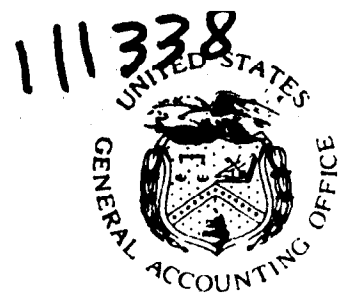


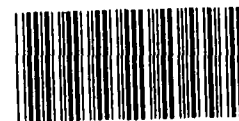
*Report to the House  
and Senate Committees  
on Appropriations by the  
Comptroller General of  
the United States*



~~12578~~

**SUMMARIES OF  
CONCLUSIONS AND  
RECOMMENDATIONS ON  
DEPARTMENT OF DEFENSE  
OPERATIONS**

This is a summary of GAO's conclusions and recommendations resulting from its audits and other review work in the Department of Defense, compiled to assist congressional committees in their review of budget requests for fiscal year 1981. Previous GAO reports brought these matters to the attention of the congressional and departmental officials.



111338

008363

OISS-80-01  
January 21, 1980





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

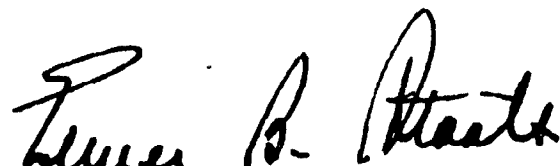
B-197287

Chairman, Senate Committee on Appropriations  
Chairman, House Committee on Appropriations

This annual report summarizes GAO conclusions and recommendations resulting from our audits and other review work in the Department of Defense which we believe will be of interest to your Committees in their review of budget requests for fiscal year 1981. Our reports have previously brought these matters to the attention of the Congress and departmental officials. We have not included suggested questions to be asked in appropriations hearings; however, we will suggest specific questions on the items summarized if you desire.

A report of conclusions and recommendations concerning the Federal civil departments and agencies is being submitted separately.

We are sending copies of this report to the Department of Defense and the military departments, so they may be in a position to answer any inquiries made on these issues during the appropriations hearings.

  
Comptroller General  
of the United States





# CONTENTS

## NATIONAL DEFENSE

<b>Department of Defense - Military</b>	
Administrative Control of Funds.....	1
Civilian Personnel.....	3
Compensation.....	5
Facilities Management.....	6
Health Matters.....	15
Maintenance, Repair and Overhaul.....	25
Military Manpower.....	27
Mission Budgeting.....	62
Mobilization.....	67
Nuclear Contamination.....	72
Readiness.....	73
Requirements.....	74
Supply Management.....	77
Support Functions.....	84
Training.....	85
Transportation.....	86
<b>Military Assistance</b>	
Defense Cost Sharing.....	87
Military Assistance Advisory Groups.....	89
<b>Defense-Related Activities</b>	
Accounting Systems.....	90
Automatic Data Processing.....	93
Cash Management.....	96
Foreign Military Sales.....	99
Government Policy of Self Insurance.....	109
Internal Audits.....	110
National Make-or-Buy Strategy.....	116
North Atlantic Treaty Organization.....	117
Productivity.....	118
Research and Development.....	119
<b>Weapon Systems</b>	
Individual System Studies.....	121
Testing.....	125
<b>Department of Defense - Procurement and Contracts</b>	
Contracts.....	129
Procurement.....	136
<b>Atomic Energy Defense Activities</b>	
Weapon Systems.....	140



# DEPARTMENT OF DEFENSE - MILITARY

## ADMINISTRATIVE CONTROL OF FUNDS

### *Army Efforts To Restore Integrity to Its Financial Management Systems*

#### Department of the Army

**Budget Function:** Miscellaneous: Financial Management and Information Systems (1002).

**Legislative Authority:** Anti-Deficiency Act (31 U.S.C. 665). Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66). 2 GAO 27.2.

In October 1975, the Assistant Secretary of the Army (Financial Management) notified the House Appropriations Committee of a serious breakdown in the financial control over Army procurement appropriations which resulted in violations of the Anti-Deficiency Act totaling more than \$225 million. These violations related to the section of the act that provides that no officer or employee shall make or authorize an expenditure from, or create or authorize an obligation under, any appropriation exceeding the amount therein.

**Findings/Conclusions:** The most serious factors contributing to the Army's overall financial management problems were: failure to design and implement an effective procurement appropriation accounting system; failure to adequately control fund allocations, reprogrammings, and transfers; and failure to accurately account for customer orders. The impact of these problems was compounded by the phenomenal growth of the Army's customer order program over several years. Army efforts to correct the financial management problems have been concentrated in: eliminating erroneous balances in its accounting records, primarily in the procurement appropriation accounts; and improving its accounting, reporting, and fund control systems to prevent recurrence of these problems. The Army has recorded over \$1.5 billion in adjustments to its accounting records, but because many of the records are missing or in poor condition, it is unlikely that all errors will ever be found or corrected.

**Recommendations:** The Secretary of Defense should have the Secretary of the Army: make sure the design and implementation of the remaining phase of the Army's new procurement appropriation program and fund control system are accomplished as quickly as possible, develop a plan to implement a standardized procurement appropriation accounting system at the installation level with a single data source, notify him and the Congress of any unreconciled trust fund cash balances for individual countries, have the Army Audit Agency review procedures used to account for and

control undistributed disbursements and collections, maintain an adequate and balanced level of internal review and audit within the Army, and periodically report to the Congress on the status of Army efforts to obtain GAO approval of its accounting systems.

The Army agreed with our findings and recommendations and advised us that implementation of the remaining portion of the procurement appropriation program and fund control system is scheduled for completion in March 1979. The Army also stated that it had designed a standard procurement appropriation accounting system, with a single data source, for use by all commands including installation levels and planned for the system to be implemented in early 1980. The standard accounting system for use at installation level is now in the design stage and is scheduled for installation with proto-type testing in October 1981. During hearings on the 1980 budget, the Committee asked Defense about its progress in gaining GAO approval of its accounting systems. Defense noted that 68 of its 135 accounting systems have been approved, including 19 since July 1977. Defense added that they were striving to obtain approval for all its systems by 1980. However, no discussions centered specifically on the Army's procurement appropriation accounting system. (FGMSD-78-28, 4-27-78)

#### Appropriations

Procurement—Army

#### Appropriations Committee Issues

The Committee should ask Army officials about their progress in obtaining GAO approval of its accounting systems and about its progress in implementing standard procurement appropriation accounting systems at the installation level.

# DEPARTMENT OF DEFENSE - MILITARY

## ADMINISTRATIVE CONTROL OF FUNDS

### *Transfer of Army Pacific Support Functions Resulted in Unwarranted Personnel Costs*

#### Departments of the Army, Navy, and Air Force

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

United States military support in the Pacific has been undergoing manpower redistribution as a result of a Defense Department order in December, 1975. GAO analyzed the ensuing transfers and found unjustified recurring budget increases totaling at least \$25 million and possibly \$40 million.

**Findings/Conclusions:** The increases came from a series of Defense budget actions that funded personnel slots for the service branches which requested and gained manpower resulting from the redistribution, but there was no corresponding budget cut for the Army, which lost manpower. The discrepancy occurred because the services involved did not use applicable work force planning criteria in the requests. The Navy absorbed all personnel positions offered by the Army without justifying their needs. The Navy then was granted a request for additional personnel for positions not involved in the redistribution. The Marine Corps also made unjustified requests. Requests by the Air Force exceeded even their own calculated needs. The finding by GAO stated that the services' manpower requests were unwarranted unless each was accompanied by the proper and detailed justification.

**Recommendations:** GAO recommended that the Defense Committee on Appropriations require good

cause to be shown by the services why the budget requests should be allowed. Any future manpower (or budget) requests should be accompanied by justification of all resources needed and documentation provided showing the effect of workload transfers. The review further asks that the Secretary of Defense reanalyze all manpower transfers to determine how any budget reductions might be shared within the department. These recommendations would help avoid future budget problems by adequately planning all manpower and budget requests.

Defense said it would improve future work force planning for realignments such as discussed in this report. (FPCD-78-80, 1-2-79)

#### **Appropriations**

Military personnel—Army  
Operations and maintenance—Army

#### **Appropriations Committee Issues**

Agency workforce planning should identify the numbers of employees needed to effectively and efficiently accomplish the Government's essential work.

## DEPARTMENT OF DEFENSE - MILITARY

### CIVILIAN PERSONNEL

#### *Review of the Job Enrichment Program at Ogden Air Logistics Center*

##### Department of the Air Force

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).

The job enrichment program at the Ogden Air Logistics Center, Utah, was initiated in January 1974 under contract to Herzberg and Associates to increase work-force productivity by restructuring jobs to provide workers with increased accountability, responsibility, communication, and feedback on the acceptability of their performance. The program was also designed to increase job satisfaction and quality of working life. Because of sizable reported savings and productivity gains, the program is being implemented throughout the Air Force Logistics Command (AFLC).

**Findings/Conclusions:** A review of the program revealed that, at the inception of the program, there was no definitive plan to systematically evaluate its impact. Little evaluation was accomplished and, where it was attempted, evaluation was not adequate to show overall program impact. The program costs tended to be understated and reported savings overstated. A plan for a 3-year systematic evaluation of program costs and benefits was delayed because of resistance from union officials to one of the data collection devices. It appears that AFLC does not know the extent

to which the program is achieving the goals for which it was designed.

**Recommendations:** Further expansion of job enrichment within the AFLC and the Department of Defense should be limited to demonstration-type projects which are subject to sound evaluation procedures until favorable program results can be documented.

The Commander, AFLC, has directed continuation of the evaluation program, including validation of evaluation methodology and data collection activities by the Air Force Audit Agency. (FPCD-78-77, 9-6-78)

##### **Appropriations**

Operation and Maintenance—Air Force

##### **Appropriations Committee Issues**

Work force productivity gain could produce sizable savings.

## DEPARTMENT OF DEFENSE - MILITARY

### CIVILIAN PERSONNEL MILITARY MANPOWER

#### ***Military and Civilian Managers of Defense Manpower: Improvements Possible in Their Experience, Training, and Rewards***

Departments of Defense, the Navy, Army, and Air Force, Office of Personnel Management

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** Legislative Reorganization Act of 1970. B-125037 (1978). DOD Instruction 1430.1.

Volume 1 of this report addresses the effect of service staffing policies and practices on the qualifications of defense manpower and personnel managers; both military officers and civilians. Needed improvements in defense management of the manpower and personnel functions have been pointed out in many past GAO reports. In addition, recent passage of the Civil Service Reform Act delegates more personnel management responsibility to the Department. Volume 2 of the report consists of appendixes dealing with: (1) the objectives and results of a questionnaire on manpower development; (2) perceptions of training value; (3) professional activities; and (4) special analyses of organizational effectiveness and training strengths and weaknesses.

**Findings/Conclusions:** Varying service practices in many cases preclude the development of manpower and personnel management expertise, while, at the same time, those managers having such qualifications are not always rewarded for them by their organizations. Department of Defense (DOD) manpower and personnel organizations should be staffed with knowledgeable and experienced officers who are allowed to stay in one assignment for an appropriate time. When career management systems are successful, both the organization and the individual benefit.

**Recommendations:** The Secretary of Defense should make sure that all services have established both a manpower officer career field and a personnel management officer career field to attract, develop, retain, and reward professional managers. The career fields should have established standards of background, education, required training, prior experience, and tenure. In addition, the services should specify certain manpower and personnel positions as the equivalent of command and operational experience and instruct promotion boards to consider such

assignments as meaningful equivalent experience for advancement. The Secretary of Defense should also make sure that all services establish viable, complete, and timely career management systems for civilians in both the personnel and manpower functions and include employees working in the military personnel function. The programs should emphasize individual development and career progression equally with management information and control.

Defense generally agreed with GAO's recommendations. They said the study provides a good summary of the attitudes, opinions and developments of military and civilian managers of manpower and personnel, and provides an additional base for continuing to improve these important programs. They took exception with some of the report's conclusions. (*FPCD-79-1; FPCD-79-1A, 2-16-79*)

#### **Appropriations**

Military personnel—Departments of Defense, the Air Force, Army, and Navy  
Operations and maintenance—Departments of Defense, the Air Force, Army, and Navy

#### **Appropriations Committee Issues**

Defense manpower and its associated problems—as repeatedly pointed out in past GAO reports—demand fully trained, full-time, and motivated military and civilian manpower and personnel managers. Service practices, however, make the development of such professionals unlikely. Traditional officer assignment practices and existing civilian career programs hinder the development of manpower and personnel expertise. Managers having the expertise are not rewarded.

## DEPARTMENT OF DEFENSE - MILITARY

### COMPENSATION

#### ***Department of Defense Is Overcompensating Its Foreign Employees***

##### **Department of Defense**

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).

**Legislative Authority:** Foreign Service Act. H. Rept. 95-68.

As of January 1, 1978, the Department of Defense (DOD) employed about 151,800 foreign nationals at foreign installations, including about 121,200 paid from appropriated funds. Almost 90 percent of the employees were located in five countries—Germany, Japan, Korea, the Philippines, and Italy. The Foreign Service Act provides that compensation for foreign national employees will be based on locally prevailing rates and practices consistent with the public interest.

**Findings/Conclusions:** Foreign national employees' compensation adjustments are generally determined by two methods: periodic wage surveys as in Korea, Italy, and the Philippines; and government-to-government negotiations as in Japan and Germany. To establish comparability with the private sector, DOD annually adjusts the value of regular pay items but considers and adjusts benefits separately. Combined analysis of pay and benefits would give DOD more flexibility to follow changes in private sector practices. DOD is restricted from paying prevailing rates because: compensation under indirect hire systems is based on government-to-government negotiations rather than the more objective results of wage surveys; outdated labor agreements contain concessions written when labor costs were relatively inexpensive; and political sensitivities and/or influential labor unions limit opportunities for corrective action.

**Recommendations:** DOD should: combine pay and benefits when determining annual comparability adjustments; determine whether GAO recommendations for wage survey improvements are applicable to other foreign areas and, in the future, monitor the wage setting process more closely further to improve and standardize wage survey procedures; adopt

separation pay liquidation plans in areas having separation plans similar to that of U.S. forces in Korea; pursue labor cost sharing opportunities with host governments, particularly where DOD is unable to reduce excess labor costs by other means; review existing foreign national labor agreements and initiate negotiations to revise those containing outdated or overly restrictive provisions; and continue to explore ways of hiring more Americans.

DOD has conducted its own review of foreign national wage setting and has implemented some of GAO's recommendations that have resulted in significant savings in Korea and Japan. DOD also plans to implement other recommendations but believes that opportunities to achieve savings are limited because of host country sensitivities, including resistance to the hiring of more Americans in foreign national positions. In its report on the DOD Appropriation Bill for fiscal year 1980, the House Committee on Appropriations recommended that foreign national pay raises generally be limited to 7 percent to offset overcompensation and afford greater opportunities to hire available Americans. (*FPCD-78-64, 8-2-78*)

##### **Appropriations**

Operation and maintenance—Army, Navy, and Air Force

##### **Appropriations Committee Issues**

Cost of foreign national employees will continue to be a problem for the foreseeable future.

## DEPARTMENT OF DEFENSE - MILITARY

### FACILITIES MANAGEMENT

#### **Assessment of DOD's Pollution Control Progress and Future Cost**

**Departments of Defense, the Air Force, Army, and Navy Environmental Protection Agency**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** Clean Water Act Amendments of 1977. Clean Air Act Amendments of 1977. H. Rept. 95-294. H. Rept. 95-1246.

