

DOCUMENT RESUME

02480 - [A1732717] (Restricted)

[Sale of Central Air Data Computer Test Benches to Foreign Governments]. March 14, 1977. 1 pp. + enclosure (3 pp.).

Report to Comptroller, Department of the Air Force: San Antonio Air Logistics Center, TX; by Charnel F. Harlow, Auditor-in-Charge, Field Operations Div.: Regional Suboffice (San Antonio).

Issue Area: Accounting and Financial Reporting (2800);  
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Contact: Field Operations Div.: Regional Suboffice (San Antonio).

Budget Function: International Affairs (150); Miscellaneous:  
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A review of billing problems related to the sale by the Air Force of four test benches to foreign governments revealed a loss of \$537,292. Findings/Conclusions: The Air Force did not recover the amount of loss from foreign governments because (1) Government Furnished Materiel (GFM) cost was not billed, and (2) the correct contract price was not always billed. Additional losses of \$93,846 will be incurred if GFM costs are not added to test bench sales now being processed. Further, an additional \$214,587 could be recovered from foreign governments for the replacement cost of Navigational Test Benches. Recommendations: All equipment items with GFM which were sold to foreign governments should be identified, and the full cost should be recovered. (DJM)

2717  
02480

UNITED STATES GENERAL ACCOUNTING OFFICE  
SAN ANTONIO SUBOFFICE  
P.O. BOX 20482  
UNIVERSITY PARK STATION  
SAN ANTONIO, TEXAS 78229

(90353) (20)  
(DALLAS RO)

3/14/77

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Comptroller  
San Antonio Air Logistics Center  
Kelly Air Force Base, Texas 78241

APR 4 1977

Dear Sir:

Thank you for your response to our letter concerning the sale of Central Air Data Computer (CADC) Test Benches to foreign governments. The prompt action taken to correct billings should recover the full cost of those sales.

We have completed the portion of the review dealing with Government Furnished Materiel (GFM). We are enclosing the results of our review on four other test benches which had similar or identical billing problems to those found on the CADC test bench. On these four test benches, the Air Force did not recover \$537,292 from foreign governments because (1) GFM cost was not billed and (2) the correct contract price was not always billed. If GFM costs are not added to test bench sales now being processed, additional losses of \$93,846 will be incurred. In addition, the Air Force may wish to consider replacement cost on Navigational Test Benches whereby an additional \$214,587 would be recovered from foreign governments. Details are enclosed.

537,292  
93,846  
214,587

This will conclude our interim reports on the Government Furnished Materiel issue. However, in view of the potential undercharges that may have occurred on other equipment items with Government Furnished Materiel provisions, we believe it would be in the best interest of the U.S. Government to identify all equipment items with Government Furnished Materiel which were sold to foreign governments and insure that full cost is recovered.

848,725  
848,000

We would appreciate being apprised of actions taken on the facts presented in this interim report. If we can be of assistance, please advise.

132,000  
308,000  
841,000

Sincerely,

*C. F. Harlow*

Charnel F. Harlow  
Auditor-in-Charge

Enclosure

NSN 4920-00-919-1646  
Auto Pilot Test Bench Sets

ITEM NO. 2

<u>Requisition no.</u> <u>(Country Case)</u>	<u>Quantity</u>	<u>Date</u> <u>shipped</u>	<u>Amount</u> <u>billed</u>	<u>Amount that</u> <u>should be</u> <u>billed</u>	<u>Net (loss)</u> <u>or gain</u>
DGRO4440925000 (SAD)	1	7/10/74	\$ ---	\$ 77,625.70	\$( 77,625.70)
DIRR4422945333 (LLY)	1	12/06/74	75,500.00	78,274.40	( 2,774.40)
DTKO4423195400 (SAD)	1	7/08/75	49,466.00	78,274.40	( 28,808.40)
DTKO4423195400 (SAD)	1	7/11/75	49,466.00	78,274.40	( 28,808.40)
DIRR4431345397 (SFD)	1	12/19/75	75,500.00	77,625.70	( 2,125.70)
	<u>5</u>		<u>\$249,932.00</u>	<u>\$390,074.60</u>	<u>\$(140,142.60)</u>

Also, we noticed that three other Auto Pilot Test Bench Sets have recently been shipped or are scheduled for shipment to foreign countries for which billing action has not been taken. These Test Benches will contain GFM valued at \$27,787.40.

