle standards (S. 3005).....	S. Commerce.....	4- 8-66	B-58925
Program generally (S. 2871, S. 3005).....	S. Commerce.....	4- 8-66	B-58925
		5- 3-66	B-58925
Transportation:			
Commuter service assistance (S. 2935).....	S. Banking and Currency.....	4-12-66	B-145276
Household effects shipped by unregulated forwarders.....	Rep. Craig Hosmer.....	7-30-65	B-152283
Negotiation of contracts under sec. 321 (S. 2443).....	S. Commerce.....	11- 1-65	B-157533
Shipping costs (H.R. 13605).....	H. Judiciary.....	5- 5-66	B-158851
Trainship S S Alaska, use.....	Sen. E. L. Bartlett.....	8- 6-65	B-153475
Vessels, commercial bill of lading, use, etc. (H.R. 11476).....	H. Merchant Marine & Fisheries.....	2-28-66	B-150556
Vehicles: Insurance for autos in foreign countries (H.R. 12354).....	H. Government Operations.....	2-14-66	B-140401
Vessels:			
Cargo, military, reduced rates (S. 3297, H.R. 13283).....	S. Commerce.....	6-23-66	B-95832
	H. Merchant Marine & Fisheries.....	6-24-66	B-95832
Inspection fees (H.R. 726).....	H. Merchant Marine & Fisheries.....	5- 6-66	B-135354
U.S. Vessel preference (S. 2700).....	S. Commerce.....	1- 4-66	B-95832
Veterans:			
Cemetery construction authorization.....	Rep. John P. Saylor.....	8-19-65	B-157233
Dependents and indemnity compensation entitlement.....	Rep. John P. Saylor.....	9-13-65	B-157442
Hospital, etc. care, nursing-home facilities.....	H. Veterans' Affairs.....	8-13-65	B-125206
Loan guaranty on homes:			
Debt collection abatement.....	H. Judiciary.....	10- 5-65	B-157647
Profit retention in foreclosure.....	Sen. John Sherman Cooper.....	5-27-66	B-138574
Veterinary medical school construction: (H.R. 490).....	H. Interstate & Foreign Commerce.....	4-20-66	B-152551
Virgin Islands: Desalinization plant purchase.....	Sen. Gaylord Nelson.....	5-13-66	B-158955
Weather research: (S. 2916).....	S. Commerce.....	3- 1-66	B-100063
	S. Commerce.....	6-17-66	B-100063

PRIME CONTRACTORS AND SUBCONTRACTORS OF THE CIVIL DEPARTMENTS AND AGENCIES AT WHICH CONTRACT AUDIT WORK WAS PERFORMED DURING THE FISCAL YEAR 1966

Examination is made of selected financial aspects of the contracts.
Reports are not issued on each audit.

Department of Housing and Urban Development

Webb and Knapp Corp., Washington, D.C.

Department of Labor

Chicago Transit Authority, Chicago, Ill.
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.

Post Office Department

FMC Corp., Central Engineering Laboratory, Santa Clara, Calif.

Atomic Energy Commission

ACF Industries, Inc., Albuquerque, N. Mex.
Aerojet-General Corp., Azusa, Calif.
Associated Universities, Inc., Brookhaven National Laboratory, Upton, N.Y.
Atomies International, A Division of North American Aviation, Inc., Canoga Park, Calif.
Babcock and Wilcox Co., Earlberton, Ohio
Bendix Corp., Kansas City Division, Kansas City, Mo.
Carborundum Metals Corp. (subcontractor), Akron, N.Y.
Columbia-National Corp. (subcontractor), Pace, Fla.
Cornell University, Ithaca, N.Y.
du Pont, E. I., de Nemours & Co., Inc., Aiken, S.C.
Fairchild Camera & Instrument Corp., Joplin, Mo.
General Electric Co., Richland, Wash.
General Electric Co., Knolls Atomic Power Laboratory, Schenectady, N.Y.
Globe Industries, Inc. (subcontractor), Dayton, Ohio
Harvey Aluminum Co., Torrance, Calif.
Hexcel Products, Inc. (subcontractor), Berkeley, Calif.
Holmes & Narver, Inc., Honolulu, Hawaii
Holmes & Narver, Inc., Las Vegas, Nev.
Holmes & Narver, Inc., Los Angeles, Calif.
Lawrence Radiation Laboratory, Berkeley, Calif.
Lawrence Radiation Laboratory, Livermore, Calif.
Los Alamos Scientific Laboratory, Los Alamos, N. Mex.
Massachusetts Institute of Technology, Cambridge, Mass.
Metals and Controls, Inc., Attleboro, Mass.
National Distillers & Chemical Corp., Ashtabula, Ohio
New York University, New York, N.Y.
Oregon Metallurgical Corp., Albany, Oregon
Oregon State College, Corvallis, Oregon
Phillips Petroleum Co., Idaho Falls, Idaho
Reynolds Electrical & Engineering Co., Inc., Las Vegas, Nev.
Reynolds Electrical & Engineering Co., Inc., Mercury, Nev.
Sandia Corp., Albuquerque, N. Mex.
Sandia Corp., Livermore, Calif.
Smith, A. O. Co., Milwaukee, Wis.
Sparton Corp., Electronics Div. (subcontractor), Jackson, Mich.

Atomic Energy Commission—Continued

Sprague Electric Co. (subcontractor), North Adams, Mass.
Stanford Linear Accelerator Center, Palo Alto, Calif.
Union Carbide Corp., Nuclear Division, Oak Ridge, Tenn.
United Nuclear Corp., New Haven, Conn.
University of California, Davis, Calif.
University of Chicago, Argonne National Laboratory, Lemont, Ill.
University of Illinois, Urbana, Ill.
University of Minnesota, Minneapolis, Minn.
University of Washington, Seattle, Wash.
University of Wisconsin, Madison, Wis.
Wackenhut Corp. (subcontractor), Coral Gables, Fla.
WAH CHANG Corp., Albany, Oregon
Westinghouse Electric Corp., Astronuclear Laboratory (subcontractor), Large, Pa.
Westinghouse Electric Corp., Idaho Falls, Idaho
Westinghouse Electric Corp., Bettis Atomic Power Laboratory, Pittsburgh, Pa.
Yale University, New Haven, Conn.
Zia Co., The, Los Alamos, N. Mex.

Federal Aviation Agency

Arthur D. Little, Inc., Cambridge, Mass.
Franklin Institute, Philadelphia, Pa.
Operations Research, Inc., Silver Spring, Md.
Raytheon Co., N. Dighton, Mass.
Raytheon Co., Quincy, Mass.
Stanford Research Institute, Menlo Park, Calif.
Texas Instruments, Inc., Dallas, Tex.

National Aeronautics and Space Administration

Astron. Division of Aerojet-General Corp., Bay St. Louis, Miss.
Air Products and Chemicals, Inc., Allentown, Pa.
Bendix Aviation Corp., Eclipse-Pioneer Division, Teterboro, N.J.
Canoga Electronics Corp., Chatsworth, Calif.
Douglas Aircraft Co., Inc., Missile and Space Systems Division, Santa Monica, Calif.
General Dynamics/Convair, a Division of General Dynamics Corp., San Diego, Calif.
General Electric Co., Apollo Support Department, Daytona Beach, Fla.
General Electric Co., Apollo Support Department, Huntsville, Ala.
General Electric Co. (subcontractor), Lynn, Mass.
Grumman Aircraft Engineering Corp., Bethpage, N.Y.
Industrial Film Co., Houston, Tex.
International Telephone and Telegraph Corp. (subcontractor), Industrial Products Division, San Fernando, Calif.
Lockheed Missiles and Space Co., Sunnyvale, Calif.
McDonnell Aircraft Corp., St. Louis, Mo.
North American Aviation, Inc., Space and Information Systems Division, Downey, Calif.
Radiation, Inc. (subcontractor), Melbourne, Fla.
Space General Corp., El Monte, Calif.

PRIME CONTRACTORS AND SUBCONTRACTORS OF THE CIVIL DEPARTMENTS AND AGENCIES AT WHICH CONTRACT AUDIT WORK WAS PERFORMED DURING THE FISCAL YEAR 1966—Continued

National Aeronautics and Space Administration—Continued

Video Corp. (subcontractor), Bay St. Louis, Miss.

National Science Foundation

Brown and Root, Inc., Houston, Tex.
University Corporation for Atmospheric Research, Boulder, Colo.

Office of Economic Opportunity

Consolidated American Services, Inc., Washington, D.C.
Litton Systems, Inc., Camp Parks, Pleasanton, Calif.
Pinellas County Board of Public Instruction, St. Petersburg, Fla.
University of Oregon, Tongue Point, Astoria, Oreg.

Peace Corps and Export-Import Bank

Foreign Credit Insurance Association, New York, N.Y.

U.S. Arms Control and Disarmament Agency

North American Aviation, Inc., Space and Information System Division, Downey, Calif.

U.S. Information Agency

Hearst Metrotone News, Inc., New York, N.Y.

Multiagency Programs

Ace-Federal Reporters, Inc., Washington, D.C.
Alderson Reporting Co., Inc., Washington, D.C.
Capital Reporting Co., Washington, D.C.
Columbia Reporting Co., Washington, D.C.
CSA Reporting Corp., Washington, D.C.
Hart and Hawkins, Washington, D.C.
Holmes Reporting Co., Washington, D.C.
Hoover and Dempsey, Washington, D.C.
Hoover Reporting Co., Inc., Washington, D.C.
Ward and Paul, Inc., Washington, D.C.

PRIME CONTRACTORS AND SUBCONTRACTORS OF THE MILITARY DEPARTMENTS AT WHICH CONTRACT AUDIT WORK WAS PERFORMED DURING FISCAL YEAR 1966

Examination is made of selected financial aspects of the contracts.

Reports are not issued on each audit.

ACF Industries (subcontractor), Paramus, N.J.

ARO, Inc., Tullahoma, Tenn.
Aerojet-General Corp., El Monte, Calif.
Aerojet-General Corp., Nimbus, Calif.
Aerojet-General Corp., Azusa, Calif.
Aerona Corp., Middletown, Ohio
Aircraft Radio Corp., Boonton, N.J.
Allegheny Plastics, Inc., Pittsburgh, Pa.
American Bosch Arma Corp., Springfield, Mass.
American Bosch Arma Corp., Arma Division, Garden City, N.Y.
Atlantic Research Corp., Alexandria, Va.
Avco Corp., Nashville, Tenn.
Avco Corp., Stratford, Conn.
Avco Corp., Wilmington, Mass.
Avco Corp., Electronics Division, Evidale, Ohio
Avco Corp., Ordnance Division, Richmond, Ind.
Avondale Shipyards, Inc., New Orleans, La.
Babcock Electronics Corp., Costa Mesa, Calif.
Barkley and Dexter, Inc., Fitchburg, Mass.
Batesville Manufacturing Co., Batesville, Ark.
Bath Iron Works, Bath, Maine
Beech Aircraft Corp. (subcontractor), Wichita, Kans.
Bell Helicopter Co., Fort Worth, Tex.
Bell & Howell Co., Chicago, Ill.
Belock Instrument Corp., College Point, Long Island, N.Y.
Bendix Corp., The, Towson, Md.

Bendix Corp., The, Bendix-Pacific Division, North Hollywood, Calif.
Bendix Corp., The, Eclipse-Pioneer Division, Teterboro, N.J.
Bendix Corp., The, Mishawaka Division, Mishawaka, Ind.
Bendix Corp., The, Bendix Products Aerospace Division, South Bend, Ind.
BES Engineering Corporation, Taipei, Taiwan
Bethlehem Steel Corp., Sparrows Point, Md.
Blount Bros. Construction Co., Cape Kennedy, Fla.
Boeing Co., The, Seattle, Wash.
Boeing Co., The, Wichita, Kans.
Boeing Co., The, Ogden, Utah
Boeing Co., The, Vertol Division, Eddystone, Pa.
Boeing Co., The, Vertol Division, Morton, Pa.
Bogue Electric Manufacturing Co., Pater-son, N.J.
Burroughs Corp., Detroit, Mich.
Burroughs Corp., Paoli, Pa.
Burroughs Corp., Military Electronic Computer Division, Detroit, Mich.
Catalytic Construction Co., Philadelphia, Pa.
Chrysler Corp., Defense Operations Division, Defense Engineering Plant, Centerline, Mich.
Chrysler Corp., Defense Operations Division, Detroit Tank Plant, Warren, Mich.
Chu Associates, Littleton, Mass.

PRIME CONTRACTORS AND SUBCONTRACTORS OF THE MILITARY DEPARTMENTS AT WHICH CONTRACT AUDIT WORK WAS PERFORMED DURING FISCAL YEAR 1966—Continued