GAO reviewed the progress made by the Department of Defense in correcting pollution at military bases and the cost to strengthen their pollution control programs. It is expected that half of the \$972 million allocated through 1984 for pollution control will be used for abatement programs already identified. The remaining sum will cover costs for complying with future upgrading and new environmental standards. **Findings/Conclusions:** The military services were asked to include in the 5-year defense plan the amount needed for specific projects and for anticipated environmental standards. Since the Environmental Protection Agency (EPA) has not yet published these standards in their final form, DOD has no firm basis to estimate its future needs. Consequently, GAO was unable to evaluate the adequacy of the estimates. The study of projects already proposed or underway has allowed GAO to reach some conclusions on DOD's pollution control reporting system. The program does not provide a full and reliable description of its future needs. The cost for the programs cannot be estimated accurately due to unpublished environmental standards and the effect that current litigation might have on the programs.

**Recommendations:** The Secretary of Defense should require that the military services improve the reliability of their pollution control reporting system by providing for more timely inclusion of needed projects and revisions in project status and costs.

The Department of Defense replied on April 25, 1979, that it is working with the Office of Management and Budget and the Environmental Protection Agency to improve the reporting system. (*LCD-79-303, 1-26-79*)

#### **Appropriations**

Military construction—Department of Defense

#### **Appropriations Committee Issues**

The Committees should continue to monitor DOD's program to assure that firm estimates of future needs are incorporated when the EPA standards are published.



# DEPARTMENT OF DEFENSE - MILITARY

## FACILITIES MANAGEMENT

### ***DOD's Commendable Initial Efforts to Solve Land Use Problems Around Airfields***

**Departments of Defense, the Air Force and Navy**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Accident potential and noise from flight operations at military air bases affect millions of people and thousands of acres of private property. Controlled land development of the surrounding area is necessary to assure flight safety and to protect the public. The Department of Defense's (DOD) compatible use zones program needs to establish accurate and credible accident and noise contours to be more effective. Local government controls such as land use plans, zoning laws, and noise insulation codes are influenced by the communities' economic dependence on the airfield's presence and the pressure for residential, commercial, and industrial development of surrounding private land.

**Findings/Conclusions:** The air installations' studies have provided useful information for local governments to plan compatible land uses and for the Government to act on pending incompatible development. The air bases' efforts in cooperating with communities, reporting on the need for compatible land use, and making operational changes have, in most cases, been successful in lessening the impact of flight activities on base environs and in furthering land use needs. The approaches of both the Navy and the Air Force to acquiring property interests are sound in principle. Both policies must weigh the risks of dependence on local control of land use against the

costs of purchasing land or land rights.

**Recommendations:** The Secretary of Defense should (1) direct the Secretaries of the Navy and the Air Force to review the data used to establish noise zones to make the zones more accurate and credible, and to revise and reissue individual studies where operations have changed; and (2) review the respective land acquisition policies of the Navy and the Air Force and the extent of their reliance on local zoning and other restrictions, to assure that services' plans and practices are consistent with Defense policy.

The Department of Defense replied on April 6, 1979, that it agreed with the recommendations and that action to implement them would be taken within the next few weeks. (LCD-78-341, 1-22-79)

### **Appropriations**

Military construction—Navy and Air Force

### **Appropriations Committee Issues**

Committees should inquire of the services as to the extent of their reliance on local control of land use and its impact on the cost of the overall program.

## DEPARTMENT OF DEFENSE - MILITARY

### FACILITIES MANAGEMENT

#### *DOD's Real Property Maintenance and Repair Backlog*

##### **Departments of Defense, the Air Force, Army, and Navy**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** Department of Defense Appropriation Act (P.L. 87-577), B-163500 (1973). H. Rept. 87-1607. H. Rept. 93-1255. H. Rept. 95-1764. S. Rept. 95-1264.

The first phase of a review on the Department of Defense's (DOD) backlog of real property maintenance and repair projects is addressed. The complete report will include a review of the historical development and recent trends in the backlog, management policies and philosophies, uniformity in application of policies and standards or criteria, reliability of cost estimating and accounting systems, and results of previous reviews and audits.

**Findings/Conclusions:** Despite the fact that DOD and the military services have refined the definition of "backlog;" spent billions of dollars to maintain and repair facilities; implemented numerous directives, instructions, and regulations; and received several congressional mandates to hold the line or reduce the backlog; they have not been able to slow its growth. Congress established a statutory floor of funds to be used only for the real property backlog and has also provided additional funds in an attempt to contain the backlog. However, DOD estimates that the services' backlog at the end of fiscal year 1980 will increase by an additional \$131 million above 1978 levels. According to GAO, causes of the growth in the backlog are fiscal constraints, inflation, increased emphasis on

identifying the backlog, continued deterioration of previously identified deficiencies not corrected, and the DOD redefinition of the term. Furthermore, each service used a different method to determine what a manageable level should be. What each service identifies as backlog and what DOD reports to the Congress appears to differ from the uniform definition. Rather than continuing to manage the program as it has up to now, perhaps DOD should try a new approach. Further work is needed and two key points to be addressed are the validity of the backlog and its reliability as an indicator for management's use in making decisions. (*LCD-79-314, 8-31-79*)

##### **Appropriations**

Operations and maintenance—Department of Defense

##### **Appropriations Committee Issues**

The Committees should continue to require DOD to exercise control over the backlog through the use of funding constraints.

## DEPARTMENT OF DEFENSE - MILITARY

### FACILITIES MANAGEMENT

#### ***Improvements Needed in Army's Determination of Manpower Requirements for Support and Administrative Functions***

##### **Departments of Defense and the Army**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** A.R. 5-4.

Army manpower survey teams make onsite appraisals and recommend the number of people needed for support and administrative functions at Army installations. The recommendations of the survey team are also the basis for the garrison staffing guide, which provides criteria for subsequent surveys. The surveys, although useful for some installation and major command management decisions, are not coordinated with the major manpower activities of planning, programming, and budgeting; of allocating human resources to installations and work centers; and of evaluating manpower use. Consequently, the Army supports its garrison budget by adjusting prior year budgets. However, the Army cannot quantify the effect of not receiving the personnel which survey teams say are needed for garrison work and cannot accurately predict manpower needs.

**Findings/Conclusions:** In order to improve its justifications for budget requests, the Army needs to overcome various problems. The Army's manpower survey program is not designed to provide input to the budget. Since the survey teams determine garrison needs by organizational element, and the Army budgets by activity; the survey team recommendations cannot be summarized into the activity used for budgeting. Survey team recommendations have exceeded Congressional authorizations; in fiscal year 1978 the shortage was 20 percent. Survey teams and work measurement staff make recommendations without regard to the source of labor, even though garrison labor is funded by four appropriations and can be managed under about nine different programs. Installation commanders have been given a great deal of flexibility in distributing available resources, organizing activities, and using other labor sources, but this decentralized management contributes to a number of problems. Commands have been directed to develop work measurement standards for total programs or missions, but the Army headquarters has not provided the top level management direction on

selecting the appropriate technique, how to relate work center requirements to program changes in the budget, how to develop standards to compare similar activities, the extent methods studies should be conducted to improve and standardize operations before setting standards, and collecting reliable labor and workload data.

**Recommendations:** The Secretary of Defense should identify the type of information the Army needs to prepare and support its manpower budget. The Secretary should require the Army headquarters to use personnel experienced in budgeting, manpower, workload planning and control, data processing, and work measurement to design a manpower management system. This system should have the following characteristics: (1) an organizational structure that combines the manpower-related responsibilities and staffing into one organization at all levels; (2) a methodology for determining manpower needs based on work measurement where it is feasible and cost effective, using onsite reviews only to review methods, procedures, and organizational efficiency in connection with the development and validation of staffing standards; (3) a management information system which uses a common data base for work center needs, garrison costs, budget requests, allocations, and evaluations of manpower use; and (4) a determination of the spaces needed to implement the system and an allocation of these manpower resources to the program.

Defense said it supports and will implement the basic thrust of these recommendations. (FPCD-79-32, 5-21-79)

##### **Appropriations**

Military personnel—Army  
Operations and maintenance—Army

**Appropriations Committee Issues**

Agency workforce planning should identify the numbers of employees needed to effectively and efficiently accomplish the Government's essential work.

## DEPARTMENT OF DEFENSE - MILITARY

### FACILITIES MANAGEMENT

#### *Moving Air Force Operations From the Washington, D.C., Area Not Cost Effective*

##### **Departments of Defense and the Air Force**

**Budget Function:** National Defense: Defense-related Activities (0054).

A review of the Air Force's realignment and relocation from the National Capital Region covered the planning process, the rationale and criteria for targeting certain functions, the implementation and status of the plan, and the estimated costs and savings. Cost data compiled by the Air Force and supporting documents were reviewed, and Air Force officials were interviewed. The review was hampered by a lack of documentation and delays in obtaining information.

**Findings/Conclusions:** GAO found that the Air Force did not follow normal planning procedures. One Air Force official and a small ad hoc group planned the realignment. Affected organizations did not participate until after target numbers for relocating positions were decided, and the planning process was not formally documented. Congressional and administration emphasis on reducing the Federal presence in the National Capital Region appeared to be the rationale for realignment. Functions were reportedly selected for relocation because of the likelihood that they could be performed effectively elsewhere. Relocations out of the Region have not been cost effective. GAO estimates one-time costs at \$2.8 million and annual

recurring costs at \$1.4 million. Fewer manpower authorizations in the Region were affected than originally planned, and portions of the plan were deleted after a reevaluation showed potential adverse effects. Completed portions of the realignment have caused some operational inefficiencies. Twenty-seven more personnel spaces were authorized to coordinate work or to perform additional administrative tasks. Several organizations also reported that the realignment caused undesirable work allocation choices with results potentially slower, more costly, or less reliable. (LCD-79-326, 8-30-79)

#### **Appropriations**

Operation and maintenance—Air Force

#### **Appropriations Committee Issues**

The Committee should question the Air Force about its planning, and the economics of relocating activities away from the National Capital Region.

# DEPARTMENT OF DEFENSE - MILITARY

## FACILITIES MANAGEMENT

### *Review of Planned Realignment of Fort Indiantown Gap, Pennsylvania*

#### Department of the Army

**Budget Function:** National Defense: Defense-related Activities (0054).

Based on a study made in 1976, the Department of Defense decided to terminate active Army use of Fort Indiantown Gap, Pennsylvania, and to pass control of the installation to the Commonwealth of Pennsylvania. The garrison at Fort Meade, Maryland, would assume the area support mission from Fort Indiantown Gap. An appraisal was made to determine the cost and savings that could be expected under the proposed realignment.

**Findings/Conclusions:** A review of the 1976 Army study disclosed data changes, errors, omissions, and questionable procedures that made GAO challenge the use of the study as a basis for the realignment decision. According to the Army's estimates, the change in the status of the fort would result in one-time costs of about \$2.2 million, annual savings of about \$2.9 million, and elimination of 310 civilian and 128 military positions. It appeared, however, that 212 rather than 310 civilian positions would be eliminated by the proposed realignment. The study documentation showed that fiscal year 1976 budgeted costs of about \$24 million were compared to estimated after-realignment costs to determine the estimated annual savings; since the actual costs for 1976 were about \$1 million less than the budgeted costs, however, the savings shown in the study were overstated. The study included the cost for support of training schools, but

showed no costs after realignment for these schools. To project the after-realignment costs for Pennsylvania to operate the base, Army officials determined the base operations costs per staff-year for 1976 based on 1975 costs, adjusted for inflation. However, since Pennsylvania provided most of its own engineering services and reimbursed the Army for utilities in 1976, these costs should have been excluded from staff-year cost determination. Other cost factors that should be considered include the number of additional civilian employees needed for the garrison function at the fort and also at Fort Meade, and the cost of troops' rations after realignment. (LCD-79-329, 8-23-79)

#### **Appropriations**

Operation and maintenance—Department of the Army

#### **Appropriations Committee Issues**

The Committee should question the agency on its rationale for realigning activities without valid cost studies to support such move, and specifically the status of the cost study to support realignment from Fort Indiantown Gap.

## DEPARTMENT OF DEFENSE - MILITARY

### FACILITIES MANAGEMENT

#### *Review of the Army's Decision To Disestablish the Training Center at Fort Dix, New Jersey*

##### Department of the Army

**Budget Function:** National Defense: Defense-related Activities (0054).

Over the past several years the Army has announced a number of realignments to reduce support costs and headquarters and overhead structure, and to improve Army combat forces. One such announcement, dated March 29, 1979, included the transfer of training functions from Fort Dix, New Jersey, to Fort Jackson, South Carolina; Fort Knox, Kentucky; Fort Leonard Wood, Missouri; and Fort Bliss, Texas. GAO reviewed data prepared by the Army as a basis for the decision to transfer training functions from Fort Dix, New Jersey.

**Findings/Conclusions:** Army estimates for the justification of annual savings and one-time costs were reasonable. The Army estimated annual savings of over \$16 million would result from the move, and one-time costs would be about \$73.5 million. GAO felt that annual savings were overstated by \$410,000 and one-time costs by about \$1.1 million. However, the amount designated as cost avoidance for construction needs at Fort Dix appeared questionable. The construction projects require additional agency and Congressional approval, and an estimate of \$20.2 million that may be approved cannot be determined at this time. In addition, the amount estimated by the

Army for barracks construction costs at Fort Knox and Fort Leonard Wood may be overstated. The Army included costs for its total reported barracks shortage, but its normal practice recently has been to request funds for barracks in incremental sizes. In summary, GAO believed annual savings in the disestablishment of the training center at Fort Dix should be about \$15.8 million and the net one-time costs should be about \$72.5 million. This would increase the payback period to 4.6 years. If the Army had estimated barracks construction costs based on the amount it will probably request, the net one-time cost would be reduced to about \$59.1 million and the payback period would be reduced to 3.7 years. (LCD-79-325, 8-6-79)

##### **Appropriations**

Operation and maintenance—Army

##### **Appropriations Committee Issues**

The Committee should query the agency on the status of the planned move and the rationale for any significant changes to the plans.

# DEPARTMENT OF DEFENSE - MILITARY

## FACILITIES MANAGEMENT

### *Review of the Proposed Closure of Fort Monroe, Virginia*

#### Department of the Army

**Budget Function:** National Defense: Defense-related Activities (0054).

The Army has provided for the transfer of Command Headquarters from Fort Monroe, Virginia, to Fort Eustis, Virginia, in 1984, and the inactivation of other Army units at Fort Monroe. An Air Force and a Navy unit would remain. Before the Army can excess the Fort, however, it must determine whether and how to comply with Army and other regulations, at what cost, and who will take control. An Army regulation requires that all land prior to excessing be decontaminated of explosive ordnance. Compliance with this regulation is hindered by the Fort's age and its registration as a national historic landmark. Command personnel are certain unexploded ordnance is buried on the approximately 600 acres of land on which the Fort is located.

**Findings/Conclusions:** The decision to close Fort Monroe should be deferred until the Army has made a comprehensive estimate of all costs involved. Since the Fort is registered as a national historic landmark, the Army is legally obligated to proceed with the ordnance removal process in a manner consistent with the preservation of items of historical significance. The work would probably require hand shoveling by experienced ordnance and archeological personnel. GAO considers an Army estimate of \$2.5 million for clearance of the moat to be too low. The Army must also determine which of the Fort's structures require special preservation, and whether the Fort will remain under Government control and thus subject to U.S.

Government-funded caretaker costs. Because of these undetermined cost items, the Army stated that it could not at this time take a position on whether the decision to close Fort Monroe is economically justified.

**Recommendations:** The Army must obtain sufficient information in order to determine whether it is feasible or even possible to clear Fort Monroe of ordnance. In order to estimate the work involved and the total costs and savings, the Army must: (1) determine the extent and depth of unexploded ordnance; (2) consider the availability of archeologists to assist in clearing the area to preserve artifacts; and (3) identify the buildings to be maintained and the ultimate custodian of the Fort. Until the Army has completed its study of all the costs involved, including costs to decontaminate the entire Fort, the Secretary of Defense should defer a decision on closing Fort Monroe. (LCD-79-318, 7-20-79)

#### **Appropriations**

Operation and maintenance—Army

#### **Appropriations Committee Issues**

The Committee should continue to monitor the Army's efforts to determine the costs for identifying and removing ordnance from the Fort.