NSN 4920-00-075-3929  
Altitude Reference and Bombing Computer System Test Benches

ITEM NO. 3

<u>Requisition no.</u> <u>(Country Case)</u>	<u>Quantity</u>	<u>Date</u> <u>shipped</u>	<u>Amount</u> <u>billed</u>	<u>Amount that</u> <u>should be</u> <u>billed</u>	<u>Net (loss)</u> <u>or gain</u>
DIRR4442345196 (SGR)	1	9/20/74	\$ 84,183.00	\$ 82,662.40	\$ 1,520.60
DIRR4442345196 (SGR)	1	2/20/76	121,000.00	127,259.50	( 6,259.50)
DIRK4V42684052 (LXA)	1	2/27/76	127,269.00	127,259.50	9.50
DIRR4450395268 (SPC)	2	6/29/76	242,000.00	254,600.60	( 12,600.60)
	<u>5</u>		<u>\$574,452.00</u>	<u>\$591,782.00</u>	<u>\$( 17,330.00)</u>

NSN 4920-00-928-4728  
Navigationl Test Bench

ITEM NO. 4

<u>Requisition no.</u> <u>(Country Case)</u>	<u>Quantity</u>	<u>Date shipped</u>	<u>Amount billed</u>	<u>Amount that should be billed</u>	<u>Net (loss) or gain</u>
DGY04401369408 (SRX)	1	2/14/72	\$ 87,860.00	\$ 90,836.70	\$( 2,976.70)
DGY04401369409 (SRX)	1	5/27/72	87,860.00	90,836.70	( 2,976.70)
DGY04401819441 (SRP)	1	6/05/72	87,860.00	90,836.70	( 2,976.70)
DIS04F10577742 (SCJ)	1	11/26/72	39,250.00	69,566.70	( 30,316.70)
DIS04F10577742 (SCJ)	1	11/28/72	39,250.00	69,566.70	( 30,316.70)
DGY04421355200 (SNU)	1	12/11/72	66,303.00	68,316.70	( 2,013.70)
DTK04423195407 (SAD)	1	4/11/73	59,340.00	61,066.70	( 1,726.70)
DTK04423195407 (SAD)	1	5/04/73	38,750.00	69,066.70	( 30,316.70)
DGRO4421475046 (SAD)	1	4/10/73	38,750.00	69,066.70	( 30,316.70)
DIRR4411507666 (SDE)	1	5/07/73	38,750.00	69,066.70	( 30,316.70)
DIRR4411507666 (SDE)	1	6/13/73	38,750.00	69,066.70	( 30,316.70)
DIRR4431345404 (SFD)	1	3/04/76	101,268.00	104,244.70	( 2,976.70)
DIRR4442345293 (SGR)	1	8/20/76	90,266.00	145,341.20	( 55,075.20)
	<u>13</u>		<u>\$814,257.00</u>	<u>\$1,074,879.60</u>	<u>\$(260,622.60)</u>

We noticed that six other Navigationl Test Benches have recently been shipped or are scheduled for shipment to foreign countries for which billing action has not been taken. These Test Benches will contain CFM valued at \$17,941.80.

Also, in reviewing the pricing of NSN-00-928-4728, we found that a contract was awarded in June 1975 for seven assets to be shipped to three foreign governments. Foreign governments will be charged \$106,600 each. In December 1975, Air Force requirements for 10 test benches were computed. Subsequently, a purchase request for 10 each at an estimated unit price of \$142,364 was initiated. The contractor began delivery to foreign countries in August 1976 after the Air Force requirements were known. It would appear that the philosophy of replacement costing would apply to these shipments to foreign governments. Under the replacement costing concept, the Air Force could recover an additional \$214,587.

NSN 4920-00-825-4076  
Platform Test Bench Set

ITEM NO. 5

<u>Requisition no.</u> <u>(Country Case)</u>	<u>Quantity</u>	<u>Date</u> <u>shipped</u>	<u>Amount</u> <u>billed</u>	<u>Amount that</u> <u>should be</u> <u>billed</u>	<u>Net (loss)</u> <u>or gain</u>
FD2050 1/	1	1/25/75	\$ ---	\$ 98,653.40	\$( 98,653.40)
DIRR4422945290 (LIY)	1	1/09/75	92,700.00	95,953.40	( 3,253.40)
FD2050 2/	2	4/12/74	185,400.00	197,306.80	( 11,906.80)
DIRR4431345361 (SFD)	1	3/25/75	92,700.00	98,148.97	( 5,448.40)
DIRR4431345361 (SFD)	1	3/28/75	92,700.00	98,148.97	( 5,448.40)
DIRR4430395425 (SPC)	2	5/27/75	201,810.00	196,296.80	5,513.20
	<u>8</u>		<u>\$665,310.00</u>	<u>\$784,508.34</u>	<u>\$(119,197.20)</u>

1/Payback for an Air Force asset that was shipped under requisition  
DGRO4421475041 (SAD).

2/Paybacks for two Air Force assets that were shipped under requisition  
DTKO4423195359 (SAD).

Also, we noticed that eight other Platform Test Bench Sets are scheduled for shipment to foreign countries for which billing action has not been taken. These test benches will contain GFM valued at \$48,116.80.