Cleveland Pneumatic Tool Co., Cleveland, Ohio
 Collins Radio Co., Cedar Rapids, Iowa
 Collins Radio Co., Dallas, Tex.
 Construcciones Aeronauticas, S. A. Getafe, Spain
 Continental Aviation and Engineering Corp., Toledo, Ohio
 Continental Motors Corp., Muskegon, Mich.
 Control Data Corp., Minneapolis, Minn.
 Controls for Radiation, Inc., Cambridge, Mass.
 D-Z-K Joint Venture, San Bruno, Calif.
 DeLaval Stenm Turbine Co., Trenton, N.J.
 Douglas Aircraft Co., Inc., Aircraft Division, Long Beach, Calif.
 Douglas Aircraft Co., Inc., Missile and Space Systems Division, Santa Monica, Calif.
 Eastman Kodak Co., Rochester, N.Y.
 Electralab Electronics Corp., Encinitas, Calif.
 Electronic Communications, Inc., St. Petersburg, Fla.
 Electronic Specialty Co., Los Angeles, Calif.
 Emerson Electric Co., St. Louis, Mo.
 Eureka Williams Co., Bloomington, Ill.
 FMC Corp., San Jose, Calif.
 FMC Corp., Charlestown, W. Va.
 FMC Corp., Northern Ordnance Division, Minneapolis, Minn.
 Federal Cartridge Corp., Minneapolis, Minn.
 Ford Motor Co., Philco Corp. Division, Palo Alto, Calif.
 Ford Motor Co., Philco Corp. Division, Philadelphia, Pa.
 Ford Motor Co., Philco Corp. Aeronautic Division, Newport Beach, Calif.
 Fram Corp., Warner Lewis Co. Division, Tulsa, Okla.
 Friden, Inc., San Leandro, Calif.
 Garrett Corp., AIIResearch Manufacturing Co. Division, Los Angeles, Calif.
 Garrett Corp., AIIResearch Manufacturing Co. Division, Phoenix, Ariz.
 Garrett Corp., AIIResearch Manufacturing Co. Division, Torrance, Calif.
 General Dynamics Corp., Fort Worth, Tex.
 General Dynamics Corp., Electric Boat Division, Groton, Conn.
 General Dynamics Corp., New London, Conn.
 General Electric Co., Evendale, Ohio
 General Electric Co., Fitchburg, Mass.
 General Electric Co., Lynn, Mass.
 General Electric Co., Pittsfield, Mass.
 General Electric Co., Schenectady, N.Y.
 General Electric Co., Heavy Military Electronics Department, Syracuse, N.Y.
 General Electric Co., Light Military Electronics Department, Johnson City, N.Y.
 General Electric Co., Light Military Electronics Department, Utica, N.Y.
 General Electric Co., Knolls Atomic Power Laboratory, Schenectady, N.Y.
 General Electric Co., Machinery Apparatus Operation, Schenectady, N.Y.
 General Electric Co., Valley Forge, Pa.
 General Motors Corp., Allison Division, Indianapolis, Ind.
 General Motors Corp., Allison Division, Cleveland Army Tank-Automotive Plant, Cleveland, Ohio
 General Motors Corp., Detroit Diesel Division, Detroit, Mich.
 General Precision Inc., Link Division (subcontractor), Binghamton, N.Y.
 General Telephone and Electronics Corp., Sylvania Electric Products, Inc., Emporium, Pa.
 General Telephone and Electronics Corp., Sylvania Electric Products, Inc., Needham, Mass.
 General Telephone and Electronics Corp., Sylvania Electric Products, Inc., Waltham, Mass.
 General Tire and Rubber Co. (subcontractor), Akron, Ohio
 Gibbs Manufacturing and Research Corp., Janesville, Wis.
 Global Associates, Honolulu, Hawaii
 Global Associates, Kwajalein Atoll, Marshall Islands
 Goodyear Aerospace Corp., Akron, Ohio
 Granite Steel Industries, Granite City, Ill.
 Grumman Aircraft Engineering Corp., Bethpage, Long Island, N.Y.
 Gyrodyne Co. of America, Inc., St. James, N.Y.
 Harvey Aluminum, Inc., Torrance, Calif.
 Hayes International Corp., Birmingham, Ala.
 Hercules Powder Co., Baccus, Utah
 Hercules Powder Co., Kenil, N.J.
 Hercules Powder Co., Wilmington, Del.
 Hokanson, C. G., Co., Inc., Los Angeles, Calif.
 Honeywell, Inc., Ordnance Division, Hopkins, Minn.
 Houdaille Instrument Co., Buffalo Hydraulics Division (subcontractor), Buffalo, N.Y.
 Hudsons Institute, Inc., Harmon-on-Hudson, N.Y.
 Hughes Aircraft Co., Culver City, Calif.
 Hughes Aircraft Co., Aeronautical Systems Division, Los Angeles, Calif.
 Hughes Aircraft Co., Ground Systems Division, Fullerton, Calif.
 Ingalls Shipbuilding Corp., The, Pascagoula, Miss.
 International Business Machines Corp., Bethesda, Md.
 International Business Machines Corp., Service Bureau Corporation Division, New York, N.Y.
 International Telephone and Telegraph Corp., Gilfillan, Inc., Los Angeles, Calif.
 International Telephone and Telegraph Federal Laboratory, Clifton, N.J.
 International Telephone and Telegraph Federal Laboratory, Nutley, N.J.
 Kaiser Aerospace and Electronics Corp., Palo Alto, Calif.
 Kappers Co., Inc., Malan Construction Department, Bay St. Louis, Miss.
 Kay Industries, Inc. (subcontractor), Detroit, Mich.
 Kollmorgen Corp., Northampton, Mass.
 Koppers Co., Baltimore, Md.
 LTV Aerospace Corp., Michigan Division, Warren, Mich.
 Lambert Engineering Co., St. Louis, Mo.
 Lear Siegler, Inc., Instrument Division, Grand Rapids, Mich.
 Leavell-Kiewit, Bay St. Louis, Miss.
 Ling-Temco-Vought, Inc., Dallas, Tex.
 Ling-Temco-Vought, Inc., Grand Prairie, Tex.
 Ling-Temco-Vought, Inc., Greenville, Tex.
 Litton Systems, Inc., Guidance and Control Systems Division, Woodland Hills, Calif.
 Lockheed Aircraft Corp., Burbank, Calif.
 Lockheed Aircraft Corp., Marietta, Ga.
 Lockheed Aircraft Corp., Lockheed-California Division, Burbank, Calif.
 Lockheed Aircraft Service Co., Jamaica, N.Y.
 Lockheed-Georgia Company, Marietta, Ga.
 Lockheed Missiles and Space Co., Sunnyvale, Calif.
 Lockheed Shipbuilding and Construction Co., Seattle, Wash.
 LogElectronics, Inc., Alexandria, Va.

PRIME CONTRACTORS AND SUBCONTRACTORS OF THE MILITARY DEPARTMENTS AT WHICH CONTRACT AUDIT WORK WAS PERFORMED DURING FISCAL YEAR 1966—Continued

Logicon, Inc., Redondo Beach, Calif.
 Lone Star Ordnance Plant, Texarkana, Tex.
 Magnavox Co., The, Fort Wayne, Ind.
 Marquardt Corp., Ogden, Utah
 Marquardt Corp., Van Nuys, Calif.
 Martin-Marietta Corp., Denver, Colo.
 Martin-Marietta Corp., Orlando, Fla.
 Martin-Marietta Corp., Martin Company Division, Baltimore, Md.
 Martin-Zachry Contractors, Honolulu, Hawaii
 McDonnell Aircraft Corp., St. Louis, Mo.
 McGraw-Edison Co., West Orange, N.J.
 Melpar, Inc., Falls Church, Va.
 Microwave Dynamics Corp., Mesa, Ariz.
 Midwestern Instruments, Inc. (subcontractor), Tulsa, Okla.
 Minnesota Mining and Manufacturing Co., Camarillo, Calif.
 Milre Corp., Bedford, Mass.
 Morrison-Knudsen Co., Inc., Bay St. Louis, Miss.
 Morrison-Knudsen Co., Inc., Los Angeles, Calif.
 Motorola Inc., Military Electronics Division, Chicago, Ill.
 New York Shipbuilding Corp., Camden, N.J.
 Norris-Thermador Corp., Vernon, Calif.
 North American Aviation, Inc., Columbus, Ohio
 North American Aviation, Inc., El Segundo, Calif.
 North American Aviation, Inc., Autonetics Division, Anaheim, Calif.
 North American Aviation, Inc., Rocketdyne Division, McGregor, Tex.
 Northrop Corp., Hawthorne, Calif.
 Northrop Corp., Nortronics Division, Anaheim, Calif.
 Northrop Corp., Nortronics Division, Needham Heights, Mass.
 Northrop Corp., Nortronics Division, Norwood, Mass.
 Oberdorfer Foundries, Inc. (subcontractor), Syracuse, N.Y.
 Perkin-Elmer Corp., Norwalk, Conn.
 Pittsburgh Plate Glass Co., Pittsburgh, Pa.
 Pneu. Oil Corp., Charlotte, N.C.
 Potlatch Instrument Co., Inc. (subcontractor), Hawthorne, N.Y.
 RMK-BRJ Joint Venture, San Bruno, Calif.
 Radiation, Inc., Melbourne, Fla.
 Radio Corp. of America, Camden, N.J.
 Radio Corp. of America, Cherry Hill, N.J.
 Radio Corp. of America, Moorestown, N.J.
 Radio Corp. of America, Van Nuys, Calif.
 Radio Corp. of America, Aerospace Systems Division, Burlington, Mass.
 Radio Corp. of America, Electron Tube Division, Harrison, N.J.
 Radio Engineering Laboratories, Inc., Long Island City, N.Y.
 Raytheon Co., Andover, Mass.
 Raytheon Co., Bristol, Tenn.
 Raytheon Co., Lexington, Mass.
 Raytheon Co., Lowell, Mass.
 Raytheon Co., Waltham, Mass.
 Republic Aviation Corp., Farmingdale, N.Y.
 Research Analysis Corp., McLean, Va.
 RMK-BRJ, Saigon, Viet Nam (Raymond International of Delaware, Inc.; Morrison-Knudsen Company of Asia, Inc.; Brown and Root, Inc. and J. A. Jones Construction Company, all doing business as RMK-BRJ, Saigon, Viet Nam)
 Reynolds Construction Company, Istanbul, Turkey
 Rockwell Standard Corp., Detroit, Mich.
 Royal Industries, Inc., Engineered Products Division, Pasadena, Calif.
 Sanders Associates, Inc., Nashua, N.H.
 Schwitzer Corp., Indianapolis, Ind.
 Scott, Wallace, Echo (subcontractor), Bay St. Louis, Miss.
 Simmonds Precision Products Corp., Vergennes, Vt.
 Simplex Wire and Cable Co., Portsmouth, N.H.
 Smith, A. O., Corp., Houston, Tex.
 Smith, A. O., Corp., Milwaukee, Wis.
 Sonneborn Co., Pittsburgh, Pa.
 Southwest Automotive Co., Dallas, Tex.
 Space Corp., Dallas, Tex.
 Specialty Electronics Development Corp., Glendale, N.Y.
 Sperry Farragut Corp., Bristol, Tenn.
 Sperry Rand Corp., Ford Instrument Co. Division, Long Island City, N.Y.
 Sperry Rand Corp., Sperry Gyroscope Co. Division, Great Neck, N.Y.
 Sperry Rand Corp., Sperry-Utah Division, Salt Lake City, Utah
 Sperry Rand Corp., Vickers Inc. Division, Detroit, Mich.
 Sperry Rand Corp., Vickers Inc. Division (subcontractor), Troy, Mich.
 Stewart and Stevenson Services, Inc., Houston, Tex.
 Studebaker Corp., Onan Division, Minneapolis, Minn.
 Sweeney, B. K. Co., Denver, Colo.
 System Development Corp., Santa Monica, Calif.
 Syston-Donner Corp., Concord, Calif.
 TRW Inc., Space Technology Laboratories, Redondo Beach, Calif.
 TRW Inc., (subcontractor), Cleveland, Ohio
 Technical Materiel Corp., Alexandria, Va.
 Technical Materiel Corp., Mamaroneck, N.Y.
 Technology Inc., Dayton, Ohio
 Teledyne Systems Co., Los Angeles, Calif.
 Temco, Inc., Nashville, Tenn.
 Texas Instruments Inc., Apparatus Division, Richardson, Tex.
 Texas Instruments Inc., Science Services Division, Dallas, Tex.
 Todd Shipyards Corp., Seattle, Wash.
 Thermal Research & Engineering Corp., Conshohocken, Pa.
 Thiokol Chemical Corp., Brigham City, Utah
 Thiokol Chemical Corp., Huntsville, Ala.
 U-M-D Joint Venture, San Bruno, Calif.
 United Aircraft Corp., Hamilton Standard Division, Windsor Locks, Conn.
 United Aircraft Corp., Pratt & Whitney Aircraft Division, East Hartford, Conn.
 United States Steel Corp., American Bridge Division, Cocoa Beach, Fla.
 United Technology Corp., Sunnyvale, Calif.
 Vaco, Inc., Garland, Tex.
 Washington Aluminum Co., Orlando, Fla.
 Weatherhead Co., The, Cleveland, Ohio
 Western Electric Co., Greensboro, N.C.
 Western Electric Co., Winston-Salem, N.C.
 Western Electric Co., Inc., Bell Telephone Laboratories, New York, N.Y.
 Western Electric Co., Inc., Bell Telephone Laboratories, Whippany, N.J.
 Western Electric Co., Inc., Defense Activities Division, New York, N.Y.
 Western Material Co., Jackson, Miss.
 Westinghouse Electric Corp., Sunnyvale, Calif.
 Westinghouse Electric Corp., Baltimore, Md.
 Westinghouse Electric Corp., Pittsburgh, Pa.
 Woodward Governor Co. (subcontractor), Rockford, Ill.
 World Tool and Engineering Co., Inc. (subcontractor), Minneapolis, Minn.
 Zenith Radio Corp., Chicago, Ill.

STATUS OF APPROVAL OF ACCOUNTING SYSTEMS OF CIVIL DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT, JUNE 30, 1966

CUMULATIVE SUMMARY

	Systems subject to approval	Status of systems submitted for review			Agency target date for submission or resubmission
		In process of review	Returned or withdrawn	Approved (note 1)	
SUMMARY TOTALS—ALL CIVIL AGENCIES					
Complete systems:					
Formal submissions.....	150	19	17	55	76
Informal submissions.....		2	47		
Totals—Complete systems.....	150	21	64	55	76
Segments of systems:					
Formal submissions.....		5	6	11	
Informal submissions.....			12		
Totals—Segments of systems.....		5	18	11	
Grand totals—All civil agencies:					
Formal submissions.....	150	24	23	66	76
Informal submissions.....		2	60		
Grand totals—All civil agencies.....	150	26	82	66	76
SUMMARY STATUS OF SYSTEMS SUBJECT TO APPROVAL					
(Complete systems—formal submissions)					
Complete systems approved to date.....					55
Less:					
Updated resubmissions made or scheduled by agencies:					
In process of review.....				1	
Scheduled by agencies.....				9	10
Approved systems for which no updating resubmissions have been made or scheduled by agencies (note 1).....					45
Systems yet to be approved or reapproved:					
Submitted and in process of review (includes 1 previously approved system).....				19	
Systems yet to be submitted or resubmitted:					
Agency target dates established (includes 9 systems previously approved).....			76		
Agency target dates not established.....			10		
Systems yet to be submitted or resubmitted.....				86	
Systems yet to be approved or reapproved.....					105
Systems subject to approval (note 15).....					150

Notes are shown on pp. 256, 257.

STATUS OF APPROVAL OF ACCOUNTING SYSTEMS OF CIVIL DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT, JUNE 30, 1966—Continued

STATUS OF APPROVALS BY DEPARTMENT OR AGENCY
(1* distinguishes formal from informal submissions)

	Systems subject to approval	Status of systems submitted for review			Agency tar- get date for submission or resub- mission
		In process of review	Returned or withdrawn	Approved (note 1)	
DEPT. OF AGRICULTURE—COMPLETE SYSTEMS					
Office of Management Improvement: Management Data Service Center.....	1				10-66
Office of Management Services: Appropriated funds.....	1				10-66
Working capital fund.....	1				7-67
Agricultural Research Service: Appropriated funds.....	1		5-63		
Resubmission.....					6-68
Working capital fund.....	1			3-21-52	
Resubmission.....			12-18-63 F		
Resubmission.....					9-66
Agricultural Stabilization and Conserva- tion Service.....	1		9-28-59 F		
Resubmission.....		3-61			
Resubmission.....					6-67
Consumer and Marketing Service.....	1		1-61		
Resubmission.....			6-26-63 F		
Resubmission.....					12-66
Farmers Home Administration.....	1				12-66
Federal Crop Insurance Corporation: Appropriated funds (administrative expense).....	1		6-60		
Resubmission.....			8-20-63 F		
Resubmission.....		6-30-66 F			
Federal Extension Service.....	1			10-25-54	
Resubmission.....			5-63		
Resubmission.....					10-66
Foreign Agricultural Service.....	1			9-19-56	
Resubmission.....					12-66
Forest Service: Appropriated funds.....	1				7-68
Working capital fund.....	1				10-66
Rural Electrification Administration.....	1			8-12-57	Note 2
Soil Conservation Service.....	1				6-67
Totals:					
Formal submission.....	15	1	4	4	13
Informal submissions.....		1	4		
Total.....	15	2	8	4	13
DEPT. OF AGRICULTURE—SEGMENTS OF SYSTEMS					
None.....					
DEPT. OF COMMERCE—COMPLETE SYSTEMS					
Office of the Secretary: Working capital fund.....	1			3-22-51	
Appropriated funds.....	1			8-23-51	
Bureau of Census.....	1			5-4-66	
Bureau of Public Roads (note 3).....	1		6-30-66 F		
Resubmission.....					9-66
Economic Development Administration.....	1				12-67
Area Re-development Administration, predecessor.....			3-9-65 F		
Environmental Science Services Adminis- tration.....	1				
Coast and Geodetic Survey, predeces- sor.....			7-11-60 F		
Resubmission.....			11-5-65 F		
Weather Bureau, predecessor.....			1-63		
Resubmission.....			5-17-65 F		
Maritime Administration.....	1				6-67
National Bureau of Standards.....	1			2-5-53	
Patent Office.....	1			6-9-58	

Notes are shown on pp. 256, 257.