## DEPARTMENT OF DEFENSE - MILITARY

### HEALTH MATTERS

#### ***Better Coordination Could Improve the Provision of Federal Health Care in Hawaii***

##### **Department of the Army**

**Budget Function:** Health: Health Care Services (551).

**Legislative Authority:** National Health Planning and Resources Development Act of 1974 (P.L. 93-641). OMB Circular A-95.

In Hawaii, three Federal agencies—the Department of Defense (DOD) through its military services, the Veterans Administration (VA), and the Public Health Service—provide health care to a beneficiary population of about 230,000 people. Because of location and size, a unique opportunity exists in Hawaii to assure that Federal health care is delivered more economically without sacrificing the quality of care.

**Findings/Conclusions:** The DOD Mid-Pacific Review Committee has not systematically assessed the use of medical and dental facilities in Hawaii, but an interservice assessment of the beneficiary population residing around the various military clinics showed that a more equitable distribution of workload is possible at considerable savings to the Government. The DOD Mid-Pacific Review Committee needs specific guidance concerning how to assess the need for increasing or decreasing health care services in particular areas of the State and whether to include the resources of other Federal and non-Federal agencies in such assessments. The Committee does not have a clear mechanism to resolve differences of opinion and program emphasis among the services, and it has not received feedback from DOD headquarters when it has presented local interservice cooperation proposals for specific health care areas. Of major consequence is the opportunity afforded the Government by the planned renovation and construction project involving Tripler Army Medical Center on Oahu.

**Recommendations:** The Secretary of Defense should: make sure that the DOD Health Council provides the direction, guidance, and feedback needed by the Mid-Pacific Review Committee and directs that Committee to seek VA and Public Health Service representation;

establish interagency agreements with VA and the Department of Health, Education, and Welfare to provide dental care in military facilities when this would be advantageous; and make sure that the Army keeps other Federal health care providers and State officials informed of its planning for the Tripler renovation and gives full consideration to their concerns.

DOD and VA agreed with GAO's recommendations. DOD subsequently identified space at Tripler which can be renovated and utilized by 20 additional VA psychiatric patients. In addition, VA stated that it was exploring with DOD the possibility of using a portion of the Tripler facility to provide such additional services as long-term care to veterans. No further agency action has taken place since our last annual report was issued. The same unresolved issues remain. (HRD-78-99, 5-22-78)

##### **Appropriations**

Department of Defense  
Department of Health, Education, and Welfare  
Veterans Administration

##### **Appropriations Committee Issue**

Tripler Army Medical Center can effectively serve as the only Federal hospital in Hawaii if the Army, in its plan for renovating the facility, keeps other Federal health care providers and Hawaii State Health Planning and Development Agency officials fully apprised of the plans for the facility.

## DEPARTMENT OF DEFENSE - MILITARY

### HEALTH MATTERS

#### ***Computed Tomography Scanners: Opportunity for Coordinated Federal Planning Before Substantial Acquisitions***

**Departments of the Army, Navy, and Air Force**

**Budget Function: Health: Health Care Services (551).**

Computed tomography scanning is a new diagnostic technique using X-rays. It is of little risk to patients, causes minimal discomfort compared to other diagnostic procedures, and eliminates some shortcomings of conventional X-ray methods. Scanners cost from \$300,000 to \$700,000 each; operation and maintenance expenses are estimated at several hundred thousand dollars a year. As many as 2,500 scanners may be operating in the United States by 1980. In an effort to control the acquisition of scanners, some States have imposed moratoria on their purchases. Criteria for planning and using scanners are limited.

**Findings/Conclusions:** The Federal Government has 16 scanners in operation and plans to purchase an additional 29—16 for the Department of Defense (DOD) and 13 for the Veterans Administration (VA). These 45 scanners will cost about \$21 million. VA has 11 scanners in operation, and DOD is installing scanners at three of its major hospitals. Only limited criteria and information were available to justify the need for or locations of these scanners. No coordination took place between VA and DOD in planning for these scanners, and neither department made sure that there will be enough people to operate the scanners as planned. Delays are anticipated in getting staff or authorization for the positions. It will be difficult to fully use the equipment, and staff relocations from other hospitals will be necessary for operation of the scanners. The Federal Government has purchased only a limited number of scanners; excess acquisition has not yet occurred. However, because of the large number that DOD and VA plan to acquire over the next few years, criteria should be developed quickly or the Federal health care system may have too many.

**Recommendations:** The Secretaries of Defense and Health, Education, and Welfare (HEW) and the Administrator of the VA should develop a coordinated approach for planning and using scanners. This approach should include: specific criteria for assessing and justifying the need for the equipment and determining the most appropriate location; a policy

requiring that, where possible, Federal agencies share scanners; and a mechanism for determining if it would be feasible and economical for Federal agencies to use those scanners located in the private sector. The Director of the Office of Management and Budget should ensure that DOD, VA, and HEW promptly develop this approach. Congress should consider limiting the number of scanners that can be purchased until the coordinated Federal approach is developed.

DOD, VA, and HEW agreed with GAO's recommendation that they develop a coordinated approach for planning and using computed tomography scanners. National Guidelines for Health Planning, published in the Federal Register on March 28, 1978, contain a standard for the acquisition and use of computed tomography scanners in the civilian sector. To date no standard for the Federal sector has been established. The Federal Health Resources Sharing Committee has established a Computerized Tomography subcommittee to (1) develop and propose guidelines and criteria for assessing and justifying the need for and appropriate locations of the scanners, (2) develop and propose utilization criteria, and (3) propose geographic areas where opportunities exist to share computed tomography. The Federal Health Resources Sharing Committee's Subcommittee on Computerized Tomography presented its final report at the November 1, 1978, meeting of the Sharing Committee. The report consisted of guidelines and criteria to be used for determination of the need and justification for such equipment in the Federal sector and in the identification of geographical areas of the country where shared services are feasible. The report findings and recommendations were approved by the Sharing Committee and sent to DOD, HEW, and VA for their consideration. The report is being modified to reflect certain changes proposed in agency responses to the report. Neither the Congress nor OMB have initiated the recommendations suggested in our report. Although some progress has been made, the

unresolved issues remain the same. (HRD-78-41, 1-30-78)

**Appropriations**

Department of Defense  
Department of Health, Education, and Welfare  
Veterans Administration

**Appropriations Committee Issues**

Congress should consider limiting the number of scanners that can be purchased until the Federal Health Resources Committee has developed appropriate guidelines and criteria for purchase and use of the scanners.

# DEPARTMENT OF DEFENSE - MILITARY

## HEALTH MATTERS

### ***DOD's Practices Pertaining to Construction of Light Care Medical Units***

#### **Department of Defense**

**Budget Function:** Health: Health Planning and Construction (0554).

**Legislative Authority:** Title 10 United States Code.

The Department of Defense (DOD) decided to postpone replacement of a hospital at Ft. Lewis, Washington, because Congress approved a modification of the existing hospital in the fiscal year 1979 appropriation. To aid DOD in planning future hospitals, GAO has incorporated improvements in the DOD hospital-sizing model that will allow DOD to calculate the appropriate total bed size and the appropriate size of each medical specialty service within a hospital. GAO requested information from DOD concerning the status of its efforts to develop a planning methodology and construction policy for light care beds. DOD replied that 30 light care beds are being contemplated as part of the new Army hospital at Ft. Stewart, Georgia, but questions involving sizing, constructing, and operating light care units have not yet been resolved. **Recommendations:** The House Subcommittee on Military Construction should: direct DOD to give high priority to fully resolving the light care issues raised, and withhold approval of future hospital construction

projects until a policy on light care units has been developed and implemented.

In the House Representatives' Report on the Military Construction Appropriations bill for fiscal year 1980, the Appropriations Committee informed DOD that the issue of light care units should be resolved prior to the approval of any hospital construction spaces in the fiscal year 1981 budget request. (*HRD-79-53, 2-28-79*)

#### **Appropriations**

Military construction

#### **Appropriations Committee Issues**

DOD's policy concerning the construction of light care beds in its health facilities warrants close scrutiny by the Committee before funds are approved for additional light care capability.

## DEPARTMENT OF DEFENSE - MILITARY

### HEALTH MATTERS

#### ***Legislation Needed to Encourage Better Use of Federal Medical Resources and Remove Obstacles to Interagency Sharing***

##### **Departments of the Army, Navy, and Air Force**

**Budget Function:** Health: Health Care Services (551).

**Legislative Authority:** Heart Disease, Cancer, and Stroke Amendments of 1965 (42 U.S.C. 299). Comprehensive Health Planning and Public Health Service Amendments of 1966 (42 U.S.C. 246). National Health Planning and Resources Development Act of 1974 (P.L. 93-641; 42 U.S.C. 300). Economy Act (31 U.S.C. 686). 38 U.S.C. 5003. 38 U.S.C. 5053. 42 U.S.C. 254a. 10 U.S.C. 2301. 10 U.S.C. 1079. 10 U.S.C. 1074. 38 U.S.C. 213. 38 U.S.C. 628. 38 U.S.C. 613. H.R. Conf. Rept. 94-1314. Army Regulation 40-3. OMB Circular A-95.

Concern has been expressed about the increasing costs of medical care in the Nation. The Department of Defense, the Veterans Administration (VA), and the Department of Health, Education, and Welfare (HEW) have the major responsibility for providing health care directly to beneficiaries. Several laws have been enacted to encourage regional cooperation in health care. **Findings/Conclusions:** Federal agencies' participation in regional health planning groups has been, for the most part, only advisory. In fiscal year 1977, the responsible agencies spent over \$6 billion to provide medical care to Federal beneficiaries and over \$700 million for care in the non-Federal sector. Increased interagency sharing is being planned, and an interagency Federal Health Resources Sharing Committee has been established. However, there are obstacles to interagency sharing such as the absence of a specific legislative mandate or guidance for this purpose, restrictive regulations and policies, and inconsistent methods for reimbursing agencies for services provided to beneficiaries of other agencies.

**Recommendations:** The Secretaries of Defense and HEW and the Administrator of VA should direct the committee to seek solutions to obstacles within agencies which impede sharing, and report annually to congressional appropriations committees on progress. The Director, Office of Management and Budget (OMB) should establish a management group to work with agencies to better coordinate the development of an effective Federal sharing program. The Congress should enact legislation to establish an expanded and cost-effective interagency sharing program. The legislation should establish a policy that directs interagency sharing, authorize Federal direct health care providers to accept all categories of beneficiaries on a referral basis when advantageous, eliminate restrictions on

medical services which can be shared, authorize sharing arrangements by Federal field hospital managers, authorize expansion of services for cost effectiveness, establish a policy requiring fullest use of nearby Federal medical resources, authorize a method of reimbursement for Federal hospitals in which revenues would offset expenses, and assign to OMB responsibilities for coordinating interagency sharing and reporting to the Congress.

DOD, VA and HEW generally agreed with GAO's conclusions and recommendations, expressing their support for the concept of increased sharing of Federal medical resources. They cited several actions that have already been taken toward this objective, including the establishment of the Federal Health Resources Sharing Committee. The Office of Management and Budget (OMB) agreed that interagency sharing should be improved, but did not agree with some of GAO's recommendations concerning OMB's role in increasing interagency sharing. OMB strongly disagreed with GAO's proposed legislative mandate and the extent to which the legislation would thrust OMB into the direct management of agency health programs. None of the administrative obstacles identified in our report have been resolved. However, the major obstacle to interagency sharing—the issue of inconsistent and unequal methods for reimbursing agencies for services rendered to other agencies' beneficiaries—were considered by the Federal Health Resources Sharing Committee. No resolution of this matter was achieved. OMB has not established a management group to work with DOD, HEW, and VA to coordinate the development of an effective interagency sharing program. Although several congressional committees have expressed interest in the interagency sharing of

1

medical resources, no legislation has been introduced or enacted to establish a greatly expanded and cost-effective interagency sharing program. (HRD-78-54, 6-14-78)

**Appropriations**

Department of Defense  
Department of Health, Education, and Welfare  
Veterans Administration  
Office of Management and Budget

**Appropriations Committee Issues**

Eliminating legislative and administrative obstacles and implementing a structured Federal interagency sharing program would be advantageous to both the Federal Government and its health care beneficiaries.

## DEPARTMENT OF DEFENSE - MILITARY

### HEALTH MATTERS

#### ***Military Medicine Is In Trouble: Complete Reassessment Needed***

**Departments of Defense, Air Force, Army, and Navy**

**Budget Function:** National Defense: Defense-related Activities (0054).

**Legislative Authority:** 10 U.S.C. 1074 . 10 U.S.C. 1076 .

Since the end of the draft in 1973, the military's direct medical care system has experienced a gap between the number of military physicians it has available and the number needed to provide medical care, thereby seriously impairing the system's ability to meet peacetime medical needs efficiently and effectively. Hospital operations have been hampered by the lack of physicians, as has the ability of active-duty members to obtain medical care.

**Findings/Conclusions:** The military service medical departments project substandard professional staffing levels past 1984, with no foreseeable increase in the supply of military physicians. Department of Defense data showed widespread closings and reductions of medical services in fiscal year 1978 due to the shortage, affecting all beneficiaries. GAO visited seven military hospitals and found services closing and reopening, depending on physician availability, patients sent elsewhere or moved long distances for specialized services; greater dependence on civilian services; longer waits by patients; occasional denial of services; and temporary assignments of physicians to short-handed nonmedical functions. GAO recognizes the physician shortage but sees additional reasons for the system's shortcomings, including shortages among other medical service personnel. GAO surveyed beneficiaries living within 30 miles of military hospitals and found that most families of retired members had tried to obtain medical care during an 8-month period; about one-third of them could not do so. GAO estimated that in the survey period, 104,000 active-duty members and 157,000 retirees failed to obtain care. A followup questionnaire from GAO showed that most patients sought medical care elsewhere because of physician shortages or long waits for appointments; they compared civilian care favorably

to that of military hospitals and experienced only slight difficulty in paying for these services.

**Recommendations:** Congress should reevaluate the role and structure of the military medical care system and direct DOD to improve its abilities to serve beneficiaries in peacetime, including clarification and recognition of the system's mission and role as a peacetime health care delivery system. Clear policies should be adopted as to the system's peacetime clients and how those not adequately served can best obtain medical care from other sources. Congress should consider three alternative proposals: adequate staffing of military facilities to provide care for all beneficiaries; providing care in military hospitals and financing care in civilian hospitals while limiting military hospital access under service capacity restrictions or eliminating service entitlement for certain beneficiary groups; or continuing to offer military hospital care and civilian hospital financing but reducing the number of operational military hospitals to a number that could be adequately staffed by existing and projected levels of physicians and staff personnel. GAO made several specific recommendations to DOD for improving the direct care system's ability to serve beneficiaries.

DOD agreed with GAO's basic findings and with the need for the Congress to reevaluate the role and structure of the military's direct medical care system in peacetime. DOD believes, however, that some of the alternatives GAO proposed could reduce wartime contingency capability. Concerning GAO's recommendations to DOD for improving the direct care system's capability to serve beneficiaries, DOD said the problems addressed by GAO were recognized and that efforts were being made to alleviate them. (HRD-79-107, 8-16-79)

## **Appropriations**

Department of Defense

### **Appropriations Committee Issues**

The adoption of any proposal to alter the present makeup of the military health care system will have significant funding implications, which must be considered by the Appropriations Committees.



## DEPARTMENT OF DEFENSE - MILITARY

### HEALTH MATTERS

#### ***Sharing Cardiac Catheterization Services: A Way to Improve Patient Care and Reduce Costs***

**Departments of the Army, Navy, and Air Force**

**Budget Function:** Health: Health Care Services (551); Health: Health Planning and Construction (554).

**Legislative Authority:** Economy Act (31 U.S.C. 686). P.L. 89-785.

Cardiac catheterization is a procedure used to diagnose possible heart conditions. It is performed in 90 Federal hospitals: 66 Veterans' Administration (VA) facilities; 20 Department of Defense (DOD) facilities; 3 Public Health Service hospitals; and the National Institutes of Health clinical center in Bethesda, Maryland. Several medical professional organizations, as well as VA, have developed guidelines for cardiac catheterization laboratories. These guidelines are intended to keep physicians' skills high and to minimize risk to patients. DOD and the Public Health Service have no such guidelines.

**Findings/Conclusions:** The number of cardiac catheterizations being performed in DOD and VA laboratories varied considerably. For fiscal year 1976, catheterizations performed at the Federal hospitals reviewed ranged from 574 at Walter Reed in Washington, D.C., to 60 procedures at Wright Patterson in Dayton, Ohio. Also, there was no correlation between the number of catheterizations performed and the number of physicians performing them. In addition, physicians at the hospitals had differing views of the number of catheterizations that should be performed to maintain their proficiency. In each of four geographic areas visited, there were opportunities to provide cardiac catheterization on a shared basis which could increase patient safety and reduce costs to the Government. The sharing opportunities could be accomplished within the framework of present laws governing DOD and VA operations.

**Recommendations:** The Secretaries of Defense and Health, Education, and Welfare (HEW) and the Administrator of Veterans Affairs should: (1) jointly develop uniform Federal guidelines for the planning and use of Federal cardiac catheterization laboratories which associate the number of catheterization procedures to be performed with the number of physicians that should perform them; (2) consider what variances from those guidelines might be appropriate; (3) jointly analyze the use levels at the laboratories and adjust the manner in which this diagnostic service is

provided, and, where feasible, provide cardiac catheterization on a joint or shared basis in a single Federal facility; and (4) consider discontinuing the procedure in Federal facilities in geographic areas where the Federal guidelines cannot be met and obtaining this service from nearby civilian hospitals. The Director of the Office of Management and Budget should oversee the offers of DOD, HEW, and VA in developing uniform Federal guidelines for the planning and use of Federal cardiac catheterization laboratories to insure it is accomplished in an appropriate and timely manner.

HEW, VA, and DOD generally agreed with GAO's recommendations and have been trying since June 1977 to begin the joint development of uniform Federal cardiac catheterization guidelines. By letter dated January 19, 1978, DOD advised GAO that the three agencies had established an interagency committee to gather baseline information regarding the present extent of interagency sharing among the three agencies. Subcommittees were established to look into the following areas: Cardiac Catheterization Laboratories, Computerized Tomography, Medical Information Systems, and Mobilization Support. VA and DOD established interim guidelines for cardiac catheterization laboratories pending receipt of the interagency committee's recommendations. DOD also advised GAO that the cardiac catheterization laboratories at Malcolm Grow Hospital, Scott Air Base, and Naval Regional Medical Center, Great Lakes would be closed. The Cardiac Catheterization Laboratories Subcommittee report was presented to the Federal Health Resources Sharing Committee at the January 10, 1979, meeting and completed at the April 6, 1979, meeting. The subcommittee report contains 16 findings and 14 general program recommendations. The report has been sent to DOD, HEW, and VA for comments. Further action by the Federal Health Resources Sharing Committee on the issue of cardiac catheterization laboratories is awaiting receipt of all

agency responses. As a result no consolidation of resources or closures of cardiac catheterization laboratories has taken place. OMB has taken no action to specifically oversee the development of cardiac catheterization guidelines or to insure that it is accomplished in an appropriate and timely manner. (HRD-78-14, 11-17-77)

**Appropriations**

Department of Defense  
Department of Health, Education, and Welfare  
Veterans Administration

**Appropriations Committee Issues**

Budget requests for funds for cardiac catheterization laboratories or similar specialized services should include justifications as to the need for the services. These justifications should adequately assess the patient demand and the possibility of using other DOD, VA, or HEW facilities.

## DEPARTMENT OF DEFENSE - MILITARY

### MAINTENANCE, REPAIR AND OVERHAUL

#### **Observations on the Fleet Support Provided by the Navy's Shore Installations in the Western Pacific and Indian Ocean**

##### **Departments of Defense and the Navy**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

The U.S. Seventh Fleet consisted of about 160 ships during peak operations in Southeast Asia. Today the fleet consists of about 50 ships. In spite of this reduction, the Navy continues to maintain an extensive shore establishment to provide the reduced fleet logistics support. The fleet reduction has led to idle capacities and has increased costs at the ship repair facilities. Positive action has been taken, however, to reduce overhead costs as much as possible. But Navy officials believe the primary contributors to increased costs are worldwide inflation and a reduction in the value of the U.S. dollar. GAO believes these developments provide even more reasons why the Navy should review its ship maintenance practices to assure that key economical approaches have been considered. Department of Defense (DOD) officials stated that the primary justification for retaining the depot maintenance capacity is that it meets contingency requirements. Although the Navy had computed wartime requirements for these activities, their determinations were not current, nor were they systematically developed.

**Findings/Conclusions:** Possible contingencies in the Pacific and Indian Ocean could include a worldwide war with the Soviets, a conflict in Korea, or a smaller brush fire conflict. According to the Congressional Budget Office, Navy forces currently deployed in the Pacific appear to exceed the requirements of either a conflict in Korea or the threat from the Soviet Pacific Fleet. GAO is concerned with the level of U.S. Navy forces because it is the primary factor in determining wartime ship maintenance requirements. The size of the Pacific Theater Navy deployment for these scenarios has been questioned. Since the definition of peacetime ship maintenance support requirements should include consideration of wartime deployment requirements, the level of ship maintenance resources also needs to be questioned. The Navy believes that its forces must be as self-sufficient as possible. However, the self-sufficiency concept can duplicate support activities, increase costs, and cause inadequate con-

sideration of alternatives. The Navy has planned for an increase in activity and staffing at the Western Pacific ship repair activities during war. However, this increase in activity has not been systematically developed from a detailed analysis of the probable workload from modern war conditions.

**Recommendations:** The Secretary of Defense should reassess the requirements for ship maintenance in the Pacific and Indian Oceans and should direct the Navy to: quantify total wartime and peacetime ship maintenance requirements for Western Pacific and Indian Ocean operations; define specifically how much maintenance should be performed by ships' forces, intermediate maintenance activities, depot level activities, and commercial contractors; and match these refined wartime ship maintenance requirements with refined peacetime needs to determine what peacetime capacity should be retained and modernized.

DOD agreed with our recommendations that wartime ship maintenance requirements should be better quantified. Further, the Navy is currently studying wartime and peacetime maintenance requirements to determine what level of maintenance capability should be retained and modernized. However, the study will take some time to complete. GAO will continue to monitor the Navy's action to provide a systematic approach to determine wartime ship maintenance requirements and the peacetime capability that should be retained and modernized. (LCD-78-426A, 1-26-79)

##### **Appropriations**

Military construction—Navy

##### **Appropriations Committee Issue**

The Committee should monitor the Navy's actions to assure that wartime ship maintenance requirements are better quantified.

## DEPARTMENT OF DEFENSE - MILITARY

### MAINTENANCE, REPAIR, AND OVERHAUL

#### *Unnecessary Procurement of A-10 Aircraft for Depot Maintenance Floats*

##### Departments of Defense and the Air Force

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

There is a need to reduce the number of F-14 and F-15 aircraft the Department of Defense (DOD) plans to procure. Concern is based on inconsistent and imprecise criteria to forecast requirements for support aircraft. The Defense Audit Service similarly concluded that the number of F-14s and F-15s needed for training, peacetime attrition, and substitution for aircraft undergoing overhaul were overstated. Current work on reducing DOD aircraft time in maintenance further demonstrates the necessity to reevaluate aircraft needs for depot maintenance float.

**Findings/Conclusions:** The review focused on the potential procurement of 61 A-10 aircraft as substitutes for aircraft undergoing depot maintenance. Even though the A-10 is being procured under a concept designed to eliminate the need for depot overhaul, the Air Force is still using a 10-percent factor to justify the purchase of 61 A-10 aircraft for maintenance float purchases. While Air Force criteria also allow substitutes for aircraft undergoing modifications, the full extent of the modification program for the A-10 is not known. In developing the 10-percent maintenance float factor, DOD has not systematically determined how quickly aircraft in the depot could be "buttoned up" and returned to their units under a wartime compressed work schedule and the influence of this rapid return on the requirements for maintenance float aircraft. Current Air Force planning documents show that, in addition to the A-10 and F-15, substitutes for the F-16 aircraft are scheduled for procurement.

Therefore, the type of analysis suggested could apply to these aircraft as well.

**Recommendations:** The Secretary of Defense should direct the Air Force to develop more precise justifications for maintenance float aircraft for the new Air Force systems, and meaningful data should be systematically accumulated, tracked, and updated to properly justify these aircraft requests to the appropriate oversight and appropriations committees. In addition, no procurements of aircraft, such as A-10 maintenance float, should be authorized, unless they can be adequately justified. (*LCD-79-431, 9-6-79*)

##### **Appropriations**

Procurement—Air Force  
Operations and maintenance—Air Force

##### **Appropriations Committee Issues**

On the basis of pricing data furnished the Congress, the A-10 will cost about \$5.2 million per aircraft. In addition, sizable annual operating costs per aircraft are involved. Therefore, if maintenance float aircraft on this weapon system were not needed, \$317 million in procurement funds and sizable annual operating funds could be saved. Similar savings would be available on other new systems, such as the F-16, which uses a similar maintenance concept.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### **Actions Needed To Improve Military Chain of Command and Inspectors General Grievance Procedures**

**Departments of the Army, Air Force, and Navy, and the United States Marine Corps**

**Budget Function:** General Government: Central Personnel Management (0805).

Surveys have shown that many members of the U.S. military services do not have confidence that the grievance procedures available to them are effective in resolving their problems.

**Findings/Conclusions:** The services believe that resolution of members' problems is a command responsibility and should be accomplished at the lowest possible level in the chain of command. The two principal systems available to service members, chain of command and Inspectors General (IG), fall short of meeting the criteria which personnel experts consider necessary for a workable grievance system. The Army and Air Force permit their members to initiate grievances with the IG without first attempting resolution through the chain of command. This often results in a duplication of effort, delays in resolution, and preclusion of supervisors from fulfilling a basic command responsibility. The Navy and Marine Corps do not provide such a degree of access to the IG; and, as a result, grievances can be buried in an ineffective command chain or members may feel compelled to go outside the services to government or congressional officials. The independence of the IG is questionable since they are responsible to and evaluated by the commanders on whose staffs they serve. Data on grievances are either nonexistent, incomplete, or inaccurate.

**Recommendations:** The Secretary of Defense should direct the services to adopt a grievance system composed of the chain of command and IG, with particular

emphasis on using the strength of the command chain as the primary source for initial problem resolution, and using the IG only for third-party review of disputed decisions or chain of command inaction. The IG, or an impartial adjudicator if necessary, should be sufficiently isolated from command control so that decisions will be creditable. Time limits should be established for each stage of processing and appeals. Data on formal cases processed and their outcomes should be developed and evaluated, along with periodic organizational performance assessments and members' attitude surveys. Members' awareness and confidence in the grievance system must be increased through well-documented and publicized procedures and reports of system success.

DOD generally agreed with most of GAO's recommendations and stated that the issues raised in the report merit attention at all levels within DOD. (FPCD-79-23, 6-11-79)

#### **Appropriations**

Operation and maintenance—Department of Defense

#### **Appropriations Committee Issues**

DOD needs to assure a fair and equitable grievance system for military service members.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *The Air Force Can Reduce Its Stated Requirements for Strategic Airlift Crews*

Departments of Defense and the Air Force, Office of Management and Budget

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Maintaining more crews than necessary to fly the C-5 and C-141 strategic airlift planes is costly and unjustified. The Air Force has determined that it needs four crews for each of these aircraft, but due to efforts to preserve the service life of the C-5 by limiting the flying hours of the fleet, only 3.25 aircrews are presently authorized for each C-5. The Air Force has developed and uses a computer model simulating the operations of the strategic airlift system under wartime conditions to determine crew needs. However, a number of factors the Air Force uses are unrealistic and tend to overstate crew needs.

**Findings/Conclusions:** GAO analyzed model simulations made by the Air Force and noted that during the first 45 days of an emergency, the period of highest demand, the utilization rate attained with a crew ratio of 3 to 1, with no flying hour limits imposed, was comparable to the rate attained with a 4 to 1 crew ratio with flying hour limits imposed. Where no flying hour limits were imposed, certain aircrews exceeded the 125 hours within 30 days' limit. This indicated that a reduced crew ratio warrants serious consideration. A reduction of the aircrew ratio from the currently authorized 3.25:1 to 3:1 for the C-5, and from 4:1 to 3:1 for the C-141, would lower the Air Force's annual funding requirement by as much as \$105 million for the strategic airlift operational fleet if only active duty personnel were reduced. The Air Force omitted the effects of aircraft attrition in estimating required crews. At least three extra crews become available when each plane is lost. The Air Force indicates the extent of fatigue varies among aircrew positions; does not consider ground times at home stations to perform aircraft maintenance in its latest model simulations; assumes that all required crewmembers are fully qualified, onboard, and available for flying duties; and assumes, in its computer model, that crews must perform staff duties as well as flying airlift missions.

**Recommendations:** To improve the process of determining strategic airlift crew requirements and achieve more valid ratios, the Secretary of Defense should require the Secretary of the Air Force to: revise the airlift simulation model program to reflect a peacetime to wartime transition and achievable aircraft utilization rates which do not exceed those established by the Secretary of Defense; reassess the established flying hour limits for aircrews to determine the feasibility of increasing them, especially the 125-hour/30 day limit; include attrition rates for strategic airlift aircraft and assess the impact such attrition would have on the number of aircrews required; evaluate the feasibility of establishing different aircrew ratios for each crew position based upon differing fatigue rates for the various positions; reassess the need for airlift crews to perform staff duties during wartime to the detriment of flying operations; recognize, in aircrew requirements' estimates, that all crews will not be fully qualified and available at any point in time; and include ground times at home stations in estimating the hours planes are available for flying.

The Air Force has initiated a study, not yet completed, involving changes in the strategic airlift simulation model which incorporates many of GAO's recommendations. However, the Air Force disagreed that aircraft attrition should be included because the remaining crews would be needed to operate fewer aircraft longer. The Air Force also did not agree that different crew ratios should be established for each crew position because the extent of fatigue varies between positions. The Air Force felt that mission demands for flexibility to perform a variety of missions in a fast-moving conflict would require that a uniform crew ratio be maintained for all crew positions. (LCD-79-411, 9-19-79)

## **Appropriations**

Military personnel—Air Force.

### **Appropriations Committee Issues**

Changes to the process for determining crew ratio requirements could reduce the number of crews which must be trained and maintained to meet airlift requirements.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *AWOL In the Military: A Serious and Costly Problem*

##### Department of Defense, Army, Navy, and Air Force

**Budget Function:** National Defense: Defense-related Activities (0054).

**Legislative Authority:** Executive Order 11476. Parker, Warden, et al. v. Levy, 417 U.S. 733 (1974). 10 U.S.C. 856 (U.C.M.J., art. 56). 10 U.S.C. 885-887 (U.C.M.J., art. 85-87).

Over the 4-year period ended June 30, 1977, the military reported 608,000 absence without leave (AWOL) incidents exceeding 24 hours, costing the Government \$1.1 billion.