STATUS OF APPROVAL OF ACCOUNTING SYSTEMS OF CIVIL DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT, JUNE 30, 1966—Continued

STATUS OF APPROVALS BY DEPARTMENT OR AGENCY—Continued (F distinguishes formal from informal submissions)

	Systems subject to approval	Status of systems submitted for review			Agency target date for submission or resubmission
		In process of review	Returned or withdrawn	Approved (note 1)	
DEPT. OF COMMERCE—COMPLETE SYSTEMS—continued					
Totals:					
Formal submissions.....	9		5	5	4
Informal submissions.....			1		
Total.....	9		6	5	4
DEPT. OF COMMERCE—SEGMENTS OF SYSTEMS					
Maritime Administration:					
Complete system except property accounting.....				3-2-55	
Principles for accrued leave and allowance for doubtful accounts.....				7-17-59	
Property accounting area.....			4-63		
Resubmission.....				10-28-64	
Bureau of Public Roads:					
Payroll operations.....			4-8-59 F		
Totals:					
Formal submissions.....			1	3	
Informal submissions.....			1		
Total.....			2	3	
DEPT. OF HEALTH, EDUCATION, AND WELFARE—COMPLETE SYSTEMS					
Departmentwide:					
Statement of policies and guidelines.....	1				12-66
Centralized ADP payroll system.....	1				10-66
Office of the Secretary.....	1				12-66
Food and Drug Administration.....	1				12-67
Office of Education.....	1				12-67
Vocational Rehabilitation Administration.....	1				12-67
Public Health Service.....	1				7-68
Saint Elizabeths Hospital.....	1				7-68
Social Security Administration:					
Disability, health, and retirement and survivors insurance.....	1				7-68
Bureau of Federal Credit Unions.....	1				7-68
Welfare Administration:					
Bureau of Family Services.....	1				7-68
Children's Bureau.....	1				7-68
Total—complete systems.....	12				12
DEPT. OF HEALTH, EDUCATION, AND WELFARE—SEGMENTS OF SYSTEMS					
Property accounting principles.....				10-9-53	
DEPT. OF HOUSING AND URBAN DEVELOPMENT—COMPLETE SYSTEMS					
Departmentwide.....	1				6-68
Housing and Home Finance Agency, Office of Administrator, predecessor.....			5-61		
Resubmission.....			6-3-66 F		
Totals:					
Formal submissions.....	1		1		1
Informal submissions.....			1		
Total.....	1		2		1

Notes are shown on pp. 256, 257.

STATUS OF APPROVAL OF ACCOUNTING SYSTEMS OF CIVIL DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT, JUNE 30, 1966—Continued

STATUS OF APPROVALS BY DEPARTMENT OR AGENCY—Continued

(F distinguishes formal from informal submissions)

	Systems subject to approval	Status of systems submitted for review			Agency target date for submission or resub- mission	
		In process of review	Returned or withdrawn	Approved (note 1)		
DEPT. OF HOUSING AND URBAN DEVELOPMENT—SEGMENTS OF SYSTEMS						
Departmentwide:						
Housing and Home Finance Agency, Office of the Administrator, predecessor: Property and payroll system.....			6-65			
Total—Informal submissions.....			1			
DEPT. OF THE INTERIOR—COMPLETE SYSTEMS						
Office of the Secretary.....	1		12-62			
Resubmission.....		6-30-66 F				
Bureau of Indian Affairs.....	1			1-27-53		
Bureau of Land Management.....	1		11-65			
Resubmission.....		3-24-66 F				
Bureau of Mines: Helium Fund.....	1				Not es- tablished	
All other activities.....	1			5- 6-54		
Bureau of Outdoor Recreation.....	1	5-23-66 F				
Bureau of Reclamation.....	1	5-18-66 F				
U.S. Fish and Wildlife Service: Bureau of Sport Fisheries and Wildlife.....	1	6-30-66 F				
Bureau of Commercial Fisheries.....	1		3-63			
Resubmission.....		5-24-66 F				
Geological Survey.....	1	6-30-66 F				
National Park Service.....	1		11-60			
Resubmission.....		6-30-66 F				
Bonneville Power Administration.....	1	Note 4				
Southeastern Power Administration.....	1			11-17-52		
Southwestern Power Administration.....	1			7- 3-52		
Office of Territories: Director's Office.....	1		S-61			
Resubmission.....			12-63			
Resubmission.....		6-30-66 F				
Government of American Samoa.....	1			7-17-52		
Trust Territory of the Pacific Islands.....	1			3- 1-54		
Alaska Railroad.....	1			9-25-57		
Federal Water Pollution Control Admin- istration.....	1				Note 5	
Totals:						
Formal submissions.....	19	10		7		
Informal submissions.....			6			
Total.....	19	10	6	7		
DEPT. OF THE INTERIOR—SEGMENTS OF SYSTEMS						
Bureau of Reclamation: Complete systems except depreciation, etc.....						10- 6-50
Geological Survey: Statement of concepts.....						1-18-61 F
Total—Formal submissions.....						1
DEPT. OF JUSTICE—COMPLETE SYSTEMS						
Legal activities and general administration.....						3-25-66 F
Resubmission.....						12-66
Bureau of Prisons.....						12-66
Federal Bureau of Investigation.....						12-66

Notes are shown on pp. 256, 257.

STATUS OF APPROVAL OF ACCOUNTING SYSTEMS OF CIVIL DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT, JUNE 30, 1966—Continued

STATUS OF APPROVALS BY DEPARTMENT OR AGENCY—Continued
(F distinguishes formal from informal submissions)

	Systems subject to approval	Status of systems submitted for review			Agency target date for submission or resubmission
		In process of review	Returned or withdrawn	Approved (note 1)	
DEPT. OF JUSTICE—COMPLETE SYSTEMS— continued					
Immigration and Naturalization Service— Resubmission.....	1	3-19-65 F	9-61		
Totals:					
Formal submissions.....	4	1	1		3
Informal submissions.....			1		
Total.....	4	1	2		3
DEPT. OF JUSTICE—SEGMENTS OF SYSTEMS					
Legal activities and general administration: U.S. marshals—collections and earnings.....				9- 9-49	
General payroll operations.....			1-61		
Federal Bureau of Investigation: Payroll operations.....				10- 7-51	
Totals:					
Formal submissions.....				2	
Informal submissions.....			1		
Total.....			1	2	
DEPT. OF LABOR—COMPLETE SYSTEMS					
Accounting policies and standards.....	1				12-60
Departmental accounting system and ancillary accounting systems.....	1				12-68
Working capital fund—central services.....	1		7-61		6-67
Resubmission.....					
Totals:					
Formal submissions.....	3				3
Informal submissions.....			1		
Total.....	3		1		3
DEPT. OF LABOR—SEGMENTS OF SYSTEMS					
None.....					
POST OFFICE DEPARTMENT—COMPLETE SYSTEMS					
Accounting policies and standards.....	1		1-61		
Resubmission.....			6-24-65 F		
Resubmission.....			6-13-66 F		
Resubmission.....				6-30-66	
Departmental accounting system and ancillary accounting systems (note 6).....	1				12-68
Totals:					
Formal submissions.....	2		2	1	1
Informal submissions.....			1		
Total.....	2		3	1	1
POST OFFICE DEPARTMENT—SEGMENTS OF SYSTEMS					
None.....					
DEPT. OF STATE—COMPLETE SYSTEMS					
Agency for International Development (note 7).....	1				6-67
International Boundary and Water Commission—U.S. section.....	1			1- 2-53	
Notes are shown on pp. 256, 257.					

Notes are shown on pp. 256, 257.

STATUS OF APPROVAL OF ACCOUNTING SYSTEMS OF CIVIL DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT, JUNE 30, 1966.—Continued

STATUS OF APPROVALS BY DEPARTMENT OR AGENCY—Continued

(F distinguishes formal from informal submissions)

	Systems subject to approval	Status of systems submitted for review			Agency target date for submission or resub- mission
		In process of review	Returned or withdrawn	Approved (note 1)	
DEPT. OF STATE—COMPLETE SYSTEMS—continued					
Peace Corps.....	1				12-66
U.S. Arms Control and Disarmament Agency.....	1				Note 8
Departmental and all other activities:					
Working capital fund.....	1			5- 5-65	
Departmental and other programs.....	1				12-68
Total—formal submissions.....	6			2	4
DEPT. OF STATE—SEGMENTS OF SYSTEMS					
Agency for International Development:					
Accounting principles and policies.....		12-20-65 F			
Accounting for central office and 60 missions, except property accounting.....				7-26-55	
Centralized payroll accounting.....		5-26-66 F			
Investment guaranty program.....			7-64		
Resubmission.....		12-20-65 F			
Departmental and other activities:					
Accounting and reporting for overseas posts.....				4-26-54	
Mechanical payroll operations.....			4- 8-59 F		
Consular fee collections.....			1-10-61 F		
Resubmission.....			6-61		
Totals:					
Formal submissions.....		3	2	2	
Informal submissions.....			2		
Total.....		3	4	2	
DEPT. OF THE TREASURY—COMPLETE SYSTEMS					
Office of the Secretary.....	1		7-65		
Resubmission.....		6-29-66 F			
Bureau of Accounts:					
Administrative accounting.....	1		3-61		
Resubmission.....				3- 1-66	
Central accounts and reports:					
Central accounting for cash opera- tions of the Federal Government (note 9).....	1				12-66
Compilation of special and overall financial reports of the Federal Government.....	1				
Investment branch accounting.....	1		5-63		
Resubmission.....					8-66
Bureau of Customs.....	1				10-66
Bureau of Engraving and Printing.....	1			7- 9-52	
Bureau of the Mint.....	1			1-16-53	
Bureau of Narcotics.....	1		7-65		
Resubmission.....		1-19-66 F			
Bureau of the Public Debt:					
Administrative accounting.....	1	11-19-65 F			
Public debt accounting.....	1				Note 10
Internal Revenue Service:					
Administrative accounting.....	1				3-67
Revenue accounting.....	1		9-63		12-68
Resubmission.....					
Office of the Treasurer of the United States:					
Administrative accounting.....	1		7-65		
Resubmission.....		5-18-66 F			
ADP Payroll System Center.....	1	3-65			
General accounts.....	1				Indefinite
U.S. Coast Guard.....	1			12-29-51	
Resubmission.....					Note 11

Notes are shown on pp. 256, 257.

STATUS OF APPROVAL OF ACCOUNTING SYSTEMS OF CIVIL DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT, JUNE 30, 1966—Continued

STATUS OF APPROVALS BY DEPARTMENT OR AGENCY—Continued (F distinguishes formal from informal submissions)

	Systems subject to approval	Status of systems submitted for review			Agency target date for submission or resubmission
		In process of review	Returned or withdrawn	Approved (note 1)	
DEPT. OF THE TREASURY—COMPLETE SYSTEMS—continued					
U.S. Savings Bond Division.....	1				3-67
U.S. Secret Service.....	1		7-63		
Resubmission.....					10-66
Totals:					
Formal submissions.....	19	4		4	7
Informal submissions.....		1	7		
Total.....	19	5	7	4	7
DEPT. OF THE TREASURY—SEGMENTS OF SYSTEMS					
Bureau of Accounts:					
Central accounts and reports:					
Central accounting for cash operations of the Federal Government:					
Principles, chart of accounts, and basic operations.....		3-31-64 F			Note 9
Foreign currencies acquired without dollars.....			10-31-62 F		
Resubmission.....					
Balance of system.....					Note 9
Bureau of Public Debt:					
Principles relating to accounting for receipts and expenditures.....				6-14-57	
Internal Revenue Service:					
Administrative expense appropriation.....			3-6		
ADP-type (650) payroll operations.....			1-61		
Resubmission.....			3-7-62 F		
Totals:					
Formal submissions.....		1	2	1	
Informal submissions.....			2		
Total.....		1	4	1	
INDEPENDENT AGENCIES—COMPLETE SYSTEMS					
American Battle Monuments Commission.....	1			8-5-58	
Atomic Energy Commission.....	1			3-8-63	
Civil Aeronautics Board.....	1		10-60		
Resubmission.....			3-64		
Resubmission.....					12-66
Civil Service Commission:					
Administrative expenses.....	1			7-28-54	
Resubmission.....			4-66		
Resubmission.....					9-67
Revolving fund—investigations.....	1			10-28-52	
Resubmission.....			4-66		
Resubmission.....					9-67
Work reporting and cost analysis (note 12).....	1			3-5-58	
Retirement and disability fund.....	1		1-64		
Resubmission.....			1-66		
Resubmission.....					6-67
Group life insurance fund.....	1		1-64		
Resubmission.....			1-66		
Resubmission.....					6-67
Employees health benefits.....	1		1-64		
Resubmission.....			1-66		
Resubmission.....					6-67
Retired employees health benefits.....	1		1-66		
Resubmission.....					6-67
Farm Credit Administration.....	1		2-61		
Resubmission.....			6-63		
Resubmission.....					12-66

Notes are shown on pp. 230, 237.