**Findings/Conclusions:** A low AWOL rate may reflect sound personnel leadership, good management, and an effective system of punishments which deters and rehabilitates. On the other hand, a low rate may reflect success in recruiting high school graduates and the quick separation of AWOL-prone people. However, jobs affect AWOL rates regardless of education level and mental ability; people assigned to low-skill or undesirable jobs have much higher AWOL rates than people assigned to higher skill jobs which are generally viewed as more desirable and challenging. Even though better educated and more intelligent people go AWOL less often than others in the same jobs, their AWOL rates increase as the skill level of their job decreases. Although the military justice system authorizes punishment for AWOL, it also permits no punishment and provides no guidance on normal ranges of punishment between these two extremes. The services' practices in dealing with AWOL lack credibility and compromise the deterrent potential in making AWOL a crime. After AWOL offenders are punished, commanders lack the needed criteria to make cost-effective decisions as to whether these individuals should be retained or separated. Inadequate policy guidance combined with differing attitudes among the services and commanders have resulted in wide disparities in the reasons for separation and the types of discharges imposed.

**Recommendations:** The Secretary of Defense should propose to the President changes to the Manual for Courts-Martial to establish norms for level of disposition and quantity of punishment for the different lengths of AWOL, with deviations from the norms permitted where justified by aggravating, mitigating, or extenuating circumstances; direct the services to evaluate periodically the consistency and effectiveness

of the quantity and types of punishments imposed to determine whether changes to the Manual for Courts-Martial should be recommended to the President; revise the Department of Defense directive on administrative discharges to eliminate the discharge in lieu of court-martial; develop criteria for separating people with a record of AWOL; require a discharge with no characterization for people who do not serve a minimum number of months, regardless of the reason for separation, except where a court-martial directs or for medical or hardship reasons; determine the relative cost effectiveness of the groups (high school or non-high school graduates for the various mental categories) recruited in each service based on their attrition and proficiency rates, to be used to determine the extent to which more could be spent to attract cost-effective people; and exercise leadership and oversight in developing and maintaining a methodical approach for dealing with AWOL encompassing the life cycle of the problem from recruit quality through the separation of offenders. The Congress should revise article 56 of the Uniform Code of Military Justice to authorize the President to provide guidance for determining disposition levels and punishments for AWOL offenders.

DOD agreed with many recommendations and stated others would require further evaluation. However, DOD disagreed with the GAO recommendations to establish guidance for punishment, eliminate the discharge in lieu of court-martial, or to discharge service members without character of service not serving a minimum number of months. (FPCD-78-52, 3-30-79)

#### **Appropriations**

Operation and maintenance—Department of Defense  
Pay and allowances—Department of Defense

#### **Appropriations Committee Issues**

OSD needs to improve oversight of AWOL problem.



## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *Can the Individual Reserves Fill Mobilization Needs?*

##### Department of Defense

**Budget Function:** National Defense (0050).

**Legislative Authority:** Armed Forces Reserve Act of 1952 (10 U.S.C. 267). Reserve Forces Act of 1955 (10 U.S.C. 269-272). 10 U.S.C. 651(a).

The U.S. military forces are currently manned at a peacetime level. A large number of personnel is needed to bring the forces up to a wartime level. Personnel having military experience would be provided by the Active Forces, the Selected Reserve, the Individual Ready Reserve (IRR), the Standby Reserve, and the Retired Reserves. In later months, these pretrained personnel could be supplemented by newly trained draftees or volunteers. However, there is a serious shortfall in pretrained personnel. An examination of the Army's Total Force elements in both fiscal year 1964 and 1978 shows that in 1978 the Army's largest strength decline was in the IRR. Whereas the strength of the Active Army, the Army National Guard, and the Army Reserve, collectively, declined about 20 percent, the IRR has fallen from a level of 461,000 to 177,000, which is a reduction of 62 percent. The Army Total Force of almost 2.3 million in 1964 has been reduced by more than 700,000. The Office of the Secretary of Defense is considering the following programs for resolving the mobilization shortages: extending the 6-year obligation to women, stopping the automatic transfer of IRR members to the Standby Reserve, screening of active duty and Selected Reserve separatees for transfer to the Army IRR, using a direct enlistment program into the IRR, restoring the 2-year enlistment option for the Active Forces, using retirees and civilians, drafting veterans, and extending the 6-year obligation to 9 years.

**Findings/Conclusions:** It is highly unlikely that all of these proposed improvements will materialize. In fact, GAO believes that drafting veterans could hinder the services' ability to attract volunteers for the Active Forces, the Guard, and the Reserve Force. This could be particularly true if potential volunteers realize that they will have an additional obligation in the event of mobilization, whereas their peers and associates would not have similar obligations. Concerning the IRR, it was stated that some 70 percent would report if

called. Approximately 75 percent of the filler and replacement needs for the Army would be in the combat arms, or the medical, combat engineer, and direct support fields; however, only 25 percent of the IRR personnel possess these primary skills. Neither the Office of the Assistant Secretary of Defense nor the services have made provisions for retraining nor have they made an assessment of existing skills. In addition, the mobilization needs of the Army are mostly for young low-rank enlisted personnel, and a disproportionate number of men and women in the supplementary pools are noncommissioned or commissioned officers.

**Recommendations:** In evaluating any legislative proposals intended to correct individual reserve shortages, the Congress should make sure that all principal alternatives have been adequately considered. The Congress should also require the Department of Defense to identify the probable impact of the proposed changes on other total force components. Congress needs to assure itself that the actions proposed are responsive to the short-term and long-term needs of the services. The Secretary of Defense should require the services to determine what pretrained personnel they will need in full mobilization and in what timeframe. The determination should include an assessment of the casualty rates, expected yield rates, and replacement requirements for the Active and Selected Reserve Forces. The Secretary of Defense should also require the Army to determine the probable impact of any actions taken or planned to correct IRR shortages on the other total force components, especially the Active and Selected Reserve Forces.

The Office of the Secretary of Defense (OSD) stated that the report was a useful background paper. OSD also suggested that GAO should have focused more on recent mobilization manpower requirement data.

GAO plans to do a followup review on the OSD recent management program and where the OSD is headed regarding the individual reserve. (FPCD-79-3, 6-28-79)

**Appropriations**

Military personnel—Departments of Defense, Army, Navy, Air Force, and United States Marine Corps

**Appropriations Committee Issues**

The Committee should be assured that all principal alternatives have been adequately considered before agreeing to draft veterans.

# DEPARTMENT OF DEFENSE - MILITARY

## MILITARY MANPOWER

### ***Changes Needed In Operating Military Clubs and Alcohol Package Stores: Volume 1***

**Departments of Defense, the Army, Air Force, and Navy**

**Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).**

The Department of Defense (DOD) believes the military club system and related alcohol package store operations are vitally important to the morale of servicemen. However, the system is having considerable financial difficulties. GAO studied the operation and management of military service clubs and related alcoholic beverage store operations.

**Findings/Conclusions:** Military clubs generally consist of separate physical facilities for officers, noncommissioned officers, and enlisted personnel with a consolidated alcohol beverage package store to serve all personnel. These entities constitute a major business enterprise with gross sales revenues in the millions. Package store operations are profitable. However, reliance on package store profits not only serves as a disincentive to effective and efficient management but is also inconsistent with congressional intent that these profits benefit all personnel. Clubs are also dependent on appropriated fund support. Military personnel costs constitute a major portion of appropriated fund support which is inconsistent with the DOD policy that civilians be employed in morale, welfare, and recreational activities to the extent practicable. Some of the problems within the club system can be corrected through effective and innovative management. The current decentralized management approach provides installation commanders with almost ultimate unlimited flexibility in club operations and their actions are not always in the best interest of the clubs.

**Recommendations:** The Secretary of Defense should: (1) strengthen management of the system by transferring responsibility for club operations from installation commanders to a strong central management authority; (2) direct that profits from package store opera-

tions be used primarily to support essential morale, welfare, and recreation activities benefiting all base personnel; (3) direct that package store and club operations be separated as they have been by the Army and the Air Force in Europe to provide a clearer picture of club operations and package store distributions; (4) direct that dependence on appropriated fund support to clubs be reduced and that the services civilianize club operations to the maximum extent practicable using appropriated funds; and (5) direct the military services to seriously consider consolidating club services when all attempts at achieving self-sufficiency have proven unsuccessful.

DOD found our report constructive and helpful in presenting a range of alternative courses of action. DOD intends to examine each of these alternatives and to request additional input from the military departments through the DOD Morale, Welfare, and Recreation Coordinating Committee. The Chairman, Nonappropriated Fund Panel, held hearings on these issues October 16, 17, 18, and 23, 1979, to examine DOD's progress. (FPCD-79-9, 1-15-79)

#### **Appropriations**

Military personnel—Army, Navy, and Air Force  
Operations and maintenance—Army, Navy, and Air Force

#### **Appropriations Committee Issues**

Dependence by military clubs on appropriated support should be reduced. The services should civilianize club operations to the maximum extent practicable using nonappropriated funds.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### **Classification and Linkage of Reserve Technician Grades and Military Ranks**

**Department of Defense, Office of Personnel Management, and Office of Office of Management and Budget**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** National Guard Technicians Act of 1968. 32 U.S.C. 709.

An examination of the Army Reserve technician program showed that about 46 percent of the Army Reserve dual-status technicians (military reservists who are also civilian employees of the Reserves) cannot be mobilized with their Reserve units because some of these technicians are assigned to military positions in units other than the one in which they are employed, and the remainder are not qualified to hold military positions. This creates a serious problem because the mobilization objective cannot be achieved to provide continuity in readiness for Reserve components. Unlike the National Guard technician program, there is no express statutory authority for the civilian technician programs of the Army and Air Force Reserves. The technicians in these services, therefore, are competitive service appointments under general civil service laws. The problem is not as great in the Air Force as in the Army due to more effective management of the Air Force technician program, and because Air Force Reserve units are more centrally located in areas in which there are larger Federal work force populations.

**Findings/Conclusions:** Efforts by the Department of Defense (DOD) to correct the problem have been unsuccessful. DOD requested the Office of Management and Budget (OMB) to change Army and Air Force Reserve technicians from the competitive to the excepted service, but the Civil Service Commission (CSC) (now the Office of Personnel Management) opposed the proposals. The CSC position emphasized that the jobs are civilian competitive service jobs, and current incumbents should not be affected by any changes. Legislative action is needed to obtain the same degree of military consideration and mobilization readiness for the Army and Air Force Reserve technician programs as in the National Guard technician program. The legislation should provide for con-

verting reserve technician positions from the competitive to the excepted service. For individuals who do not retire under discontinued service provisions, the legislation should be designed to allow members directly affected to find other employment. DOD should provide placement assistance for status quo technicians during a 2-year period. At the present time DOD is conducting a test program proposed by the House Appropriations Committee to determine the effectiveness of filling these positions with full-time military personnel, but implementation of this program will not solve the status quo or the problem of misassigned technicians until the technicians retire or voluntarily leave.

**Recommendations:** The Secretary of Defense should promptly submit legislation to Congress placing Army and Air Force Reserve dual-status technicians under the excepted service while, at the same time, taking into consideration the concerns expressed by CSC.

The DOD generally agreed with our recommendations and is currently working with OPM and OMB personnel on proposed legislations to place Army and Air Force Reserve dual-status technicians under excepted services. (FPCD-79-18, 2-26-79)

#### **Appropriations**

Military personnel—Army and Air Force

#### **Appropriations Committee Issues**

Failure to maintain and utilize the dual-status technician force as originally intended by the Committee will not contribute to enhanced mobilization readiness at the optimum cost.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *A Contributory Retirement System for Military Personnel*

##### Departments of Defense, the Army, Navy, and Air Force

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).

**Legislative Authority:** Uniformed Services retirement are set forth in titles 10, 14, 33, and 42 of the U.S.C.

Military retirement costs are increasing sharply. In fiscal year 1976 the retired military population reached 1.1 million members who received an estimated \$6.9 billion in payments (estimated to be \$9 billion in fiscal year 1978). Partly because of this cost increase, the Department of Defense proposed legislative reform of the military retirement system. The proposal, which did not include a contributory feature, would allow Defense managers to closely control the number of military personnel who become eligible for retired pay. This would eventually reduce retirement costs. No action was taken by the Congress on this proposal (H.R. 7769). Defense is currently evaluating the Commission on Military Compensation study and intends to submit legislation to the next session of the Congress revising the current military compensation system.

GAO reported to the Defense Task Force, Senate Budget Committee, on the issue of a contributory retirement system for military personnel. The report identified the advantages and disadvantages, cost implications, and the issues to be resolved. We estimated that about \$1 billion could be saved the first year under such a system, assuming the same benefits as the present system and no retirement fund, if military personnel were to contribute 7 percent of their basic pay toward retirement costs. Varying the factors and assumptions can result in lesser savings or even increased costs. While the Department of Defense

recently submitted legislation to revise the military retirement system, it did not address the contributory retirement issue. (FPCD-76-43, 3-4-76)

#### Appropriations

Military personnel—Army, Navy, and Air Force

#### Appropriations Committee Issues

1. Significant savings may be possible by adopting a contributory retirement system for military personnel. The Department of Defense, in conjunction with the Office of Management and Budget, should consider incorporating a contributory feature in proposed legislative reform of the retirement system.
2. Guidance from the Congress should be provided to the Department of Defense and Office of Management and Budget on unresolved issues pertaining to adoption of a contributory retirement system, such as
  - how contributions should be computed;
  - whether pay should be increased to offset contributions; and
  - how the military retirement system should be integrated with Social Security.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### ***Critical Manpower Problems Restrict the Use of National Guard and Reserve Forces***

**Departments of Defense, the Army, Air Force, Navy, and the United States Marine Corps**

**Budget Function: National Defense (0050).**

U.S. Reserve forces have manpower problems that would seriously limit their ability to perform if needed quickly in wartime. In 1973, the United States adopted the All-Volunteer Force concept to staff its military forces. One of the important changes implemented, along with the All-Volunteer Force, was the total force concept, which declared an integration of the roles of the active and Reserve components into one unified fighting force.

**Findings/Conclusions:** Both combat and combat support and combat service support units in the Selected Reserve would be scheduled for deployment in the early phases of a major war in Europe. However, serious manpower shortages limit the Reserves components' ability to perform their wartime missions. The overall shortage amounts to about 200,000 people. Most of the shortages are in the Army components. Aggravating the manpower shortages is the fact that many people already in the Reserve forces are not qualified for their assigned jobs. Further complications are caused by personnel turnovers when more than the desired number of experienced people are lost and, in turn, are replaced by people who may be new to the military or to the jobs they are doing in the Reserves.

**Recommendations:** The Secretary of Defense should assign specific responsibility for designing and implementing solutions to these problems and direct that the designated action office increase full-time support in the Army Guard and Reserve; develop incentives for

service in the Reserve components; and improve readiness and deployability through organizational changes. The plan should include estimates of the cost and effects of various program levels for alleviating manpower shortages and improving the readiness of the Reserves; and provide for collecting data needed to assess the effectiveness of these programs. The Secretary should present the plan to Congress together with his recommended actions.

DOD in general concurred with the report and the Deputy Assistant Secretary of Defense for Manpower, Reserve Affairs and Logistics assured GAO that the recommendations made in the report are receiving the full attention of the Department of Defense. A program called "Guard and Reserve Readiness" has been developed to oversee that the improvements are being accomplished. (FPCD-79-58, 7-11-79)

#### **Appropriations**

Military personnel—Departments of Defense, Army, Navy, Air Force and United States Marine Corps

#### **Appropriations Committee Issues**

Increasing the full-time support in the Army Guard and Reserve would increase the cost. However, this would allow for more time to be spent on mission training, thereby increasing the readiness of the units.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### ***Defense Use of Military Personnel In Industrial Facilities--Largely Unnecessary and Very Expensive***

**Departments of Defense and the Navy, Office of Management and Budget**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** B-146890 (1972), B-146890 (1974).

After making a case study of military staffing at the Naval Weapons Support Center in Crane, Indiana, in 1976, GAO recommended that the Department of Defense (DOD) review all other commercial and industrial military support activities to identify how military personnel could be reduced and how the activities could be made more efficient and economical by using more civilians. It was estimated that about 10,000 military personnel were assigned to commercial and industrial military support activities.

**Findings/Conclusions:** A followup study at Crane and four other installations indicated that desirable levels of civilianization have not been achieved. The majority of military personnel were performing supervisory, administrative, and other technical functions that could be performed by civilians. One reason for the lack of progress may be the difficulty in obtaining increased authorization and funding for civilian personnel.

**Recommendations:** DOD should request Congress, through the Office of Management and Budget, to adjust authorizations and appropriations to accommodate increases in civilian personnel and decreases in military personnel. The Secretary of Defense should have reviews made at all command and industrial military support activities to identify how military personnel could be reduced and how the activities could be

made more efficient and economical by employing more civilians. The Navy should be directed to convert the work force at Crane as suggested, and changes from military personnel to civilian personnel should be made by normal rotation and reassignment. As these changes occur, Navy appropriations should be adjusted to reduce manpower costs.

DOD responded that Navy and DOD staff would make an on-site review at Crane, and that the services had been directed to reduce costs associated with support of military people at those activities where costs are excessive. DOD has not completed its action. DOD did not comment on using more civilians. (FPCD-79-10, 5-1-79)

#### **Appropriations**

Military personnel—Navy

#### **Appropriations Committee Issues**

Military support costs could be reduced if military personnel were not assigned to commercial and industrial installations which carry on primarily civilian-type functions.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### ***DOD's Oversight of Individual Skill Training in the Military Services Should Be More Comprehensive***

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

The military services spend about \$3 billion a year in formal specialized training in military service schools. The individual services are responsible for the day-to-day management and delivery of training, but the Office of the Secretary of Defense (OSD) has oversight responsibility for the effectiveness and economy of the overall military training program.

**Findings/Conclusions:** The amount and quality of the OSD oversight is inadequate. Improved oversight is needed to insure that the services adhere to training policies aimed at improving efficiency and effectiveness. Oversight can be improved without infringing on the flexibility of the services to manage their respective programs. The services need to improve the management of training and the magnitude of specialized skill training.

**Recommendations:** To improve OSD oversight of specialized skill training activities, the Secretary of Defense should: provide more systematic oversight of individual on-the-job skill training in operational units; clarify, in writing, the training oversight roles and responsibilities of all levels within the Office of the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics); clarify Defense policies for specialized skill, training and make them more

comprehensive; establish a system for overseeing the operations of the Interservice Training Review Organization; intensify oversight of specialized skill training provided in institutions to include obtaining and analyzing more complete, timely, and accurate information on the amount, cost, and effectiveness of training; and reexamine the cost benefits of a single integrated servicewide training management information system to provide timely, consistent, and accurate data to managers at all levels.

DOD stated that final decisions on the study recommendations will await evaluation by the military departments of a related study by DOD titled "Combat Effective Training Management". (FPCD-79-13, 7-31-79)

#### **Appropriations**

Operations and maintenance—Department of Defense

#### **Appropriations Committee Issues**

OSD needs to improve its oversight of specialized skill training.



## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *Efficiency of Reserve and Guard Training Has Improved Since 1974, but More Can Be Done*

Departments of Defense, Air Force, Army, Navy, and the United States Marine Corps

**Budget Function:** National Defense (0050).

To assure a swift transition in case of war or national emergency, modern military strategy depends on the Selected Reserves to quickly augment the Active Forces with skilled reservists. The ability of the Selected Reserves to perform is questionable because of critical manpower weaknesses, two of which are the shortage of qualified people and high turnover rates. The use of training time directly affects Reserves' qualifications, personnel shortages, high turnover rates, and readiness. The review of Reserve training was based mostly on questionnaires mailed to reservists and unit commanders, and the results were compared to those of a 1974 review.

**Findings/Conclusions:** Until the Department of Defense makes substantive changes in how training time is spent, it is unlikely that conditions will improve. Although skills and opportunities for mission training in official jobs vary widely among units and members, nearly all reservists are required to attend the same number of drill sessions and active duty each year. However, since the 1974 review, idleness has decreased from 22 percent of drill time to 11 percent. The survey indicates that the more time reservists spend training or working in their official jobs, the more satisfied they are with the drill and active-duty training programs. In the current study, 79 percent of the unit commanders said their members needed more training, as opposed to 47 percent in 1974. One way to provide the needed training is to assign more of the responsibility for it to the Active Forces. Another way training could be improved is to increase the length of active duty and reduce the length of drill time. Any new approach must offer enough incentives for reservists to become fully qualified to perform their official jobs.

**Recommendations:** The Secretary of Defense should analyze Reserve training alternatives for each of the services and spell out specific advantages and disad-

vantages for the Congress' consideration. The analysis should consider (1) the feasibility and cost of basing reservists' pay on expertise and ability to meet training and personnel requirements; and (2) the availability of equipment, facilities, and other support requirements. In addition, it is recommended that the Secretary direct the services to: (1) expand mutual support and service affiliation agreements, including arrangements to use the facilities and equipment of the Active Forces for Reserve training, particularly in those components where little or no progress has been made since 1974; (2) reduce or eliminate much of Reserve units' administrative workload; and (3) restrict the use of reservists' time spent outside their official jobs on activities that are not mission essential.

DOD had some reservation in directing the Services to implement in total the recommendations contained in the report due to component peculiarities, characteristics and required deployment response time. They were forming a group with representatives of all components to analyze the issues, findings, and recommendations contained in the report. (FPCD-79-59, 7-30-79)

#### **Appropriations**

Military personnel—Department of Defense, Army and Navy

#### **Appropriations Committee Issues**

If a variable pay program such as, (1) reservists attaining a certain level or (2) variable drill schedule based on supply and demand for specific skills, were enacted this could have some impact on the amount of funding needed.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### ***Employee Standards of Conduct: Improvements Needed In the Army and Air Force Exchange Service and the Navy Resale System Office***

Departments of Defense and Justice, the Army, Navy, and Air Force, Office of Personnel Management

**Budget Function:** General Government: Central Personnel Management (0805).

**Legislative Authority:** Executive Order 11222. P.L. 95-521. DOD Directive 5500.7. 18 U.S.C. 207. 18 U.S.C. 208. 18 U.S.C. 281. 37 U.S.C. 801.

The Army and Air Force Exchange Service (AAFES) and the Naval Resale System Office (NAVRESO) are the largest of the nonappropriated-fund agencies. They were established to provide merchandise and services to military service personnel at the lowest practical price and to contribute to military welfare and recreation programs from operating profits. Certain aspects of the agencies' standards of conduct programs need improvement including the enforcement of post-employment statutes and the financial disclosure systems.

**Findings/Conclusions:** Although three statutes restrict the post-employment activities of Exchange Service and the Resale System Office employees, the Resale System Office has no system to detect and prevent violations. The Exchange Service has a system, but inadequate filing, processing, and review procedures prevent it from being effective. Nineteen cases were found of possible violations of post-employment laws restricting selling activities of retired military officers at the Exchange Service and referred to the Department of Justice and the military finance centers for further inquiry and disposition. Since the Exchange Service and the Resale System Office operate under Department of Defense standards of conduct regulations, the same problems could exist in other Defense agencies.

**Recommendations:** The Secretary of Defense should: require AAFES and NAVRESO to identify all positions which normally provide opportunities for conflicts of interest and require incumbents to file annual financial statements; require the development of specific guidance as to the types of financial interests, outside employment, or other situations which could create

the appearance of conflicts of interest; clarify instructions on the DOD disclosure form to require that the employment of spouses, minor children, and other household members be reported; require that all consultants and advisors file disclosure statements; and require periodic audits of the standard of conduct regulations and the financial disclosure systems throughout DOD to determine whether they are adequate. The Director of the Office of Personnel Management should: develop new regulations concerning confidential financial disclosure systems addressing the problems discussed, and thoroughly study the criminal and civil selling laws to determine their effectiveness and how they should be amended and enforced.

The Department of Defense generally agreed with GAO's recommendations and some corrective actions are being taken. The Office of Personnel Management agreed with GAO's recommendations, but indicated that additional time would be needed to implement the recommendation. (FPCD-79-15, 4-24-79)

#### **Appropriations**

Military personnel—Office of Personnel Management

#### **Appropriations Committee Issues**

New regulations for confidential financial disclosure systems need to be developed by the Office of Personnel Management.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### ***An Evaluation of Department of Defense Comments on a Critical Report; Enlisted Career Force Management Systems.***

#### **Departments of Defense, Army, Navy and Air Force**

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).  
**Legislative Authority:** National Defense Act of 1947.

A September 1977 report on enlisted career force management pointed out many management improvements that have been made in the military services and the Department of Defense (DOD) to correct enlisted career force imbalances and prevent them from recurring. However, action needs to be taken to bring the career force into balance with enlisted force objectives earlier than the 7 to 10-year timeframe planned by the DOD. The report recommended developing ways to measure the effectiveness of enlisted career force objectives on a cost-benefit basis and discussed the use of such measurements.

**Findings/Conclusions:** DOD did not concur with the recommendation that management policies be established to expedite bringing the enlisted career inventory into agreement with the objective force profile. The agency pointed out that each individual has a valid job commensurate with his or her grade and skill level, and none is surplus to the total requirements of the service. DOD also did not agree that the Navy utility model should be used on an interim basis. The utility measures developed by the Navy are not transferable to other services, are only approximate measures of benefits, and possess other shortcomings. The recommendation separately promotes the utility concept and its application and the costing methodology developed by the Navy. DOD deferred comment on the recommendation that Congress enact legislation authorizing readjustment pay for enlisted personnel who are involuntarily separated until the President's

Commission on Military Compensation (PCMC) makes its final report. In its report the PCMC recommended severance pay for personnel involuntarily separated after 10 years of service. The DOD Retirement Proposal includes severance pay provisions for all personnel involuntarily separated after 5 years of service and either a deferred annuity payable at age 60 or a lump sum early withdrawal cash payment.

Although formal comments were not received, we were advised that Defense will do little to carry out our recommendation. In its comments to the September 1977 report, Defense disagreed that careerists were in excess in certain specialties and that the Office of the Secretary of Defense had insufficient staffing assigned to management of enlisted personnel. (FPCD-78-20, 3-13-78)

#### **Appropriations**

Military personnel—Departments of Defense, Army, Navy and Air Force

#### **Appropriations Committee Issues**

Failure to maintain our enlisted military strength at appropriate objective force levels and using higher graded career military personnel in unnecessary jobs will contribute to excessive Defense costs.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### ***Fundamental Changes Needed To Improve the Independence and Efficiency of the Military Justice System***

##### **Department of Defense**

**Budget Function:** National Defense: Defense-related Activities (0054).

**Legislative Authority:**

Military Justice Act of 1968, P.L. 90-632, 80 Stat. 1335, 10 U.S.C. 801, 64 Stat. 108, H.R. 866 (94th Cong.), H.R. 3999 (95th Cong.), H.R. 12613 (95th Cong.), DOD Directive 4000.19, Army Regulation 27-10, *United States v. Newcomb*, 5 M.J. 4 (1978), *United States v. Hedges*, 11 USCMA 642, 29 CMR 458 (1960), *United States v. McLaughlin*, 18 USCMA 61, 39 CMR 61 (1968), *United States v. Wright*, 17 USCMA 110, 37 CMR 374 (1967), *United States v. Broynx*, 45 CMR 911 (1972), *United States v. Carpenter*, 1 MJ 384 (CMA 1976), *United States v. Ledbetter*, 2 JM 37 (CMA 1976), *United States v. Willis*, 3 MJ 94 (CMA 1977), *Parker, Warden, et al v. Levy*, 417 U.S. 733 (1974).

The military justice system encompasses the processes for imposing punishment on military personnel and for challenging the punishment imposed. The system operates separately from the civilian justice system under constitutional and legislative authority. The military justice system has been criticized as being inequitable because it deprives military service members of many due processes of law.

**Findings/Conclusions:** Many problems were found in defense and trial counsel organizations in the four military services that lead to perceptions that military justice is uneven, unfair, and of low priority. In the Army and Marine Corps, defense counsels work directly for convening authorities who are also commanding officers. In the Army, Navy, and Marine Corps, inadequate staffing criteria and personnel assignment practices have resulted in significant differences in the number of cases per counsel. Procedures to assign counsel based on experience, complexity, and current workload are the exception rather than the rule. The number of support staff is generally inadequate, and procedures for selection of witnesses generally favor the prosecution. Counsel effectiveness is frequently hampered by inadequate facilities, equipment, and courtrooms and by a lack of privacy. Under current organizational modes, the costs of military justice are unknown. There should be a single defense and trial counsel organization within the Department of Defense.

**Recommendations:** The Secretary of Defense should: consolidate defense and trial counsel organizations at single bases and proximate bases where feasible and cost-effective, establish budgeting processes allowing for the development of total costs of military justice

and for comparison of costs between services, and study and report on methods to enhance the independence of counsel. He should also: direct the services to establish uniform criteria and methods for identifying numbers of counsel and support staff needed and make assignments consistent with the counsel's experience, workload, and case complexity; propose changes to the Manual for Courts Martial; and direct the services to establish systems to fund logistical support to counsel. The Congress should revise the Uniform Code of Military Justice to remove convening authorities' responsibility for administering and funding the justice system and earmark specific amounts in defense appropriations for the operation and maintenance of military justice facilities and equipment.

DOD stated that all but one recommendation has merit and it is considering them. DOD did not concur in the recommendation to study and report on the possibility of establishing a single DOD defense and trial counsel organization. (FPCD-78-16, 10-31-78)

#### **Appropriations**

Operation and maintenance—Department of Defense  
Pay and allowances—Department of Defense

#### **Appropriations Committee Issues**

Earmark specific amounts in DOD organizations for the operation and maintenance of military justice facilities and equipment.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *Improvements Can Be Made In the Management of Naval Recruit Training*

##### Department of Defense and the Navy

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

The Navy Recruit Training program is the largest single-purpose training program in the Navy, costing an estimated \$150 million in fiscal year 1979, with approximately 80,000 individuals receiving basic introductory and indoctrination training. GAO reviewed the program at the Naval Recruit Training Center in San Diego, California, and the centers at Great Lakes, Illinois, and Orlando, Florida, were also visited. Studies were examined and recruits were observed during the training cycle from inprocessing through graduation. Discussions were held with officials at the recruit centers; the skill training schools in San Diego; the Naval Technical Training Command in Millington, Tennessee; and the Naval Training and Education Command at Pensacola, Florida.

**Findings/Conclusions:** The results of the GAO review indicated the following problem areas: lack of recruit training effectiveness assessment; opportunities to reduce training length; need for greater curriculum standardization; opportunities to use skill training to reinforce recruit training goals; use of special recruit units, such as drum and bugle corps, drill teams, etc.; and unexplained differences in recruit training time.

**Recommendations:** The Secretary of Defense should direct the Secretary of the Navy to: (1) restate recruit training goals in terms which can be measured, with input from the fleet; (2) establish a more systematic feedback system from the fleet on the required and actual performance of recruit graduates; (3) reevaluate, using the restated training goals and fleet input,

the length and content of the Navy's recruit training program; (4) provide greater management oversight to assure optimum standardization of the training program curriculum and testing procedures or provide more centralized management of the program; (5) review the need for special recruit units and the reasons for variances in recruit training delay times among the three training centers; and (6) find out the reason and justification for the differences in average training time among the three training centers. The Secretary of Defense also should review the applicability of these issues to the other services, particularly the need for more explicit training goals and an improved feedback system from operational units on the requirements for and performance of recruit graduates.

DOD indicated that a number of actions were being taken to address the matters discussed in the report. (FPCD-79-22, 2-9-79)

#### **Appropriations**

Operation and maintenance—Navy

#### **Appropriations Committee Issues**

The Navy can improve the management of its recruit training program.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### **Management and Use of Army Enlisted Personnel: What Needs to Be Done**

##### **Departments of the Army, Navy, and Air Force**

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).  
**Legislative Authority:** Armed Forces Enlisted Personnel Bonus Revision Act of 1974 (P.L. 93-277; 88 Stat. 119; 37 U.S.C. 308). Army Regulation 600-200. Army Regulation 614-200. Army Regulation 614-6. DOD Directive 1304.21. DOD Directive 1315.7. 10 U.S.C. 3062.