STATUS OF APPROVAL OF ACCOUNTING SYSTEMS OF CIVIL DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT, JUNE 30, 1966—Continued

STATUS OF APPROVALS BY DEPARTMENT OR AGENCY—Continued

(F distinguishes formal from informal submissions)

	Systems subject to approval	Status of systems submitted for review			Agency target date for submission or resub- mission
		In process of review	Returned or withdrawn	Approved (note 1)	
INDEPENDENT AGENCIES—COMPLETE SYSTEMS—continued					
Federal Aviation Agency:					
Agencywide accounting concepts, prin- ciples, and standards.....	1	6-30-66 F			
Integrated complete accounting sys- tem and ancillary accounting sys- tems.....	1				6-67
Federal Coal Mine Safety Board of Review.....	1			8-20-59	Note 13
Federal Communications Commission.....	1			9-17-58	
Federal Home Loan Bank Board.....	1		9-60		
Resubmission.....			6-64		
Resubmission.....					12-67
Federal Maritime Commission.....	1				Note 13
Federal Mediation and Conciliation Ser- vice.....	1		3-61		
Resubmission.....			5-63		
Resubmission.....			10-63		
Resubmission.....					12-66
Federal Power Commission.....	1		5-62		
Resubmission.....				6-30-65	
Federal Trade Commission.....	1			8-26-58	
Foreign Claims Settlement Commission.....	1				12-68
General Services Administration.....	1		1-64		
Resubmission.....			3-65		
Resubmission.....				6-30-65	
Indian Claims Commission.....	1			1- 4-61	
Interstate Commerce Commission.....	1			2-27-57	
Resubmission.....		11- 1-64 F			
National Aeronautics and Space Adminis- tration.....	1	4-14-66 F			
National Capital Planning Commission.....	1			3-28-58	
National Labor Relations Board.....	1		11-18-65 F		
Resubmission.....					6-67
National Mediation Board.....	1			7- 1-58	
National Science Foundation.....	1			11- 5-54	
Resubmission.....					12-67
Panama Canal Zone Government.....	1		7-61		
Resubmission.....				6-26-64	
Railroad Retirement Board.....	1				5-67
Renegotiation Board.....	1			9-18-58	
Roosevelt Campobello International Park Commission.....	1			1-20-66	
Securities and Exchange Commission.....	1				6-67
Selective Service System.....	1			4-30-54	
Resubmission.....					6-67
Small Business Administration.....	1			7-27-55	
Resubmission.....			5- 2-61 F		
Resubmission.....			10-14-65 F		6-68
Resubmission.....					
Smithsonian Institution.....	1			8-31-59	
National Gallery of Art.....	1			11-20-58	
Subversive Activities Control Board.....	1			6-16-59	
Tax Court of the United States.....	1			7-25-58	
U.S. Information Agency.....	1				12-68
U.S. Tariff Commission.....	1			5-62	
Resubmission.....			7-65		Note 14
Resubmission.....					Indefinite
Veterans Administration:					
Agencywide:					
Administrative accounting.....	1			3-14-47	
				4-25-50	
				9- 6-56	
Personnel and accounting inte- grated data pay system.....	1				10-66
Department of Medicine and Surgery:					
Medical care and administration.....	1			9- 6-56	
Construction of facilities.....	1			9- 6-56	
Supply fund.....	1			9- 6-56	

Notes are shown on pp. 256, 257.

STATUS OF APPROVAL OF ACCOUNTING SYSTEMS OF CIVIL DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT, JUNE 30, 1966—Continued

STATUS OF APPROVALS BY DEPARTMENT OR AGENCY—Continued

(F distinguishes formal from informal submissions)

	Systems subject to approval	Status of systems submitted for review			Agency target date for submission or resub- mission
		In process of review	Returned or withdrawn	Approved (note 1)	
INDEPENDENT AGENCIES—COMPLETE SYSTEMS—continued					
Veterans Administration—Continued					
Department of Veterans Benefits:					
Compensation and pension pro- gram.....	1				12-67
Insurance programs.....	1		1- 4-60 F		12-67
Resubmission.....					
Direct loan program.....	1			8- 2-50 10-27-50 11-13-53	
Loan guaranty program.....	1			1-27-48 3- 5-54	
Totals:					
Formal submissions.....	51	3	4	30	22
Informal submissions.....			24		
Total.....	51	3	28	30	22
INDEPENDENT AGENCIES—SEGMENTS OF SYSTEMS					
Federal Aviation Agency:					
Property policies and procedures.....			3-62		
General chart of accounts.....			3-62		
Interstate Commerce Commission:					
ADP mechanical payroll procedures.....				11- 2-62	
U.S. Information Agency:					
Domestic payroll system.....		5-24-65 F			
Totals:					
Formal submissions.....		1		1	
Informal submissions.....			2		
Total.....		1	2	1	
OTHER AGENCIES					
EXECUTIVE OFFICE OF THE PRESIDENT— COMPLETE SYSTEMS					
Bureau of the Budget.....	1			5-9-55	
Resubmission.....					10-66
Office of Economic Opportunity.....	1				6-67
Office of Emergency Planning.....	1				3-67
National Security Council.....	1			2-24-59	
All other activities.....	1				
Total—formal submissions.....	5			2	3
EXECUTIVE OFFICE OF THE PRESIDENT— SEGMENTS OF SYSTEMS					
Office of Emergency Planning:					
Statement of accounting policy, in- formal submission.....			11-65		
D.C. GOVERNMENT—COMPLETE SYSTEMS					
Accounting concepts, principles, and standards.....	1				12-66
Centralized payroll system.....	1				7-67
Central accounting system and ancillary accounting systems of constituent de- partments and agencies.....	1				7-67 to 7-71

Notes are shown on pp. 256, 257.

STATUS OF APPROVAL OF ACCOUNTING SYSTEMS OF CIVIL DEPARTMENTS AND AGENCIES OF THE FEDERAL GOVERNMENT, JUNE 30, 1966—Continued

STATUS OF APPROVALS BY DEPARTMENT OR AGENCY—Continued

(F distinguishes formal from informal submissions)

	Systems subject to approval	Status of systems submitted for review			Agency target date for submission or resubmission
		In process of review	Returned or withdrawn	Approved (note 1)	
D.C. GOVERNMENT—COMPLETE SYSTEMS— continued					
Totals:					
Formal submissions	3				3
Informal submissions					
Total	3				3
D.C. GOVERNMENT—SEGMENT OF SYSTEMS					
Department of Corrections:					
Revolving fund activities			9-61		
Resubmission			9-63		
Totals:					
Formal submissions					
Informal submissions			2		
Total			2		
WASHINGTON AQUEDUCT—COMPLETE SYSTEM					
	1		2-63		Indefinite

NOTES:

1. Because of subsequent legislation and refinements in prescribed requirements, most of the accounting systems that have been approved in the past now need reexamination and appropriate revision in the light of current requirements.

2. The Rural Electrification Administration is of the opinion that its accounting system conforms with the current principles, standards, and related requirements of the Comptroller General and, accordingly, has established no target date for resubmission.

3. The Bureau of Public Roads formally submitted its accounting system for approval in June 1963. In a report to the Congress dated June 30, 1966, on our review of the system, it was pointed out that we were not stating our approval of the Bureau's accounting system pending further development of the Bureau's accounting for costs and financial reporting procedures. We advised the Department of Commerce that we will reconsider the request for approval when notified that the proposed improvements, which had been concurred in by the Federal Highway Administrator, have been implemented.

4. The Bonneville Power Administration submitted segments of its system over the period from 1958 to 1964, and submitted the final segment of the system, dealing with consolidated reporting, in March 1966.

5. The Department of Interior has advised that studies to determine accounting needs of the Federal Water Pollution Control Administration are now being made in this recently established agency but that these studies have not progressed sufficiently to enable the setting of a target date.

6. The Post Office Department plans to revise its accounting system, where required, to conform to the approved accounting policies and standards, and to intermittently submit for approval individual portions or segments of the revised accounting system prior to December 31, 1968.

7. The Agency for International Development has established target dates for the submission of certain ancillary systems or segments comprising the remaining portions of its accounting system during the latter part of 1966, and in March and June 1967 when the final segments of the complete system are scheduled for submission.

8. The Department of State provides accounting services to the U.S. Arms Control and Disarmament Agency on a reimbursable basis. Virtually all financial transactions of the agency are processed through the accounting system of the Department of State. Development of the agency's accounting system depends to a large extent on the activities of the Department of State in this area, where a target date of December 1968 has been established for submission of the departmental accounting system for approval.

9. The Bureau of Accounts formally submitted the first two of seven chapters of a manual for central accounting for cash operations of the Federal Government on March 31, 1964, stating that the two chapters submitted were intended to present the essential elements of the system as a whole in terms of the underlying principles and basic operations which the Bureau presumed was the type of information desired as a basis for approval. The General Accounting Office informed the Commissioner of Accounts by letter dated January 11, 1965, that the material submitted was not sufficient to provide an adequate basis for approval of the system. It is understood that the Bureau expects to revise and complete documentation of the system by December 1966.

10. The Bureau of the Public Debt considers that it has two accounting systems: an administrative accounting system for salaries and expenses and an accounting system for public debt transactions. The principles relating to accounting for public debt

receipts and expenditures were approved by the Comptroller General on June 14, 1957. The remainder of the public debt accounting system has not been submitted formally for approval.

11. General Accounting Office staff is conducting a review of the financial management system of the U.S. Coast Guard, with primary emphasis on the adequacy and effectiveness of internal reporting to meet the informational needs of management. This review is scheduled for completion about December 31, 1966, and an appropriate report thereon will be issued.

12. The Civil Service Commission's Work Reporting and Cost Analysis System, approved by the Comptroller General in March 1958, is now considered to be an integral part of and ancillary to the two systems for Administrative Expenses and for the Revolving Fund-Investigations.

13. Because of limited size, the accounting and other financial management activities for Federal Coal Mine Safety Board of Review and the Federal Maritime Commission are now handled by the General Services Administration whose accounting system was approved by the Comptroller General in June 1965.

14. The General Accounting Office issued a report to the U.S. Tariff Commission dated April 28, 1966, on its review of selected aspects of the Commission's financial management system, including an outline of the principal deficiencies in the accounting system. The Commission employed a management consulting firm to review the entire organization. The Commission has advised that the observations and recommendations of the management consultants, the General Accounting Office, and the Bureau of the Budget were still being reviewed and evaluated, but that the Commission is not yet far enough along to establish target dates for specific accomplishments.

15. The number of systems subject to approval as shown in this report includes only complete accounting systems for the reason that the number of segments of systems on which tentative approval may be requested is not predictable. The number of complete systems subject to approval may be affected by future changes in plans of individual departments and agencies as development work progresses, and by the creation of new agencies or the consolidation or termination of existing agencies.

DECISIONS AND OTHER LEGAL MATTERS HANDLED DURING THE FISCAL YEAR 1966

Assignment areas:

Appropriations and miscellaneous	812
Civilian personnel	776
Contracts	1,533
Military pay and allowances	700
Transportation	578
	<hr/> 4,399
Private inquiries, etc.	398
	<hr/>
Total	4,797

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)

To the committees of the Congress:

Legislative reports	374
Legal matters	52

To Members of the Congress:

Legal matters	207
	<hr/>
	633

To the Bureau of the Budget	99
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Total	732
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TRANSPORTATION AUDIT AND CLAIMS ADJUDICATION

BILLS OF LADING AND TRANSPORTATION REQUESTS EXAMINED DURING THE FISCAL YEAR 1966

	Number	Amount paid ¹	Notices of overcharge issued	
			Number	Amount
Audit:				
Bills of lading.....	4,846,795	\$943,917,055	72,044	\$9,820,576
Transportation requests.....	2,705,570	530,303,846	14,926	873,681
Totals.....	7,552,365	1,474,220,901	86,970	10,694,257

TRANSPORTATION CLAIMS RECEIVED AND SETTLED DURING THE FISCAL YEAR 1966

Class of claims	On hand July 1, 1965	Received	Settled			On hand June 30, 1966
			Number of claims	Amount claimed	Amount allowed	
Freight.....	16,045	24,207	26,849	\$8,755,406	\$5,226,793	13,403
Passenger.....	756	2,673	2,564	28,374,868	28,213,637	865
Totals.....	16,801	26,880	29,413	37,130,274	33,440,430	14,268

¹ Includes allowance of \$30,312,753 for Military Airlift Command movements audited before payment.

TRANSPORTATION AUDIT AND COLLECTIONS, FISCAL YEARS 1957-66

Fiscal year	Bills of lading and transportation requests audited	Amount paid	Notices of overcharge issued		Total collections ¹
			Number	Amount	
1957.....	11,605,821	\$2,240,435,771	117,224	\$38,700,924	\$47,654,842
1958.....	10,628,433	1,783,884,351	99,388	33,890,835	40,162,361
1959.....	10,829,724	2,001,198,613	84,515	26,307,785	29,535,058
1960.....	8,942,516	1,836,979,997	88,680	25,814,190	21,544,850
1961.....	6,984,818	1,289,995,041	63,630	21,110,735	24,070,443
1962.....	6,740,370	1,185,694,916	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.....	7,552,365	1,474,220,901	86,970	10,694,257	8,494,453
Total.....	84,523,582	15,639,830,690	839,593	220,522,665	235,738,662

¹ Includes amounts collected in our adjudication of claims reported by other Government agencies.

TRANSPORTATION CLAIMS SETTLED DURING FISCAL YEARS 1957-66

Fiscal year	Number of claims	Amount claimed	Amount allowed
1957.....	45,763	\$17,725,094	\$5,331,391
1958.....	29,085	12,238,687	5,744,506
1959.....	27,102	11,601,630	5,346,383
1960.....	28,539	11,599,018	5,020,537
1961.....	29,859	10,105,150	3,349,093
1962.....	26,635	11,149,021	2,695,863
1963.....	35,237	13,013,942	6,774,930
1964.....	22,673	19,131,505	14,985,277
1965.....	28,959	26,974,966	23,495,481
1966.....	29,413	37,130,274	33,440,430
Total.....	303,267	170,662,290	115,183,591

¹ Includes allowance of \$30,312,753 for Military Airlift Command movements audited before payment.

GENERAL CLAIMS SETTLED DURING THE FISCAL YEAR 1966

Class of claims	On hand July 1, 1965	Received	Settled	On hand June 30, 1966
Claims against the United States	696	8,549	8,274	881
Claims by the United States	29,568	41,201	33,977	36,792
Total general claims	30,174	49,750	42,251	37,673

COLLECTIONS BY OR THROUGH THE EFFORTS OF THE GENERAL ACCOUNTING OFFICE, 1957-66

(000 omitted)

Fiscal year	General audit	Transporta- tion audit	General claims	Total collections
1957	\$7,794	\$47,055	\$10,426	\$65,875
1958	19,305	40,162	7,424	66,891
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
Total	117,630	235,739	63,707	417,376

SUMMARY OF FINANCIAL SAVINGS ATTRIBUTABLE TO THE WORK OF THE GENERAL ACCOUNTING OFFICE IDENTIFIED DURING THE FISCAL YEAR 1966

COLLECTIONS AND OTHER MEASURABLE SAVINGS

[000 omitted]

	Collections	Other measurable savings	Total
DEPARTMENTS			
Army.....	\$1,327	\$10,100	\$11,427
Navy.....	393	6,024	6,417
Air Force.....	1,165	21,417	22,582
Defense.....	691	21,553	22,244
Agriculture.....	37	14,093	14,130
Army Corps of Engineers (civil functions).....	5	3	56
Commerce.....	271	401	672
Health, Education, and Welfare.....	50	18,294	18,344
Housing and Urban Development.....		2,984	2,984
Interior.....	22	270	292
Justice.....		109	109
Labor.....	4	563	567
Post Office.....	3	5,182	5,185
State (including AID, Peace Corps, and USIA).....	136	216	352
Treasury.....	4	5,390	5,394
AGENCIES			
Atomic Energy Commission.....	21	1,748	1,772
Civil Service Commission.....	2	32	34
District of Columbia Government.....	87	1	88
Federal Aviation Agency.....	91	139	230
General Services Administration.....	123	675	803
Interstate Commerce Commission.....	44		44
National Aeronautics and Space Administration.....	18	1,026	1,044
National Mediation Board.....	1		1
Panama Canal Company.....	5	28	33
Railroad Retirement Board.....	8		8
Veterans Administration.....	2	2,313	2,315
Other agencies.....	2	884	886
Total for audit of departments and agencies.....	4,568	113,445	118,013
Transportation audit.....	8,495		8,495
General claims work.....	4,129		4,129
Total.....	17,192	113,445	130,637

DETAILS OF OTHER MEASURABLE SAVINGS

Details of other measurable financial savings including additional revenues attributable to the audit work of the General Accounting Office during the fiscal year 1966, totaling \$113,445,000, are listed below. Approximately \$40 million of the savings or additional revenues are recurring in nature and will continue in future years. The items listed consist of realized or potential savings in Government operations directly attributable to action taken or planned on findings developed by the General Accounting Office in its examination of agency and contractor operations. In most instances, the potential savings are based on estimates and for some items the actual amounts to be realized are contingent upon future actions or events.