For many years, the Army relied on the draft to acquire a large, continuing supply of new personnel. Since the draft ended, it has pursued an aggressive program to recruit volunteers, paying bonuses to enlistees for critically needed skills. Although the Army has shortages of enlisted personnel in critically needed skills, it has substantial numbers of individuals qualified in those skills. It has had problems in maintaining an inventory of personnel with skills to match its needs. The Army needs a workable system for distributing, assigning, using, and accounting for its personnel.

**Findings/Conclusions:** Army personnel management policies, regulations, and instructions need to be made more specific to guide officials at headquarters and field installations in attaining the most effective distribution, assignment, and use of enlisted personnel practicable. The Army's combat mission capability has priority, but its peacetime role and demands on personnel are important. Headquarters has not officially recognized that its personnel management policies and instructions must also serve peacetime needs. There is little or no peacetime need for some authorized positions in garrison, but some garrison needs that do exist are not always met. The personnel distribution and assignment system often does not get the right people to the right place at the right time. In the absence of standard procedures, each installation manager must, to some extent, apply his own techniques and judgment to the allocation of skilled personnel.

**Recommendations:** The Secretary of Defense, with the cooperation of the Secretary of the Army, should: designate a single authority to describe and enforce policies and regulations and to issue specific instructions to guide officials at all levels; develop techniques for managing enlisted personnel by skill to provide more effective control over the acquisition, distribution, assignment, and use of personnel; determine whether the policy for the payment of enlistment

bonuses is administered prudently; clarify criteria to be used in measuring personnel readiness; modify the personnel reporting system to provide realistic data for each individual; and direct audit, inspection, and other evaluation organizations to intensify their examination of and reporting on the effectiveness of personnel management.

Defense replied that the Army Deputy Chief of Staff for personnel is the single authority for prescribing personnel policies, and that commanders at all levels have the responsibility to carry out these policies. The Army gave no indication of change in this area. The Army said it is now testing a completely revised distribution and assignment system, PERDDIMS, which will give personnel managers a central inventory control by skill classification. The Army also said it will adopt revised personnel readiness reporting criteria and status. It said that existing audits, inspections, and surveys are the proper means for insuring the accuracy of personnel utilization. The Department of Defense said that it makes a detailed review annually of each skill proposed for payment of a bonus, and was confident that the programs of the Army and the other services comply with the intent of 37 U.S.C. 308a. However, the House Committee on Appropriations was not satisfied and reduced the amount the Army requested for enlistment bonuses for fiscal year 1979 by \$4.4 million. The Senate Committee on Appropriations concurred, and this reduction was reflected in the FY 1979 Defense appropriation approved by the Congress. (FPCD-78-6, 2-16-78)

#### **Appropriations**

Military personnel—Army

**Appropriations Committee Issues**

Cost could be reduced and personnel effectiveness increased with improved management and use of Army enlisted personnel.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### ***Military Personnel Cuts Have Not Impaired Most Morale, Welfare, and Recreation Activities***

**Budget Function:** National Defense: Defense-related Activities (0054).

**Legislative Authority:** Defense Appropriations Act, 1978. Defense Appropriations Act, 1979. Civil Service Reform Act of 1978. P.L. 95-454. B-146890 (1974).

Morale, welfare, and recreation (MWR) activities in the military services receive subsidies of more than \$600 million in appropriated funds annually. Military resale activities such as exchanges, clubs, sports, and hobby shops take in more than \$5 billion each year. In fiscal year 1978, and again in 1979, the Congress limited the number of military personnel assigned to these programs. The 1978 ceiling was set at 10,201 (an expected reduction of 1,750 military slots); the 1979 limit was 9,901. The ceilings were intended to reduce the appropriated funds supporting these activities and make more military personnel available for combat-related assignments. The services did not have to make any reductions to meet the 1978 ceiling of 10,201 because at the beginning of the year only 10,017 military personnel were assigned. However, the services did reassign 923 military personnel during the year.

**Findings/Conclusions:** On the basis of a survey of 519 military installations, GAO concluded that fiscal year 1978 reductions had little impact on MWR activities. The military services could save \$5,700 annually for each civilian appropriated-fund employee substituted for a service member assigned to MWR activities. Substituting civilians for all military positions would save

up to \$57 million annually. While most of the 9,901 military positions can and should be filled by civilians, some factors could limit the extent of substitution, such as: Congressional limits on Federal civilian employment; labor agreements with other countries; rotation base requirements; and assignments in deployable combat and combat support units.

**Recommendations:** The Secretary of Defense should direct the services to: identify those MWR activity positions which must be reserved for military personnel; convert the remaining positions to appropriated-fund civilian, or where possible, to nonappropriated-fund civilian; and reduce military staffing in Navy and Marine Corps exchanges to the levels authorized in the other services. (FPCD-79-54, 7-11-79)

#### **Appropriations**

Military personnel—Army, Navy, Air Force

#### **Appropriations Committee Issues**

Military positions in MWR activities should be converted to civilian, and military strengths reduced accordingly.



## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *Military Services Policy of Advancing Leave to Enlisted Personnel*

##### Departments of the Army, Navy, and Air Force

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).  
**Legislative Authority:** 10 U.S.C. 701. 10 U.S.C. 704. DOD Directive 1327.5.

During the first 6 months of 1977, over 21,000 Army, Navy, and Air Force enlisted personnel left the services with unliquidated advance leave, owing the Government over \$3.2 million. About two-thirds of this amount was recouped from the members' final pay, but about one-third became an unsatisfied debt to the Government. Advance leave is chargeable leave which exceeds a member's current leave balance but does not exceed the amount of leave that will be earned during his current enlistment. It provides a means whereby service members with limited accrued leave may be granted leave to resolve emergency and urgent personal or morale problems.

**Findings/Conclusions:** A test of 157 randomly selected enlisted members separated in an excess leave status during the first half of 1977 showed that they were advanced 488 periods of leave: 39% were for emergency purpose, 32% for change of duty station, and 27% for ordinary leave. During the latter part of 1977, over 270,000 enlisted personnel on active duty had negative leave balances of about 2.6 million days, representing an estimated value of about \$113 million. Because of the high attrition rate of first-term enlisted personnel, it is difficult to have great expectations that

the leave will be earned by the members during the remaining term of their obligated active duty.

**Recommendations:** The Secretary of Defense should initiate a program to generate an increased understanding and awareness on the part of leave administrators of their responsibilities for prudent use of authority to grant advance leave and to fully inform service members early in their enlistments of their leave rights and the consequences of imprudent or unnecessary use of advance leave.

The DOD generally agreed with our recommendations and is currently revising the policies and practices on advancing leave. (FPCD-78-30, 5-24-78)

#### **Appropriations**

Military personnel—Army, Air Force, and Navy

#### **Appropriations Committee Issues**

Unsatisfied debts to the Government have been incurred through the use of advance leave by military personnel.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *Need to Better Inform Military Personnel of Compensation Changes*

##### Departments of the Army, Navy, and Air Force

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).  
**Legislative Authority:** Aviation Career Incentive Act of 1974 (P.L. 93-274). Rivers Amendment (P.L. 90-207). Dependents Medical Care Act of 1956 (P.L. 84-569). Military Medical Benefit Amendments of 1966 (P.L. 89-614). P.L. 93-277. P.L. 93-419. P.L. 94-212. P.L. 94-361. P.L. 94-502. 37 U.S.C.101.

Recent legislative changes to military compensation do not generally represent erosions of benefits or reductions in total military compensation. Changes to the military compensation system generally represent management actions to eliminate inefficient practices, institute management efficiencies, and provide for more effective use of resources.

**Findings/Conclusions:** Military personnel believe their compensation is being unjustifiably reduced, and they consistently underestimate their regular and total military compensation. Although the Department of Defense provides information to service members on benefit issues and changes to compensation elements, service members apparently do not rely as heavily on this information as on compensation items appearing in the news media.

**Recommendations:** The Secretary of Defense should direct that service leaders assume a more active role in correcting service members' misperceptions of compensation changes and develop more effective methods of communicating compensation changes by providing members with a periodic overview of their compensation package and by demonstrating how pay legislation, inflation, and other change factors affect pay. The Congress should initiate action to create a more visible and equitable military compensation system by requiring the executive branch to

draft and submit proposals to convert the base pay and allowances system to a salary system.

In response to our report, the DOD stated that they had not yet reached a decision on whether the base pay and allowances system should be changed to a salary system. DOD recently submitted legislation to revise/reform the military retirement system, but the proposal did not address the issue of a salary system. Also, the DOD has not implemented an information system to inform members of their total compensation or how proposal changes would affect them. (FPCD-78-27, 7-12-78)

##### **Appropriations**

Military personnel—Army, Navy, and Air Force

##### **Appropriations Committee Issues**

The Committees should require the DOD to (1) justify why the inefficient and complex pay and allowance system needs to be continued and (2) develop an information system to provide members an overview on the value of each member's compensation. The system is not only inefficient to administer, but is extremely costly.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### ***Needed--A More Complete Definition of a Quality First-Term Enlisted Person***

#### **Department of Defense**

**Budget Function:** National Defense (0050).

In congressional debates and public discussions about the success or failure of the All-Volunteer Force, the quality of enlisted recruits is a major concern. However, the Department of Defense (DOD) has not yet defined a "quality" first-term enlisted person.

**Findings/Conclusions:** With the help of DOD and using various data, factors were identified as determinants or most important to quality. The quality enlisted person performs effectively in military training and job environments and behaves at an acceptable level, contributing to mission accomplishment. In addition to trainability and completion of enlistment, other factors were freedom from discipline problems, adaptability, and job performance. Regarding one aspect of the discipline factor, it was more cost effective to recruit high school graduates. The last two factors were harder to measure, and it generally was not shown how indicative high school graduation and mental aptitude are to those factors. Considerable research on these other factors is underway within each of the services to better understand quality.

**Recommendations:** The Secretary of Defense should: (1) require that the use of high school diploma graduate and mental category data are placed in proper context so as to make clear that they currently have been shown as indexes of some factors of quality rather than all factors of quality; (2) establish a formal DOD-wide definition of enlisted member quality that the services can use to refine further; (3) require the services to develop additional quality criteria that include job performance; (4) require that research proposals on the quality issue clearly identify the relationship to an official DOD definition; (5) require that enlistment standards take into account results from research on the factors included in a quality definition;

(6) establish formal procedures to ensure that results of service research projects are fed back to the Under Secretary of Defense for Research and Engineering for coordination purposes; (7) define more clearly the role and responsibilities of the Under Secretary of Defense for Research and Engineering and the Assistant Secretary of Defense so as to enhance the research effort on quality; (8) establish a formal procedure for ensuring that research priorities of the Assistant Secretary of Defense are coordinated with the Under Secretary of Research and Engineering; and (9) establish the Armed Services Vocational Aptitude Battery organization as a formal committee supported by members' full-time participation or members' part-time participation, with assignments to the committee being designated as a priority responsibility.

DOD agreed with all GAO's recommendations. The Army's Training and Doctrine Command is undertaking an extensive research effort to develop a better definition of quality to include criteria for performance measures. (*FPCD-79-34, 4-25-79*)

#### **Appropriations**

Military personnel—Department of Defense, Army, Navy, and Air Force

#### **Appropriations Committee Issues**

In evaluating service appropriation requests for research, the Committee should question the direction of the research to insure the quality factors are being analyzed against performance criteria.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### **Noncontributory Social Security Wage Credits for Military Service Should Be Eliminated**

Departments of Defense, Army, Navy, and Air Force and Department of Health, Education, and Welfare

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** 42 U.S.C. 429.

Military service was brought under contributing social security coverage in 1957. Both military members and the Department of Defense (DOD), as their employer, pay social security taxes on basic pay.

**Findings/Conclusions:** Members whose basic pay is less than the social security taxable earnings ceiling are credited with additional covered earnings of up to \$1,200 a year in excess of basic pay. Neither the member nor DOD pays taxes on these credits. The social security trust funds are reimbursed annually from the general fund of the Treasury for additional costs attributable to the noncontributory credits. GAO reviewed the rationale for providing noncontributory credits for service performed after 1956, examined their effects on current benefits, and estimated unforeseen costs that will result. The noncontributory social security wage credits were primarily intended to provide adequate disability and survivor protection for first-term military members. Our estimates of disability benefits provided to first-term personnel show that the combination of benefits available from the social security system, the Veterans Administration, and the Department of Defense generally equals or exceeds pay and allowances received while on active duty, even if social security benefits are based on current contributory coverage alone. The additional survivor protection provided by the credits is negligible. In addition, the pay and allowances replaced by the combination of benefits are considerably higher than the depressed wages of the draft era existing when the credits were authorized. In view of these considerations, we believe that the noncontributory credits are unnecessary. While it may be argued that the provision of noncontributory credits recognizes the Nation's special obligation to members who are disabled or die in the line of duty, we believe that the provision of additional ("non-contributory") benefits from the Veterans Administration acknowledges that obligation. The noncontributory credits will also provide additional Social Security

old-age benefits for military retirees, a result neither foreseen nor intended by the Congress when it authorized the credits. We estimate that the cost (in terms of Social Security outlays) of the Social Security old-age benefits attributable to the noncontributory credits will exceed \$100 million annually as retirees who entered the force after 1956 become eligible for Social Security old-age benefits. Widespread criticism of the generosity of retirement benefits attributable to military service already exists because of the additive nature of military retired pay and benefits arising from contributory social security coverage. We see no justification for providing additional old-age benefits resulting from the noncontributory wage credits.

**Recommendations:** Congress should terminate noncontributory social security wage credits for future military service. This result may be achieved by amending legislation to limit noncontributory credits to service performed before 1980.

The DOD and HEW stated that legislation is being prepared to limit the award of gratuitous wage credits to members of the uniformed services. The proposal would "freeze" the taxable wage base at the 1979 level (\$22,900) for purposes of determining credits in future years. (FPCD-79-57, 8-8-79)

#### **Appropriations**

Military personnel—Army, Air Force, and Navy  
Social Security Administration

#### **Appropriations Committee Issues**

The Committees should continue to work towards developing, integrating, and coordinating benefits available from all Federal retirement systems which could reduce Federal expenditures by eliminating the overlap and sometimes duplicate benefit payments.

# DEPARTMENT OF DEFENSE - MILITARY

## MILITARY MANPOWER

### *Observations on the Method of Annually Adjusting Military Pay*

#### Departments of the Army, Navy, and Air Force

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).  
**Legislative Authority:** Department of Defense Appropriation Authorization Act of 1977 (37 U.S.C. 1009). (P.L. 89-132; 79 Stat. 545; 79 Stat. 546; 37 U.S.C. 1008(b). P.L. 93-419.

In 1967, the principle of providing automatic adjustments in military pay based on increases in Federal civilian salaries was established. Since that time, automatic increases in military pay have been indexed to the average percentage increase in General Schedule salaries.

**Findings/Conclusions:** In the military, these automatic adjustment mechanisms result in: understatement of regular military compensation costs in the Department of Defense (DOD) budget; increasing portions of regular military compensation taking the form of tax advantages such as housing, potentially further increasing the visibility of pay to military members; and increasing pay inequalities due to marital status. Portions of regular military compensation are not reflected in the DOD budget, and this absence impedes identification and evaluation of military compensation costs. Because the forms of military compensation are difficult to identify, members often undervalue their regular military compensation. Regular military salary, considered equivalent to civilian salaries, is greater for members with dependents than for single members of the same grade and length of service.

**Recommendations:** The House and Senate Armed

Services Committees should initiate action to require that military personnel accounts in the DOD budget and individual service budgets reflect the Federal income tax advantage of regular military compensation. The military base pay and allowances system should be replaced by a salary system.