Action taken or planned

Estimated savings

Supply Management:

Transfer of excess material to agencies or contractors for use in lieu of making new procurements.....	\$19,940,000
Return to active inventory excess or surplus material and equipment which was either prematurely scheduled for disposal or not being recognized as an acceptable substitute for items in current demand.....	11,795,000

DETAILS OF OTHER MEASURABLE SAVINGS—Continued

<i>Action taken or planned</i>	<i>Estimated savings</i>
<i>Supply Management—Continued</i>	
Cancellation of plans to purchase materials for which there was	\$10,006,000
Savings resulting from reduction of rates paid for farm storage of grain under the 1965 reseal program.....	9,200,000
Reduction in losses from deterioration of limited-life and excess medical supply items in the civil defense medical stockpile	8,691,000
Adjustment of prices under existing contracts for proposed amendments	6,707,000
Annual savings in operating cost (\$250,000) and reduction in replacement cost (\$3,500,000) of seagoing tender used for aid-to-navigation work made available for partial support of the national oceanographic effort.....	3,750,000
Transfer and utilization of excess missile launching and handling rails in lieu of making new procurements.....	502,000
Reduction in procurement costs as a result of qualifying additional suppliers as competitive sources for items previously purchased on a sole-source basis.....	439,000
Savings by having fee-basis physicians' prescriptions filled in VA pharmacies instead of in private pharmacies.....	428,000
Savings in procurement cost as a result of direct purchase from actual manufacturer.....	396,000
Redistribution of ammunition provided under the military assistance program which was excess to recipient country needs....	392,000
Cancellation of production of items obtainable at lower prices....	361,000
Savings realized by replacing sedan delivery vehicles with lower cost pickup trucks.....	294,000
Reduction in Government-wide procurement costs due to elimination of the requirement that general office desks be equipped with locks.....	250,000
Annual savings resulting from change in method of contracting for photographic services from time and material contract to cost-plus-fixed-fee contract.....	145,000
Savings on purchase of aircraft parts for overhaul as a result of new pricing procedures.....	131,000
Reduction in charges to Government cost-type contracts of corporate and administrative expenses.....	126,000
Cancellation of unnecessary handtool procurements.....	125,000
Return to accountability of Government-owned material not known to exist and equipment improperly retained by contractors	125,000
Reduction of costs resulting from revision of procurement procedures to require support services contractor to consider GSA source of supply prior to purchase of general supply items from more costly commercial sources.....	116,000
Utilization of excess property as a result of more adequate screening procedures	110,000

DETAILS OF OTHER MEASURABLE SAVINGS—Continued

	<i>Action taken or planned</i>	<i>Estimated savings</i>
<i>Supply Management—Continued</i>		
Savings resulting from the centralized procurement of certain drugs at prices lower than prices available to individual field stations		\$108, 000
Redistribution of missile system spare parts which were determined to be excess to the needs of the Republic of China.....		96, 000
Cancellation of outstanding requisitions and programs for training ammunition not required for the military assistance program in a South American country.....		33, 000
Other items		289, 000
<i>Communications:</i>		
Reduction in number of leased telephone circuits in cable facility through utilization of unused telephone circuits in microwave facility (estimated annual savings).....		503, 000
<i>Payments to Government Employees, Veterans, and Other Individuals:</i>		
Annual savings through reducing travel costs by making Government vehicles available for use in lieu of privately owned automobiles		1, 500, 000
Savings resulting from revising travel regulations to permit the payment of a lower rate when justified to compensate employees for expenses incurred when using privately owned automobiles for official business.....		1, 000, 000
Savings resulting from the enactment of legislation granting leasing authority to the Coast Guard and the issuance of instructions to implement the Coast Guard's Leased Housing Program to permit leasing FHA houses in certain areas.....		244, 000
Improved housing administration procedures reducing vacancy periods and resulting in a reduction in payments for housing allowance (estimated annual savings).....		218, 000
Increased use of quarters in Air Force-leased hotels to prevent unnecessary payments of quarters, lodging, and per diem allowances to military personnel on official duty in London, England (estimated annual savings).....		159, 000
Annual savings resulting from reducing Federal unemployment benefits payable to certain Federal military retirees.....		138, 000
Revision of method used to compute living quarters allowance to civilian employees overseas (estimated annual savings).....		104, 000
Correction of erroneous pay and allowance computations and records		75, 000
Reduction in costs of allowances for quarters by discontinuing payments of housing allowances to military personnel without dependents living in quarters provided by the Republic of China (estimated annual savings).....		43, 000
Correction of erroneous payments of post differential and charge pay from Foreign Service Personnel and salary overpayments to reemployed Civil Service annuitants.....		12, 000
Other items.....		95, 000

DETAILS OF OTHER MEASURABLE SAVINGS—Continued

<i>Action taken or planned</i>	<i>Estimated savings</i>
<i>Loans, Contributions, and Grants:</i>	
Additional interest earnings by making payments under the medicare program on a reimbursement rather than on an advance payment basis	\$9,500,000
Disallowance of excessive noncash grant-in-aid credits for school, park, storm drain, sewer, and parking facility	601,000
Additional funds available to extend the Cropland Conversion Program to more farmers by discounting at the rate of 5 percent a year advance payments made to farmers participating in the 1966 program	200,000
Reduction in cost of Federally financed project	200,000
Prevention of unauthorized expenditure of funds on nonmatching basis	160,000
Other items	263,000
<i>Leasing and Rental Costs:</i>	
Purchasing rather than leasing automatic data processing and related equipment	2,836,000
Savings resulting from the purchase of leased automatic data processing machines at reduced prices	518,000
Annual savings in rental cost for equipment resulting from the the consolidation of certain data processing operations	435,000
Annual savings resulting from the conversion to usable space of a Government-owned building which had been declared unsuitable for use by Federal agencies and was scheduled for disposal	227,000
Savings to be attained by purchasing instead of continuing to lease radio and telewriting equipment	109,000
Savings to be attained by purchasing rather than leasing certain office copying equipment	97,000
Purchasing rather than leasing office copier	23,000
Other items	62,000
<i>Rental Income:</i>	
Additional revenue due to changes in rental rates and utility charges for Government-owned housing and quarters	126,000
Other items	21,000
<i>Construction, Repair, and Improvement Costs:</i>	
Savings in construction and furniture costs to be effected because of revisions in seating and capacity standards for school dining facilities	146,000
Savings to be effected by direct procurement of certain equipment for construction projects	29,000
<i>Operation and Maintenance:</i>	
Discontinuance of the use of a U.S. Navy Landing ship tank in support of recreational facility in Hawaii (estimated annual savings)	704,000

DETAILS OF OTHER MEASURABLE SAVINGS—Continued

<i>Action taken or planned</i>	<i>Estimated savings</i>
<i>Operation and Maintenance—Continued</i>	
Increase in charges for utilities furnished to industrial and agricultural lessees, and nonappropriated funds activities (estimated annual savings)	\$24, 000
<i>Manpower Utilization:</i>	
Reduction in staff at Army Finance Center (estimated annual savings)	1, 276, 000
Annual savings in personnel costs resulting from the consolidation of certain data processing operations	1, 038, 000
Savings resulting from reduction of positions for the Chicago Employment Service offices	421, 000
Savings in salary costs resulting from utilization of available automatic data processing equipment (estimated annual savings)	160, 000
Elimination of unnecessary guard post positions at security installation (contract period)	152, 000
<i>Trade Development and Assistance:</i>	
Annual dollar savings and favorable effect on balance-of-payments position by requiring that certain sales agents involved in Public Law 480 transactions be paid sales commissions in foreign currency rather than in United States dollars provided by CCG ...	1, 200, 000
Annual dollar savings and favorable effect on balance-of-payments position by requiring foreign governments to bear their proper share of ocean transportation costs of shipping Public Law 480 commodities on United States flag vessels	1, 042, 000
Consolidation of shipments of agricultural commodities donated under Public Law 480 to voluntary relief agencies, resulting in annual savings in ocean transportation freight costs	880, 000
Estimated annual reduction of dollar expenditures for the purchase of bags for the distribution of commodities donated under Public Law 480, by requesting the recipient country to provide bags from its own resources	100, 000
<i>Transportation:</i>	
Savings in transportation costs by reduction in the number of empty CONEX containers shipped from Europe to the United States (estimated annual savings)	1, 000, 000
Savings resulting from partial consolidation of duplicate shipping services to the Canal Zone (estimated annual savings)	534, 000
Reduction in travel costs through greater utilization of Air Force passenger aircraft	295, 000
<i>Other Items:</i>	
Increased postal revenues to be realized as a result of increasing the selling prices of stamped envelopes	3, 000, 000
Elimination of payments of excess sales proceeds to defaulted small home mortgagors upon resale by FHA of foreclosed property	2, 264, 000

DETAILS OF OTHER MEASURABLE SAVINGS—Continued

	<i>Action taken or planned</i>	<i>Estimated savings</i>
<i>Other Items—Continued</i>		
Savings in mail transportation costs by discontinuing the use of refrigerator cars.....		\$2, 000, 000
Elimination of interests costs resulting from the accelerated payment of unamortized construction costs of a laboratory building.....		1, 200, 000
Increased revenues resulting from an increase in bus fares and savings resulting from discontinuance of nonessential bus services.....		364, 000
Annual savings in interest cost resulting from termination of check-cashing agreement and discontinuance of the practice of compensating Washington, D. C., area banks for cashing Government salary checks.....		340, 000
Additional annual revenues resulting from the inclusion of saw-log clip values in timber appraisals.....		275, 000
Additional revenue resulting from an increase in the volume of timber to be cut from a Forest Service management area (working circle).....		228, 000
Savings resulting from discontinuing the purchase of title insurance on properties acquired as a result of default on guaranteed housing loans.....		180, 000
Cancellation of contracts for consultant's services and reduction in number of employees by a nonprofit corporation financed under Government contracts (estimated annual savings).....		125, 000
Additional income resulting from increases in prices charged for meals served employees and visitors at penal institutions...		110, 000
Savings in interest costs as a result of deferring payment for new computer systems.....		95, 000
Termination of costs to Government for property damage insurance on Government-owned property being utilized by contractor (estimated annual savings).....		39, 000
Miscellaneous other items.....		400, 000
Total other measurable savings.....		113, 445, 000

ADDITIONAL FINANCIAL SAVINGS NOT FULLY OR READILY MEASURABLE

Many significant financial savings of a one-time or recurring nature which are attributable to the work of the General Accounting Office are not fully or readily measurable in financial terms. These savings often result from actions taken by Federal agencies in their efforts to eliminate the unnecessary expenditures or otherwise correct the deficiencies brought to light in our audit reports. The extent to which these corrective actions are motivated by our reports is not readily identifiable nor are the financial savings readily measurable in all cases. A few examples of such actions identified during the fiscal year 1966 are described below:

ADDITIONAL FINANCIAL SAVINGS NOT FULLY OR READILY MEASURABLE—Continued

Changes in Agency Policies, Procedures, and Practices

Rebuilding of Used Motor Vehicle Tires

In a report to the Congress in June 1966 we presented our findings on the savings that can be attained by the Department of the Air Force by rebuilding used motor vehicle tires. We estimated that extensive rebuilding of used tires by the Air Force would have resulted in savings of as much as \$2 million in one fiscal year and could likewise result in substantial savings in future years. At most of the installations included in our review, requirements for replacement tires were being met to some extent through the rebuilding of used tires; but, on the whole, insufficient emphasis had been placed on this source of potential savings. Many used tires were being condemned when they could have been rebuilt and, in many cases, tires were worn excessively before removal, thus precluding rebuilding.

We found that tire inspection personnel had not been adequately indoctrinated in the savings to be derived from rebuilding used motor vehicle tires and that sufficient review and control had not been exercised over their activities. The Air Force had established general policy guidance with respect to tire maintenance which provides that used motor vehicle tires can be rebuilt and used by Air Force installations whenever possible. The instructions pointed out that careful periodic inspection of tires will provide carcasses suitable for rebuilding and that such tires can be expected to last as long as new tires and in some cases longer. We found, however, that the extent to which this general policy guidance had been implemented varied substantially among installations.

We concluded from our review that there was a need for the establishment of specific tire-removal criteria which could be applied by vehicle maintenance personnel to ensure the removal of tires before excessive wear prevents rebuilding. In addition, since each Air Force installation has the responsibility for obtaining replacement tires for its motor vehicles, it seemed evident to us that closer supervision of tire inspection, removal, and rebuilding activities by base officials and increased command surveillance were required to ensure effective performance and to realize the maximum savings possible.

In response to our draft report, the Assistant Secretary of Defense (Installations and Logistics), informed us by letter that the Air Force was in general agreement with our findings. He also stated that a new technical order had been prepared to provide, among other instructions, for the periodic inspection of tires and for their removal if the remaining tread depth is less than 2/32 inch at its lowest point. Further, he pointed out that broad dissemination had been given our findings within the Air Force and other military departments so that proper attention can be given to these matters. We believe that the new instructions will result in substantial savings if properly implemented.

Management Control of Projectile Fuze Covers and Other Reusable Ammunition Components

In a report to the Congress in January 1966, we found that the Navy incurred costs of about \$218,000 in the 3-year period ended June 30, 1964, because significant quantities of the projectile fuze covers were not returned by user activities, and other quantities, although returned, were lost or sold as scrap. Since the Navy has a continuing need for these fuze covers, possible savings of as much as \$595,000 could be realized during the 5-year period ending June 30, 1970, by establishing effective controls over the return and reuse of these covers.

Although our review was limited to the specific fuze covers, we did note that procurements of other reusable ammunition components were made necessary by the failure of user activities to return such components to the supply system.

We concluded from our review that the basic problem was that there was an absence of an adequate system of responsibility, accountability, and surveillance over reusable ammunition components in the Navy. We recommended that the Navy develop and implement appropriate accounting controls over the issue and return of reusable ammunition components and establish surveillance over the operation of such controls to ensure their effectiveness.

In March 1966, the Navy advised us that the Navy Auditor General would conduct a service-wide audit of the Navy's ammunition supply system and that the audit would include a review of the adequacy of existing accounting procedures for control and surveillance. Proper corrective actions taken as a result of the Navy's audit should result in substantial savings.

Reduction in Vacancy Losses in Government-Owned Housing

In a report to the Congress in March 1966, we stated that during our review of the management and utilization of Capehart, Wherry, and other Government-owned family housing, we found that unoccupied family housing units at Army installations remained vacant or were used for other than their intended purpose for excessive periods. This condition prevailed because installation officials responsible for the management of family housing did not (1) control the time taken to process and renovate family housing for reoccupancy, (2) maintain complete listings of personnel eligible for family housing, (3) direct eligible personnel to occupy family housing, and (4) redesignate excess available officer housing to meet the housing needs of enlisted men. Had the Government-owned housing been occupied by eligible personnel, the Government's cost of family housing could have been offset by reductions in quarters allowance payments as intended by the Congress.

The Deputy Assistant Secretary of Defense (Family Housing) concurred in general with the findings, conclusions, and proposals contained in our draft report and outlined to us a series of corrective actions being taken Army-wide. He also stated that at the specific installations concerned, corrective action had been initiated on deficiencies uncovered by the General Accounting Office as rapidly as they were identified. The actions taken should result in improvement in utilization of the housing and a substantial savings in quarters allowance payments.

Power Contract Amended

A power contract between the Southwestern Power Administration (SPA) and the Associated Electric Cooperative, Inc., provided for SPA to reserve, for Associated's use, a number of kilowatts of electric capacity, for which Associated agreed to pay \$14.40 a kilowatt a year. A similar provision was contained in another contract between SPA and a group of utility companies. In addition to the capacity charges, both contracts provided that 2 mills would be paid for each kilowatt-hour of energy used. The SPA-Associated contract also provided that Associated could utilize the capacity reserved for the companies during periods in which the capacity was not required for use by the companies.

The SPA-Associated contract is to expire on May 31, 2000, while the SPA-companies contract is to expire on May 31, 1985. Since the SPA-Associated contract provided that Associated would be permitted to utilize, until May 31, 2000, capacity not required for the production of energy under the SPA-companies contract, termination of the SPA-companies contract on May 31, 1985, could result in Associated's utilizing without a capacity charge for a 15-year period the 190,000 kilowatts of capacity previously reserved for the companies. At a charge of \$14.40 a kilowatt a year, the revenue loss could be \$2,736,000 annually and \$41,040,000 for the 15-year period.

We proposed that the SPA-Associated contract be amended to assure that in the event the SPA-companies contract is terminated prior to the SPA-Associated contract, the Government could require Associated to pay for the right to use capacity previously reserved for the companies, or that SPA could sell the right to the use of such capacity and the related energy to another customer.

This finding was included in a report to Congress in June 1965, and in October 1965 the SPA-Associated contract was amended to implement our proposal.

Opportunities for Reducing Certain Training Costs

Our review of selected training courses conducted by the Internal Revenue Service (IRS) showed that, for 32 training courses and conferences, the IRS could have reduced per diem, travel, and space rental costs by about \$65,000 had these courses and conferences been conducted in space available in Government buildings located within the official duty station of 572 out of a total of 1,203 participants rather than at outlying hotels and other leased accommodations. Since similar courses and conferences were held by IRS at hotels, motels, and other non-Government space during the period of our review which cost the IRS an estimated \$800,000, additional cost reductions may have been possible for other training courses.

In July 1965, we proposed that the Commissioner of Internal Revenue require responsible officials to select available Government facilities whenever possible for use in the training program at locations which would result in the most economical use of Government funds. In February 1966, the IRS issued guidelines for use of Service officials which may afford opportunities for reducing training costs.

Leased Bin Sites

Our review of the practices employed by the Agricultural Stabilization and Conservation Service (ASCS), Department of Agriculture, in obtaining leases for bin sites for storage of Government-owned grain, disclosed that the Government would incur additional costs because in two States included in our review ASCS had entered into new leases at increased rentals although the existing leases provided options to continue occupancy of the sites, at no increase in rental, generally for as long as 10 years. We found also that the granting of the rental increases was contrary to ASCS's written policies and procedures and that such policies and procedures had not been uniformly applied in the four States included in our review.

In response to our report to the Administrator, ASCS in September 1965, ASCS informed us of the action it proposed to take in the matter. Because, at the time of our review, there were in one State alone 1,428 bin-site leases having an annual rental of \$180,000, we believe that the action promised by ASCS, if properly implemented, will result in significant, but not readily measurable, annual savings to the Government.

Possible Reductions in Medicare Program Costs

In a report to the Senate Committee on Finance in May 1966, we raised specific questions and commented on certain aspects of the Social Security Administration's (SSA) proposed principles of reimbursement to providers of services for reasonable costs under the Medicare Program. As a result of our review, SSA revised its planned procedure for paying providers of Medicare services, which the Chairman of the Committee subsequently stated would save the Government \$95,000,000 during the first 10 years of the program. SSA also made certain other revisions in line with our suggestions in its cost reimbursement formula which, under certain circumstances, will result in additional financial savings for which no estimates have been made. These revisions were (1) offsetting interest earned on funded depreciation amounts in prior years against interest expense currently allowable, in the event the funded de-

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preciation is used for purposes not related to patient care, (2) restricting changes in method of depreciation to one change during the useful life of a particular asset, and (3) including in the determination of allowable cost, gains and losses realized from the disposal of depreciable assets.

Military Pay and Allowances

As a result of reviews and reports on military pay and allowances, improvements were made which should result in substantial savings and more effective administration of certain aspects of pay and allowances of service members, particularly since the payments were of a type which recur frequently.

We reported to the Congress in October 1965, that our audit indicated that for a period of one year, the Army and Air Force had made estimated erroneous mileage payments of \$1.1 million (about \$800,000 in overpayments and \$300,000 in underpayments). The accuracy of these payments should be improved as a result of action taken by the Army and the Air Force to strengthen their internal review procedures to ensure that instructions for computation of travel vouchers are understood and complied with and that supervisory personnel perform adequate reviews of travel vouchers.

In a letter to the Secretary of the Army in March 1966, we reported on our evaluation of the audit performed by the Finance Center, U.S. Army, of payments to military personnel for travel of dependents and dislocation allowance. We advised him, that based on our review, we estimated that the Finance Center audit of vouchers for a 1-year period failed to disclose overpayments amounting to about \$133,400. Subsequent to our review, Finance Center officials established detailed audit procedures, and instituted formal training for auditors. In addition, in an effort to prevent errors in the field, provision was made for data concerning errors to be included in a monthly bulletin issued to all installations.

Disparities in Transporting Overseas Personnel To and From Work

At ten overseas posts visited by us, we found that, while one or more agencies were providing free transportation to and from work for their American employees on the grounds that there was no practical alternative, other agencies at the same post were not providing such transportation and their employees were commuting without using Government-furnished transportation. We found also that a substantial number of personnel at the posts we visited were receiving free Government-furnished transportation to and from work daily even though privately owned vehicles of these employees had been transported to their posts at Government expense.

On the basis of our review in the ten countries and the limited information available on the world-wide practices of the principal United States Government agencies overseas, we estimated that the practice of providing free transportation to and from work to employees on a world-wide basis was resulting in unrecovered costs to the United States Government of several hundred thousand dollars annually. The Department of State informed us that it was aware of inequities in the treatment of overseas employees of the various agencies and that it was determined to overcome these differences. The Department agreed that, as a matter of principle, a charge for use of Government-owned vehicles to and from work was appropriate. The Department's plans called for the Ambassadors in the various countries to ensure equitable treatment of all employees regardless of agency and to provide for the levy of a charge for to-and-from-work transportation except in unusual and unique circumstances.

Changes in Regulations of Government-Wide Significance

Armed Services Procurement Regulation

Procurement of components needed by contractors in production of weapon systems and other major end items—We had issued to the Congress a large number of reports over the past several years on reviews of the policies, procedures, and practices followed within the Department of Defense in determining whether certain components needed for installation in weapon systems or other major end items being produced should be purchased by the contractors or purchased by the Government and furnished to the contractors. In these reports we pointed out the economies that could be realized in Government procurement if the Department of Defense and the military services would make greater efforts to furnish components to contractors in instances where it is feasible and to the advantage of the Government to do so.

The economies stem from several factors. Purchasing of the components by the Government provides an opportunity to consolidate requirements for a component common to several weapon systems or other major end items and to take advantage of the lower prices that may be available for purchases in larger quantities. Inasmuch as military procurement is subject to provisions of the Armed Services Procurement Regulation which requires the use of formal advertising procedures designed to obtain full and free competition, unless specifically excepted by law, the Government is more likely to purchase the components competitively, thus affording all qualified producers an opportunity to participate in supplying the Government's needs. Also, the furnishing of components to the contractor places the Government in a sound position to negotiate a lower price for the end item by reducing the profit or fee which otherwise would be allowed on the contractor's cost of items purchased under the contract.

The Department of Defense policy guidance, in effect during the periods covered by our reports, appeared to us to tend to discourage the practice we were advocating. It gave the military services broad latitude and was variously interpreted in their implementing instructions. The interpretations ranged from the position of the Air Force, that components should be Government furnished to the maximum practicable extent, to the position of the Navy's Bureau of Ships, that the furnishing of such items should be "reduced to an absolute minimum."

One example of the economy resulting from direct procurement of items by the Government was brought to the attention of Congress in February 1966, when we reported that the Navy, in contracting for variable timing fuzes, could purchase directly from the component manufacturers rather than through prime contractors, certain electron tubes and reserve energizers required for use in the fabrication of the variable timing fuzes. Had the Navy furnished the tubes and energizers under contracts awarded for variable timing fuzes in 1962 and 1963, the Government would have saved \$421,903 in profits realized by the prime contractor in subcontracting for these components.

After we brought this matter to the attention of Navy officials, they agreed that there would have been a savings if the tubes and energizers had been furnished by the Government. Further, the Navy has indicated intentions to supply components as Government furnished material in the future procurement of fuzes.

On October 1, 1965, new guidance was added to the Armed Services Procurement Regulation. The new provision as revised December 1, 1965 (sec. 1-326), contains a policy statement and procedural guidance designed to encourage and expand the practice of furnishing components to contractors when the circumstances are appropriate. It also fixes responsibility for decisions and for maintenance of appropriate records to document the basis for decisions. (Numerous reports issued in recent

years; also, Policy Guidance Strengthened on Direct Procurement of Components Needed by Contractors in Production of Weapons Systems and Other Major End Items, Department of Defense, B-158604, April 29, 1966.)

Contractors' employee recreation and morale costs charged to Government contracts—Pursuant to a request by the Chairman of the Subcommittee for Special Investigations, House Committee on Armed Services, we conducted a survey of activities of selected defense contractors relating to employee recreation and morale expenditures that are passed on to the Government. Our report on the survey, submitted in July 1964, presented our findings that there was little uniformity in the management and control of morale and recreational expenditures by contractors and that the costs financed by contractors were generally allowed by the agency contracting officers in contract negotiations. Also, because the related provisions of the Armed Services Procurement Regulation were variously interpreted by agency contracting officers and agency auditors, there were significant variations as to the nature and extent of the costs allowed under Government contracts. The Subcommittee held hearings on the subject and, in its report issued in August 1964, recommended that the Department of Defense make such changes in contracting policy and in provisions of the Armed Services Procurement Regulation as may be necessary to clarify existing policy and to attain certain specified objectives.

On December 1, 1965, the Armed Services Procurement Regulation was revised (sec. 15-205.10) to define more clearly the nature and extent of contractors' employee recreation and morale costs allowable as charges to Government contracts. (Survey of Activities of Selected Defense Contractors Relating to Employee Recreation and Morale, Department of Defense, B-153403, July 21, 1964.)

Documentation of extent of reliance on contractor-furnished cost or pricing data in negotiation of prices—We found that the Air Force had negotiated a fixed price contract on the basis of cost and pricing information, furnished and certified by the contractor, which included an overstatement of about \$284,000 in the estimated labor and material costs. The price proposed by the contractor was reduced by about \$91,000 during negotiation and prior to award of the contract. However, the record of negotiation was not clear as to which elements of cost or profit gave rise to the reduction. Therefore it could not be determined what portion, if any, of the reduction of \$91,000 was applicable to the overstatement of \$284,000 or what reliance the contracting officer had placed on the overstated labor and material cost estimates furnished by the contractor. In our report submitted to the Congress in April 1965, we recommended, among other things, that the Armed Services Procurement Regulation be amended to require the contracting officer to include in the record of negotiation (1) a statement evidencing the extent of his reliance, or the reasons for and extent of his nonreliance, on cost or pricing data required from and supplied by the contractor and (2) a statement evidencing and justifying the basis used in those instances where the price is negotiated in whole or in part on a basis other than reliance on the cost or pricing data required from and supplied by the contractor. The Department of Defense agreed and on February 1, 1966, added the substance of the recommended provisions to the Armed Services Procurement Regulation (sec. 3-811(a)). (Overpricing of Aircraft Identification Equipment Under Contract, Department of the Air Force, B-146944, April 29, 1965.)

Revision in production procedures—In a report to the Congress in August 1962, we found that the Navy could have avoided costs of over \$2.3 million if action had been taken to prevent the start of production on an item when test results of preproduction models indicated they were defective and did not meet contract requirements. We found that despite continuing adverse test results, the Navy accepted delivery of 1,829 of the items. In so doing, the Navy provided that such modifications as were required to meet contract requirements would be made by the contractor at

no cost to the Government. Although some modifications were made, the items were not satisfactory.

Disposal action and recovery action against the contractor resulted in revenues of only \$62,000 with a loss to the Government of about \$2.3 million. We concluded that the avoidable costs disclosed by our review were attributable to failure to follow the established policy of assuring that a satisfactory production model has been manufactured before volume production is undertaken. We recommended that the Department of Defense consider incorporating guidelines for testing preproduction models into the Armed Services Procurement Regulation in order to make readily available to contractors and contracting officials existing policies and procedures for obtaining satisfactory preproduction models before volume production is started.

The Department of Defense referred this matter to the Armed Services Procurement Regulation Committee for study. As a result of the Committee study, a new part was added to the Armed Services Procurement Regulation on August 1, 1965, incorporating uniform policies and procedures to be used by all military services with regard to assuring that a contractor is able to furnish a product satisfactory for its intended use prior to authorizing volume production. This should result in substantial future savings.

Federal Property Management Regulations

Savings resulting from eliminating locks on office desks—In a report submitted to the Congress in October 1965, we presented our findings that savings would result from the elimination of the requirement by the Federal Supply Service, General Services Administration, that general office desks be equipped with locks and that additional savings would be realized if, in rehabilitating desks, locks were repaired or replaced only in those instances where there was a need for desk locks. We found that Federal agencies generally do not require employees to lock their desks and, hence, the incremental cost for a lock on a desk was an unnecessary expense in most instances.

After we brought these matters to the attention of GSA, it revised the Federal standards and specifications to eliminate the lock requirement. In January 1966, GSA issued Bulletin FPMR No. H-3, Utilization and Disposal, encouraging the elimination of the repair and/or replacement of locks and locking mechanisms on desks being repaired or rehabilitated except where there was a valid need for locks in operating condition. In February 1966, GSA issued Bulletin FPMR No. E-19, Supply and Procurement, announcing the availability of general office steel desks without locks through GSA supply depots and plans for providing other types of desks without locks or modified lock arrangements through established GSA supply sources. (Savings Resulting From Elimination of the Requirement That General Office Desks Be Equipped With Locks, Federal Supply Service, General Services Administration, B-114807, Oct. 22, 1965.)

Safety conditions in certain storage areas of Federal office buildings—In a report submitted to the Congress in April 1966, we commented on unsafe and hazardous conditions which we had observed at selected Federal buildings located in Washington, D.C. For one building, in particular, we reported that trash was permitted to accumulate in storage areas; printed matter was stored in a manner that obstructed sprinkler coverage; corridors and aisles were used for storage areas, thus impeding movements of fire-fighting equipment; extension cords were used unsafely; broken bulbs and unprotected lighting fixtures created fire hazards; employees smoked in areas highly susceptible to fire; "No Smoking" signs had not been posted in areas where they should have been posted; and inspection and maintenance of fire extinguishers were inadequate not only in storage areas but elsewhere in the building, so that many of the extinguishers were of questionable usefulness.

After advising us in detail of the corrective measures which had been or would be taken on the various deficiencies we had observed, the General Services Administration issued a nationwide notice to its supervisory buildings personnel in May 1966 reemphasizing their responsibility for good management of buildings and for detecting and correcting hazardous conditions. (Safety Conditions in Certain Storage Areas, Primarily in the South Building of the Department of Agriculture, Washington, D.C., Department of Agriculture and General Services Administration, B-158427, Apr. 12, 1966.) Civil Service Regulations.

Sick leave and outside employment guidelines for Federal and District of Columbia Government employees—In a report submitted to the Congress in December 1965, we reported that disciplinary action was not taken in many cases where Federal and District of Columbia Government employees engaged in outside employment while on sick leave and there was doubt as to whether they could perform their Government duties, because neither the Annual and Sick Leave Act of 1951, as amended, nor the supplementary Civil Service regulations specifically prohibit such a practice. We proposed that the Civil Service Commission consider favorably a regulation which would prohibit an employee from engaging in nongovernmental employment, including self-employment, while he was on sick leave with pay from his Government position.

The Commission advised us that the most effective control of the abuse of sick leave is with the individual agencies and that a change in the regulations is not the best solution to the problem, but agreed to issue guidelines on the matter of sick leave abuse. Accordingly, in June 1965 the Commission issued a Federal Personnel Manual System Letter to all agencies pointing out that normally the standards upon which the granting of sick leave is based would also be expected to prevent an employee from working elsewhere, that the agencies have a special obligation to review carefully all of the evidence submitted in support of requests for sick leave, and that each agency is urged to require its employees to notify it whenever they engage in outside employment on a day for which sick leave has been requested. The letter also recognized that there are rare instances, generally involving extended periods of illness, when there is acceptable justification for outside employment while on sick leave. (Review of Investigations and Actions by Certain Agencies Pertaining to Government Employees Licensed to Drive Taxicabs in the District of Columbia, B-146850, Dec. 17, 1965.) Bureau of the Budget Regulations.

PUBLICATIONS

The following publications of the General Accounting Office are for sale by the Superintendent of Documents, U.S. Government Printing Office:

Decisions of the Comptroller General of the United States. Published monthly. Subscription price \$2.25 a year (\$1 additional for foreign mailing); 25 cents single copy except June issue which varies according to size.

General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies. Subscription price \$20 (\$5 additional for foreign mailing). Title 5, "Transportation," is available separately at \$3.50 (\$1 additional for foreign mailing).

Illustrative Accounting Procedures for Federal Agencies—Simplified Payroll System. Booklet, 20 cents.

Audits of Government Contracts by the U.S. General Accounting Office. Booklet, 15 cents.

Copies of audit reports addressed to the Congress are usually available to the general public at a price of \$1 a copy. Orders for audit reports, accompanied by remittances in cash or by check, should be addressed to the Report Department, U.S. General Accounting Office, 441 G Street NW., Washington, D.C. 20548.

Audit reports addressed to the Congress are transmitted simultaneously to the Speaker of the House of Representatives and the President of the Senate. At the same time, copies are sent to various congressional committees, such as the House and Senate Committees on Appropriations and Government Operations, and the cognizant legislative committees. Also, copies are sent to other congressional committees known to have a special interest in the subject of a report as well as to Members of Congress from States and districts in which the activity reported on is located. Officials in the executive branch who receive copies of audit reports addressed to the Congress include the Secretary of the Treasury and the Director of the Bureau of the Budget. The top officials of the agency responsible for the activities covered in a report are furnished copies of the report. Copies of reports involving Government contractors and State and other local agencies are sent to the parties concerned.

Requests for copies of unclassified audit reports to the Congress received from Members of Congress, congressional committee staff members, Government officials, members of the press, and college libraries are honored without charge.

SUMMARY OF GENERAL ACCOUNTING OFFICE RECORDS HOLDINGS, FISCAL YEAR 1966

Volume of records (cubic feet)	Departmental	Field	Federal Records Centers	Total
On hand, July 1, 1965.....	66,885	7,852	745,637	820,374
Created or received, fiscal year 1966.....	13,788	1,815	60,572	76,175
Disposed of, fiscal year 1966.....	(6,613)	(855)	(49,608)	(57,076)
Transfers to Federal Records Centers.....	(2,202)	(453)		(2,655)
Transfers from departmental to field.....	(149)			(149)
Transfers from field to departmental.....		(80)		(80)
On hand, June 30, 1966.....	71,709	8,279	756,601	836,589

PERSONNEL STATISTICS

NUMBER OF EMPLOYEES BY DIVISION AND OFFICE, JUNE 30, 1966

Office of the Comptroller General.....	7
Office of the General Counsel.....	185
Accounting and Auditing Policy Staff.....	16
Civil Accounting and Auditing Division.....	613
Defense Accounting and Auditing Division.....	242
International Operations Division.....	110
European Branch.....	39
Far East Branch.....	37
Field Operations Division.....	1,738
Transportation Division.....	758
Office of Staff Management.....	14
Report Department.....	71
Office of Administrative Services.....	139
Claims Division.....	147
Division of Personnel.....	32
Total.....	4,148

LOCATION OF EMPLOYEES BY DUTY STATION, JUNE 30, 1966

Arlington, Va.....	117	Los Angeles, Calif.....	103
Atlanta, Ga.....	107	San Diego, Calif.....	2
Cape Kennedy, Fla.....	7	New Orleans, La.....	58
Huntsville, Ala.....	3	Mobile, Ala.....	4
Warner Robins, Ga.....	3	New York, N.Y.....	93
Boston, Mass.....	95	Garden City, L.I.....	7
Hartford, Conn.....	6	Schenectady, N.Y.....	6
Chicago, Ill.....	82	Syracuse, N.Y.....	4
Rock Island, Ill.....	3	Norfolk, Va.....	40
St. Paul, Minn.....	26	Richmond, Va.....	3
Cincinnati, Ohio.....	45	Philadelphia, Pa.....	120
Dayton, Ohio.....	14	Harrisburg, Pa.....	8
Indianapolis, Ind.....	85	Pittsburgh, Pa.....	5
Dallas, Tex.....	83	San Francisco, Calif.....	96
Albuquerque, N. Mex.....	6	Sacramento, Calif.....	12
Houston, Tex.....	5	Seattle, Wash.....	50
San Antonio, Tex.....	9	Anchorage, Alaska.....	3
Denver, Colo.....	128	Bremerton, Wash.....	4
Billings, Mont.....	3	Portland, Oreg.....	30
Ogden, Utah.....	8	Frankfurt, Germany.....	39
Detroit, Mich.....	65	Honolulu, Hawaii.....	37
Cleveland, Ohio.....	67	Total field staff.....	1,809
Kansas City, Mo.....	67	Washington, D.C.....	2,339
Oklahoma City, Okla.....	12		
St. Louis, Mo.....	39	Grand total.....	4,148

EMPLOYEES ON ROLL JUNE 30, 1966—BY TYPE OF WORK

Accountants, auditors, and investigators:

Certified public accountants.....	398
Noncertified accountants.....	1,849
Fiscal auditors.....	237
Transportation auditors.....	377
Investigators.....	37
	<hr/> 2,898

Attorneys and employees engaged in legal and quasi-legal work:

In legal work requiring bar membership.....	95
In legal work not requiring bar membership.....	80
In quasi-legal work not requiring bar membership.....	41
	<hr/> 216

Other employees..... 1,034

All personnel..... 4,148

NUMBER OF EMPLOYEES BY GRADE

	June 30, 1961	June 30, 1962	June 30, 1963	June 30, 1964	June 30, 1965	June 30, 1966
Statutory.....	2	3	3	3	3	3
General Schedule:						
18.....	5	4	4	4	4	4
17.....	5	5	5	6	7	7
16.....	14	16	23	22	24	25
15.....	59	63	60	70	68	74
14.....	184	206	227	233	259	282
13.....	294	297	286	315	340	387
12.....	446	449	499	523	569	569
11.....	670	692	671	664	613	583
10.....	61	54	55	43	31	33
9.....	664	647	655	594	580	604
8.....	306	290	267	207	174	154
7.....	666	563	592	534	539	465
6.....	70	68	83	87	91	105
5.....	265	255	243	201	207	196
4.....	408	382	352	332	305	291
3.....	596	531	452	380	336	289
2.....	196	161	105	72	69	64
1.....	36	23	30	22	24	20
All other.....	43	44	47	38	35	33
Total.....	4,990	4,763	4,659	4,350	4,278	4,148

OTHER PERSONNEL STATISTICS

	Fiscal year		
	1964	1965	1966
On rolls June 30:			
Men	3,098	3,088	3,019
Women	1,252	1,190	1,129
Total	4,350	4,278	4,148
Entitled to military preference on June 30:			
Men	1,720	1,580	1,749
Women	73	71	64
Total	1,793	1,651	1,813
Personnel actions processed:			
Appointments:			
Men	339	415	407
Women	126	132	172
Total	1,465	1,547	1,579
Separations:			
Men	494	425	476
Women	280	194	233
Total	1,774	1,619	1,709
Retirements:			
Age	15	7	10
Optional	122	112	155
Disability	43	19	37
Total	180	138	202
Promotions:			
Grade changes	871	960	1,175
Within-grade salary advancements	2,015	2,084	2,251
Total	2,886	2,954	3,426
Miscellaneous actions without salary changes	2,008	1,492	1,229
Demotions: Administrative action	63	1	3

¹ Includes 48 restored to duty after military service.² Includes 75 restored to duty after military service.³ Includes 84 restored to duty after military service.⁴ Includes 118 entered military service.⁵ Includes 70 entered military service.⁶ Includes 69 entered military service.

ACCOUNTING, AUDITING, AND INVESTIGATIVE STAFF AS OF JUNE 30

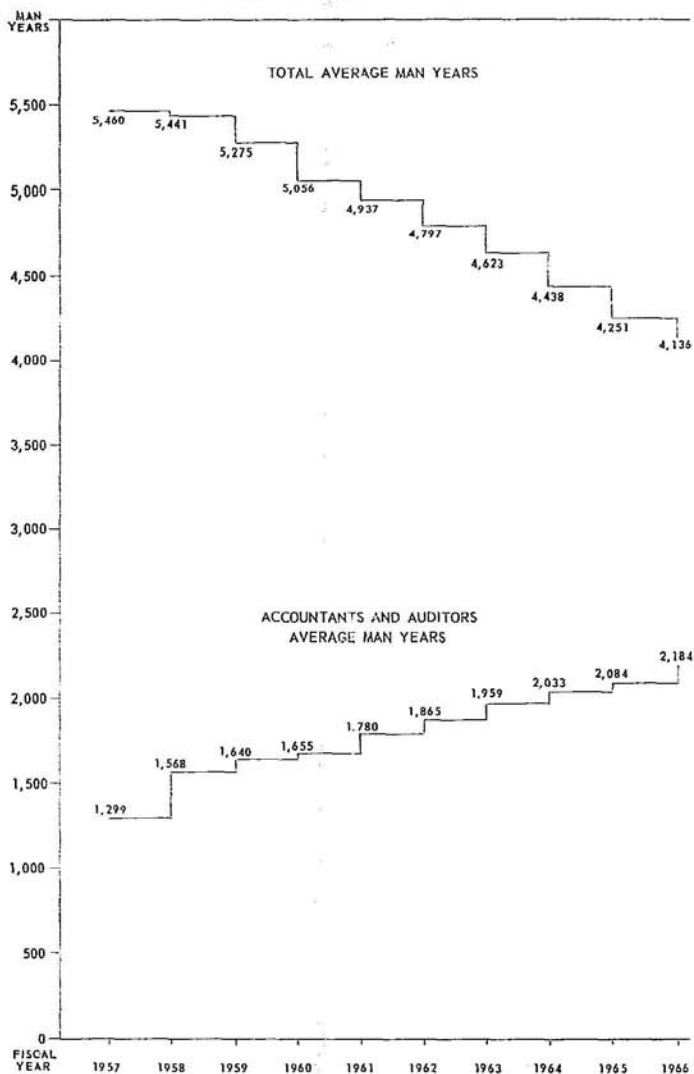
Grade	1961	1962	1963	1964	1965	1966
GS-18.....	3	3	3	3	3	3
GS-17.....	4	4	4	5	6	6
GS-16.....	10	12	18	18	20	21
GS-15.....	43	48	44	52	50	55
GS-14.....	142	150	182	184	206	220
GS-13.....	240	244	240	265	296	350
GS-12.....	340	353	413	432	507	511
GS-11.....	424	408	464	475	436	420
GS-9.....	367	364	397	351	363	348
GS-7.....	431	347	391	334	395	337
Total.....	2,004	2,002	2,156	2,139	2,272	2,280

ANALYSIS OF SEPARATIONS OF PROFESSIONAL ACCOUNTANTS AND AUDITORS FOR MILITARY SERVICE AND REAPPOINTMENTS BY FISCAL YEAR

Separations		Reappointments												In service June 30, 1966	Per- manent sepa- rations
Fiscal year	Total	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	Total		
1966.....	66	19											19	47	
1965.....	68	21	32										53	9	6
1964.....	115	34	28	24									86	19	10
1963.....	49	6	8	9	10								33	5	11
1962.....	81	2	5	15	38	7							67		14
1961.....	32				9	10	10						29		3
1960.....	10						4	3					7		3
1959.....	14						3	2	6				11		3
1958.....	39						2	15	7	1			25		14
1957.....	33							1	17	2	1		21		12
1956.....	51							2	5	23	1	1	32		19
Total..	558	82	73	48	57	17	19	23	35	26	2	1	383	80	95

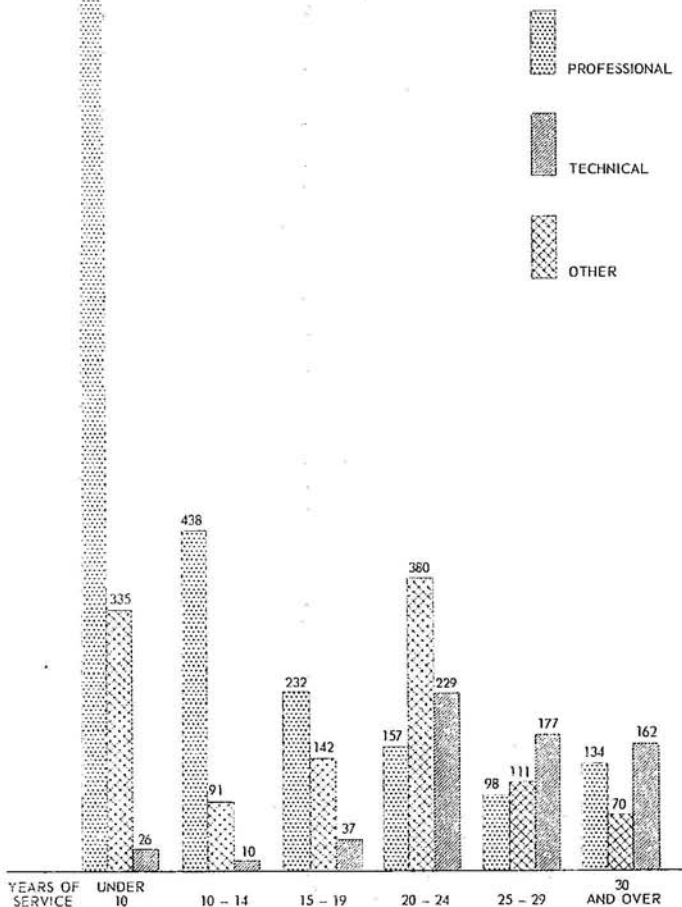
U. S. GENERAL ACCOUNTING OFFICE

PROFESSIONAL ACCOUNTING AND AUDITING STAFF
IN RELATION TO TOTAL EMPLOYMENT



U. S. GENERAL ACCOUNTING OFFICE
LENGTH OF SERVICE - GAO PERSONNEL
 AS OF JUNE 30, 1966

As of June 30, 1966, there were 4,148 GAO employees, including 2,378 professional accountants, auditors, investigators and attorneys. Of the total number of employees, 2,468 (or 59.5%) had service of ten years or longer.



EMPLOYEES SUBJECT TO THE CLASSIFICATION ACT OF 1949 BY GRADE AND ORGANIZATION

	General schedule grade																		Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
<i>As of June 30, 1965</i>																			
Office of the Comptroller General.....							1	1		1	1							1	6
Office of the General Counsel.....	3	5	8	9	28	15	16		13		3	8	17	43	13	2	1		184
Accounting and Auditing Policy Staff.....			1		1	2	1	1					2	3	1	2	1	1	16
Civil Accounting and Auditing Division.....		4	8	20	21	19	108	1	75		61	117	104	48	21	4	1	1	613
Defense Accounting and Auditing Division.....	1		5	15	12	15	18	1	15		13	32	41	51	16	5	1	1	242
International Operations Division.....		1	4	4	6	5	10	7	7	1	8	17	18	14	5	2	1		119
European Branch.....					2		2		2		10	11	7	4	1				39
Far East Branch.....				2	1	1	1		4		5	13	7	2	1				37
Field Operations Division.....	1	1	40	53	33	11	263	107	255	16	341	322	170	107	9	8	1		1,738
Transportation Division.....	3	28	160	118	36	16	23	30	181	14	102	25	12	5	3	1			757
Office of Staff Management.....		3	2	3	1		2						1		1		1		14
Report Department.....		4	12	22	7	2	6	2	1				1						57
Office of Administrative Services.....	12	6	20	25	29	4	5	2	7	1	3	4	1	2	1				122
Claims Division.....		9	27	16	15	10	7	1	3		33	19	3	1	1	1			146
Division of Personnel.....		3	2	4	4	5	2	1	1		3	1	3	2	1				32
Total.....	20	64	289	291	196	105	465	154	564	33	583	569	387	282	74	25	7	4	4,112
Total as of June 30, 1965.....	24	69	336	305	207	91	539	174	580	31	613	569	340	259	68	24	7	4	4,240
Total as of June 30, 1964.....	22	72	380	332	201	87	534	207	594	43	664	523	315	233	70	22	3	4	4,309

EMPLOYEES PAID ON PREVAILING RATE BASIS BY GRADE AND ORGANIZATION

	General wage schedule grade										Reproduction plant wage schedule grade									
	0	2	3	4	5	6	9	10	11	Total	4	6	7	8	9	10	12	15	Total	
As of June 30, 1964																				
Office of Administrative Services	1	3	1	7		1	2	1	1	17										
Claims Division	1									1				3	4	2	4	1	14	
Report Department																				
Transportation Division	1									1										
Total	3	3	1	7		1	2	1	1	19				3	4	2	4	1	14	
Total as of June 30, 1965	3	2	6			1	3	1		16	1	1	6		4	2	4	1	19	
Total as of June 30, 1964	3	4	6			1	1	3	1	19		2	7		4	1	4	1	19	

THE INCENTIVE AWARDS PROGRAM OF THE GENERAL ACCOUNTING OFFICE FOR THE FISCAL YEAR 1966

	Employee suggestions from within GAO	Employee suggestions from other agencies	Awards for superior performance	Awards for special acts or services	Total
Pending at start of fiscal year 1966	19	14			33
Received during fiscal year 1966	51	49	153	2	255
Total workload during fiscal year 1966	70	63	153	2	288
Disposed of during fiscal year 1966	38	51	153	2	244
Balance carried to fiscal year 1967	32	12			44
Amount of awards, fiscal year 1966	\$199		\$16,000	\$1,000	\$17,199
Amount of tangible annual savings	489				489

¹ Adopted 3, not adopted 33, withdrawn 2.

SUMMARY OF ASSIGNMENTS OF PERSONNEL TO CONGRESSIONAL COMMITTEES—FISCAL YEAR 1966

Committee	Staff assigned			Salaries	Travel expenses	Total cost	Reim-bursed by committee	Net ex-penditures by GAO
	Profes-sional staff	Other	Total					
UNITED STATES SENATE								
Committee on Appropriations:								
Subcommittee on Department of Agriculture and Related Agencies	2		2	\$9,130.40		\$9,130.40	\$9,130.40	
Subcommittee on Departments of State, Justice, Commerce, The Judiciary, and Related Agencies	2		2	19,891.92		19,891.92	19,891.92	
Committee on Commerce		2	2	1,338.56		1,338.56	870.40	\$468.16
Committee on Government Operations:								
Permanent Subcommittee on Investigations	18		18	130,673.97	\$5,475.66	136,149.63		136,149.63
Subcommittee on Foreign Aid Expenditures	15		15	62,873.76	38,215.76	101,089.52		101,089.52
Committee on Rules and Administration	1		1	1,022.72		1,022.72	1,022.72	
Select Committee on Standards and Conduct	1		1	4,674.00		4,674.00	4,674.00	
U.S. HOUSE OF REPRESENTATIVES								
Committee on Appropriations	15	3	18	150,088.22	21,547.86	171,636.08	21,547.86	150,088.22
Committee on Armed Services	31		31	120,187.80		120,187.80		120,187.80
Committee on Banking and Currency	2		2	35,239.68		35,239.68		35,239.68
Committee on Government Operations:								
Subcommittee on Executive and Legislative Reorganization	1		1	1,661.52		1,661.52		1,661.52
Subcommittee on Foreign Operations and Government Information	5		5	16,661.60	2,579.88	19,241.48		19,241.48
Subcommittee on Government Activities	1		1	131.04		131.04		131.04
Committee on Interstate and Foreign Commerce: Special Subcommittee on Investigations	2		2	11,281.68		11,281.68		11,281.68
Committee on Post Office and Civil Service: Subcommittee on Manpower Utilization	3		3	38,172.72		38,172.72	6,388.80	31,783.92
Committee on Un-American Activities	1		1	5,817.60		5,817.60	5,817.60	
Select Committee on Small Business	4		4	3,293.12		3,293.12		3,293.12
House Office Building Commission	3	1	4	25,395.74		25,395.74	6,308.54	19,087.20
JOINT								
Joint Committee on Atomic Energy	1		1	13,769.61		13,769.61		13,769.61
Joint Committee on Internal Revenue Taxation		1	1	445.36		445.36		445.36
Totals	111	7	118	651,761.05	67,819.16	719,580.21	75,652.24	643,927.97

U.S. GENERAL ACCOUNTING OFFICE APPROPRIATION RECEIPTS AND EXPENDITURES, FISCAL YEAR 1966

We received:

By: Appropriation for salaries and expenses, 1966..	\$47,435,000
Reimbursements and refunds.....	76,570
Less: Transfer to "Operating Expenses, National Archives and Records Service".....	-390,000
Transfer to "Operating Expenses, Public Buildings Service, GSA, 1966".....	-23,316

Total available..... \$47,098,254

We spent:

For: Personnel compensation:

Office of the Comptroller General.....	\$95,735
Office of Administrative Services.....	915,548
Claims Division.....	1,297,801
Transportation Division.....	5,973,374
Division of Personnel.....	274,665
Office of the General Counsel..	2,030,919
Accounting and Auditing Policy Staff.....	234,050
Office of Staff Management...	113,393
Defense Accounting and Auditing Division.....	2,817,409
Civil Accounting and Auditing Division.....	6,084,911
Field Operations Division....	16,632,999
International Operations Division.....	1,141,831
European Branch.....	392,907
Far East Branch.....	402,587
Report Department.....	446,951
For: Travel and other expenses.....	7,396,292
For: Personnel compensation, travel etc. (reimbursed).....	76,570

Total obligations, June 30, 1966..... 46,327,942

Less: Outstanding obligations, June 30, 1966 (net). 1,897,262

Total expenditures, June 30, 1966..... 44,430,680

We have left:

Unexpended balance, June 30, 1966..... 2,667,574

Analysis of unexpended balance:

Outstanding obligations, June 30, 1966 (net).....	1,897,262
Unobligated balance withdrawn June 30, 1966.....	770,312

Total..... 2,667,574

DIRECTORY OF THE UNITED STATES GENERAL ACCOUNTING OFFICE

<i>Main Office</i>	<i>Local telephone number</i>	<i>FTS number</i>
U.S. General Accounting Office Building	EXecutive 3-4621	202-386 + ext.
441 G Street NW.	or	(Information
Washington, D.C. 20548	DUDley 6 + ext.	ext. 6095)

International Operations Division

EUROPEAN BRANCH

% U.S. Consulate General	770-731, ext. 326
Platenstrasse 7		
Frankfurt/Main, Germany		

FAR EAST BRANCH

Room 619	588-330
1833 Kalakaua Avenue		
Honolulu, Hawaii 96815		

Field Operations Division

REGIONAL OFFICES

Atlanta

Room 204, 161 Peachtree Street NE.	526-4455	404-526-4455
Atlanta, Ga. 30303		

Boston

Room 1903, John F. Kennedy Federal Bldg.	223-6536	617-223-6536
Government Center		
Boston, Mass. 02203		

Chicago

Room 1002, U.S. Custom House	353-6174	312-353-6174
610 South Canal Street		
Chicago, Ill. 60607		

St. Paul Suboffice

Room 1407	228-7844	612-228-7844
U.S. Post Office & Custom House		
St. Paul, Minn. 55101		

Cincinnati

8112 Federal Office Building	381-2200, ext. 2107	513-684-2107
5th and Main Streets		
Cincinnati, Ohio 45202		

Dayton Suboffice

MCLAGA, Bldg. 68 Area B	257-1110, ext. 54505	513-257-1110
Wright-Patterson Air Force Base, Ohio		ext. 54505
45433		

Army Audit Staff

Fort Benjamin Harrison	546-9211, ext. 2870
Indianapolis, Ind. 46249		

Dallas

Room 600, Rio Grande National Building	RI-9-3437	214-749-3437
251 North Field Street		
Dallas, Tex. 75202		

Field Operations Division—Continued

REGIONAL OFFICES—continued

<i>Main Office</i>	<i>Local telephone number</i>	<i>FTS number</i>
<i>Denver</i>		
7014 Federal Building 1961 Stout Street Denver, Colo. 80202	297-4621	303-297-4621
<i>Air Force Audit Staff</i> 3800 York Street Denver, Colo. 80205	825-1161, ext. 411	303-825-7411
<i>Detroit</i>		
Room 2006, Washington Boulevard Building 234 State Street Detroit, Mich. 48226	226-6044.....	313-226-6044
<i>Cleveland Suboffice</i> 1901 East 13th Street Cleveland, Ohio 44114	621-7700, ext. 125..	216-241-3257
<i>Navy Audit Staff</i> 1901 East 13th Street Cleveland, Ohio 44114	621-7700, ext. 24...	216-241-3257
<i>Kansas City</i>		
1800 Federal Office Building 911 Walnut Street Kansas City, Mo. 64106	FR-4-5056.....	816-374-5056
<i>St. Louis Suboffice</i> Room 1740, 1520 Market Street St. Louis, Mo. 63103	MA-2-8100, ext. 4121	314-622-4121
<i>Los Angeles</i>		
Room 7054, Federal Building 300 North Los Angeles Street Los Angeles, Calif. 90012	688-3813.....	213-688-3813
<i>New Orleans</i>		
Room T-8030, Federal Office Building 701 Loyola Avenue New Orleans, La. 70113	527-6115.....	504-527-6115
<i>New York</i>		
341 Ninth Avenue New York, N.Y. 10001	971-7531.....	212-971-7531
<i>Norfolk</i>		
423 Federal Building 600 Granby Street Norfolk, Va. 23510	627-7471, ext. 7267...	703-627-7267
<i>Philadelphia</i>		
502 U.S. Custom House Second and Chestnut Streets Philadelphia, Pa. 19106	597-4333.....	215-597-4333

Field Operations Division—Continued

REGIONAL OFFICES—continued

Main Office

Local telephone number

F.T.S. number

San Francisco

143 Federal Office Building
50 Fulton Street
San Francisco, Calif. 94102

556-6200 415-556-6200

Seattle

312 Federal Office Building
909 First Avenue
Seattle, Wash. 98104

583-5356 206-583-5356

Portland Suboffice

Parker Building, 2nd Floor
527 E. Burnside
Portland, Oreg. 97214

CA-6-3351, ext. 478 . . . 503-226-1474

Washington, D.C.

1925 North Lynn Street
Arlington, Va. 22209

694-4571 202-694-4571

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