The Department of Defense stated that it is currently evaluating the latest study on military compensation and plans to submit legislation to the Congress. DOD recently submitted legislation to reform the military retirement system, but the reform proposal did not address the issues presented in our report. (FPCD-78-45, 6-2-78)

#### **Appropriations**

Military personnel—Army, Navy, and Air Force

#### **Appropriations Committee Issues**

The question of properly recognizing the tax advantage (\$1.6 billion) as military compensation costs and the visibility of military compensation should continue to be of concern to the committees.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### **Review of the Administration of Programs That Are Interrelated Between Department of Defense and the Veterans Administration**

##### **Department of Defense and Veterans Administration**

**Budget Function:** Veterans Benefits and Services: Income Security for Veterans (701).

**Legislative Authority:** Department of Veterans Benefits 10 U.S.C. 687. 10 U.S.C. 1212. 38 U.S.C. 11.

As part of a continuing study of the payment of interrelated compensation to veterans by the Department of Defense and the Veterans Administration, GAO has found that in cases when a recipient received payment from both the VA and DOD, the correct readjustment pay, or offsets, were not made. In this case, the recipient would receive either an overpayment or underpayment with a correction usually being made at a later date. Situations of this kind raise the administrative costs of the benefit program and may impose hardship on the individual if a mistake required him to reimburse the government.

**Findings/Conclusions:** In 88 Air Force cases studied, individuals who had received readjustment pay after being involuntarily separated from the service had also received VA compensation. In these cases, adjustments should have been made to insure that payment was made only once. Omissions or incorrect action by administrators was usually the cause. The predominant cause of error was the failure of Air Force separation processing offices to enter readjustment payment information on the Department of Defense forms and thereby not advising DOD that payment had already been made. While GAO analyzed only Air Force readjustment pay, it is a safe assumption that errors of a similar nature exist throughout the services. We believe that a single focus of responsibility for the pay items that are interrelated is an alternative that would eliminate many of the errors and would make it a more effective system.

**Recommendations:** To promote better program administration and utilization of resources, we recommend that the Director, Office of Management and Budget, request the Secretary of Defense and the Administrator of Veterans Affairs to jointly present a proposal for a single coordinating point to correct the long persistent problems described. The plan should provide for verifying the correct amount before the initial payment of compensation by VA.

The Department of Defense and the Veterans Administration agreed with our recommendations. The agencies have established a joint Uniformed Services/Veterans Administration Task Force to evaluate and implement procedures to better administer the pay items that are interrelated. (FPCD-78-75, 12-27-78)

##### **Appropriations**

Military personnel—Army, Navy, Air Force Disability compensation—Veterans Administration

##### **Appropriations Committee Issues**

The Committees should insure that the agencies have critically examined the systems for administering and managing the interrelated pay items. The Committees should inquire as to whether a long term goal of consolidating the interrelated pay functions under a single agency would improve the program's administration.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### ***Some Criminal Offenses Committed Overseas by DOD Civilians are not Being Prosecuted: Legislation Is Needed***

##### **Departments of Defense and Justice General**

**Budget Function:** National Defense: Defense-related Activities (0054).

**Legislative Authority:** Reid v. Covert, 354 U.S. 1 (1960). Kinsella v. Singleton, 361 U.S. 234 (1960). Grisham v. Hagan, 361 United States 278 (1960). United States v. Catlow, 23 C.M.A. 142, 48 C.M.R. 758. United States v. Russo, 23 C.M.A. 511. 50 C.M.R. 630. 18 U.S.C. 7.

International law recognizes that a host country has criminal jurisdiction over U.S. military personnel stationed in that country. Negotiated agreements allowing the United States to exercise jurisdiction over service members stationed overseas give it criminal jurisdiction over many offenses committed by service members that otherwise would have been prosecuted by the foreign country or not prosecuted at all. The United States has virtually no criminal jurisdiction over the 343,000 civilian personnel and dependents accompanying the armed forces overseas. These civilians are subject to foreign criminal jurisdiction which is not always exercised.

**Findings/Conclusions:** GAO analyses indicate that the actions taken by the Department of Defense (DOD) in the military cases may be inadequate. Military officials believe that the civilians' knowledge that the United States does not have criminal jurisdiction is an encouragement to offenders. Many military commanders dispose of these offenses through administrative sanctions which are inadequate in terms of punishment and deterrence and safeguarding an individual's rights. The strongest administrative sanctions are often directed against the military member/sponsor, and not the civilian offender.

**Recommendations:** The Secretary of DOD and the Attorney General should prepare provisions for implementing the extraterritorial extension of laws and report their findings to the Congress by September 1980. They should consider provisions for: apprehending, restraining, and delivering these civilians to trial; bringing offenders back to the United

States for trial; and establishing courts and/or magistrates overseas. The Secretary of DOD should direct the services to provide more information to the Congress about the number, type, and disposition of criminal offenses committed by civilians accompanying the military forces overseas. Further, the Secretary of DOD should improve the present reporting system to accumulate and track information on the disposition of all overseas cases involving service members released to U.S. authorities and include it in the annual report to the Senate Committee on Armed Services. Legislation should be enacted to extend criminal jurisdiction over U.S. citizen civilians accompanying the military forces overseas. The extraterritorial jurisdiction should extend to petty as well as serious offenses, because the less serious offenses appear to be the greatest disciplinary problem.

DOD recognized the need to account for cases released to U.S. military authorities for disposition, but they state nothing has been brought to their attention to indicate they are not already meeting requests for information by host countries. (FPCD-79-45, 9-11-79)

##### **Appropriations**

Operation and maintenance—Department of Defense

##### **Appropriations Committee Issues**

U.S. criminal jurisdiction should be extended overseas to U.S. civilians accompanying the Armed Forces.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *Temporary Duty Travel in the Management and Operation of Department of Defense Programs*

##### Department of Defense

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).  
**Legislative Authority:** Supplemental Appropriations Act of 1976 (P.L. 94-157). Budget and Accounting Act of 1921. Supplemental Appropriation Act of Fiscal Year 1975, sec. 205. Roth Amendment. Executive Order 11609. OMB Bulletin 76-9.

The Federal Government spends about \$2 billion each year for travel in the management and operation of Federal programs. The Department of Defense (DOD) accounts for about \$1.4 billion of this travel, including about \$870 million for temporary duty travel in fiscal year 1976. Program managers have primary responsibility for insuring the most effective use of their program budgets, including the nature and extent of travel.

**Findings/Conclusions:** There are important differences in the policies that should be set for the Federal Government for the different types of program-related travel. There are diverse reasons for temporary duty travel such as to perform program inspections and evaluations, to participate in meetings or training programs, and to engage in public relations activities. Guidelines that attempt to cover all these categories seem to be too general for day-to-day use by program managers. Management could improve its control over travel by making internal reviews that emphasize the application of travel policies and procedures to reduce unnecessary travel.

**Recommendations:** The Office of Management and Budget (OMB) should: revise its guidelines to focus more specifically on the purpose of travel; require DOD to revise its reporting system and internal review and audit approaches to follow the new guidance; and, after implementing the revised guidelines and the

reporting and review systems, assess the performance at that time to see if further action is needed to improve management of travel funds made available to program managers. The Director of OMB, the Administrator of the General Services Administration (GSA), and the Secretary of Defense should establish procedures to verify the accuracy of reported travel costs.

OMB, GSA, and DOD do not believe that travel guidelines would be made more effective by requiring agencies to identify and report travel costs by the specific purposes cited in the GAO report. But GSA and OMB have jointly redesigned travel reporting procedures to make reports more accurate and provide a basis for future improvements in travel management. (FPCD-77-84, 10-28-77)

##### **Appropriations**

Operation and maintenance—Army, Navy, and Air Force  
Military personnel—Army, Navy, and Air Force

##### **Appropriations Committee Issues**

Federal travel costs could be reduced by more effective control and monitoring of government travel.



## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *The Army Can Improve Peacetime Use of Deployable Enlisted Personnel*

##### Department of the Army

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).

**Legislative Authority:** Army Regulation 570-A. Army Regulation 600-200.

Although its combat mission has priority, the Army's peacetime role and demands on personnel are important. Army headquarters has not officially recognized its peacetime needs and incorporated them into its personnel management policies and instructions. A study was conducted to determine whether deployable Army enlisted military personnel were or could be used effectively and productively to accomplish work needed to maintain garrisons and, at the same time, enhance proficiency in their basic skills.

**Findings/Conclusions:** Army headquarters does not provide adequately for using combat personnel for meeting peacetime needs. It staffs its deployable units and develops personnel management policies and instructions on the basis of combat requirements, and it gives no substantive recognition of the need to use deployable personnel for garrison work. Commanders' and individuals' perceptions of special duty in the garrison and how to use it effectively need to change. Most of those contacted had negative perceptions of special duty: these perceptions are demoralizing and not conducive to good performance. The Army would benefit from more constructive attitudes toward special duty. Special duty could be used as a reward for good performance and, by using high achievers in special duty, the required work could be accomplished with fewer people.

**Recommendations:** The Secretary of Defense, with the cooperation of the Secretary of the Army, should

develop: policy guidelines that recognize the extent of the Army's need to use deployable military personnel to maintain its combat capability and accomplish its garrison responsibilities; plans and issue guidelines that will assist commanders at all levels in assigning deployable personnel from their units to special duty in the garrison that will maintain or enhance individual skill proficiency and unit combat capability; and cost-effective means of recording reliable and realistic data on individuals' skill qualifications and on training and experience needed to maintain skill proficiency. An interim system should be developed and tested for controlled management of garrisoned deployable personnel at installations.

The Commander, 4th Infantry Division (Mechanized), where the study was made, agreed with our findings. He said he would experiment with means of overcoming this situation. (FPCD-78-66, 9-7-78)

#### **Appropriations**

Military personnel—Army

#### **Appropriations Committee Issues**

Cost could be reduced and operating effectiveness increased through improved use of enlisted military personnel.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *The Congress Should Act To Establish Military Compensation Principles*

Departments of Defense, the Army, Air Force, and Navy

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).  
**Legislative Authority:** 37 U.S.C. 203. P.L. 89-132. P.L. 90-207. 37 U.S.C. 1008(b). 5 U.S.C. 5301.

The military compensation system costs about \$40 billion a year. No overall guiding policy or principle for compensating military personnel has been established. The private sector is the standard for setting and adjusting Federal civilian pay. In order to attract, retain, and motivate the quality and quantity of military members necessary to maintain the desired level of national security at a minimum cost to the Government, a decision must be reached on the method of implementation for military pay principles. Two alternative approaches have been suggested: comparability and competitiveness. Comparability approaches use wage surveys of other workers as a guide to setting and adjusting pay based on age-earnings profiles and job difficulty. Competitive approaches are based on the principle that compensation should be adequate to attract and retain the desired quantity and quality of personnel, but should not be more than necessary for this purpose.

**Findings/Conclusions:** Comparability approaches provide stability and security to service members, but lack flexibility to adjust to changing manpower needs. Competitive approaches provide the flexibility necessary to adjust compensation to changing military manpower needs; however, they lack a clearly defined level of stability to assure members that their pay will remain roughly comparable to pay for Federal civilians and private sector employees. A combination of the best qualities of both comparability and competitiveness may be necessary to satisfy the need for stability and flexibility in the military compensation system. The Department of Defense, the services, and the Office of Management and Budget are subjected to competing pressures which make any future agree-

ment on military pay principles unlikely. A permanent, independent compensation board would be better able to reach an agreement on military pay principles. **Recommendations:** Congress should establish a permanent independent military compensation board and direct the board to: evaluate the alternatives, and recommend in legislation to Congress which military pay principles should be established; see that pay principles are appropriately implemented; and continuously monitor and make recommendations for changing the military compensation system consistent with established principles.

The DOD stated that creation of an independent military compensation would represent another "headless fourth branch" of Government, accountable neither to the Executive nor Legislative branches, but exercising executive functions over the procurement and maintenance of DOD manpower. Also, DOD stated they have long accepted a combination of comparability and competitiveness as an appropriate principle to guide us in setting levels of military compensation. (FPCD-79-11, 5-9-79)

#### **Appropriations**

Military personnel—Army, Air Force, and Navy

#### **Appropriations Committee Issues**

Failure to establish and maintain appropriate military pay principles could unnecessarily increase Defense personnel costs, because it will not be known whether military pay levels are too high or too low.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *The Department of Defense Should Adopt New Clothing Allowances*

##### **Department of Defense**

**Budget Function:** National Defense: Military Pay (0060).

**Legislative Authority:** Career Compensation Act of 1949 (P.L. 81-351). Executive Order 10113.

The current method of paying the clothing maintenance allowance to enlisted military personnel provides reimbursement before clothing expenses are actually incurred, and for clothing replacement that will not occur under normal conditions. An alternative would be to provide an annual allowance for each year of service equal to the cost of all clothing items requiring replacement during that year, based on reasonable estimates of clothing wear-out rates under normal conditions.

**Findings/Conclusions:** The alternative would reduce clothing allowance expenditures by approximately \$10 million in the first year and could be implemented with minimal cost and effort. Career enlisted members would benefit because the allowance would more closely reflect replacement costs. Special allowances for Navy chief petty officers have not been fully substantiated and appear to be significantly overstated.

**Recommendations:** The suggested alternative, or another acceptable method, should be adopted by the Department of Defense (DOD). The Secretary of Defense should revise the special clothing allowances for chief petty officers and the DOD clothing regula-

tion to indicate that the allowance is for replacement only. The Senate Appropriations Committee should adjust the DOD appropriations request to reflect the savings that would occur under the alternative method, and should require the Navy to justify special clothing allowance expenditures for chief petty officers.

DOD opposed the recommendation on the grounds that useful life rates for clothing are only rough estimates, and that therefore a more precise allowance based on the estimated time of replacement of a clothing item is not reasonable. DOD did agree to review the special allowance for Navy chief petty officers. (FPCD-79-42, 4-20-79)

##### **Appropriations**

Military personnel—Army, Navy, Air Force

##### **Appropriations Committee Issues**

Military uniform allowances include payments for items that will never be replaced.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *Difficulties In Selected Army Reserves Recruiting Under the All-Volunteer Force*

**Budget Function:** National Defense (0050).

Recruiting of the Nation's selected Reserves has changed since the draft ended in 1972. A steady decline in the numbers of Selected Army Reserve and Army National Guard recruits is increasing the gap between reserve troop requirements and strength. The Army's recruiting plans have been directed at overcoming these shortages. In addition, there has been a decline in recruit quality and an increase in turnover rates.

**Findings/Conclusions:** The quality of non-prior-service recruits as defined by the Department of Defense (DOD) has also changed since the All-Volunteer Force replaced the draft. DOD has taken or is considering numerous actions to improve Selected Reserves recruiting such as increasing the number of full-time recruiters, increasing advertising funds, and introducing enlistment and reenlistment bonuses. In addition, there are several proposals and tests under way to attract new recruits and to reduce turnover. Many of the proposals and tests are directed towards the high-quality male with no prior military service.

**Recommendations:** The Secretary of DOD should

direct the Army to establish recruiting objectives based on the manpower needs of its Reserve components; adjust fiscal year 1979 and future objectives accordingly; bring the recruiting objectives for the Army Reserve in line with its goals for non-prior- and prior-service personnel; reassess its policy of enlisting in the Selected Reserves those persons it determined were not acceptable for active duty; and determine the effect of (1) 1- and 2-year enlistments, (2) nonobligated reservists, and (3) the practice of not ordering reservists to active duty for not participating in drills on mobilization and recruiting needs. (FPCD-79-71, 8-20-79)

#### **Appropriations**

Military personnel—Army

#### **Appropriations Committee Issues**

The Committee needs to assess DOD manpower objectives which impact on future funding levels.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *The Federal Government's Severance Pay Programs Need Reform*

**Budget Function:** General Government: Central Personnel Management (0805).

Severance pay for Federal personnel was legislated to provide involuntarily terminated employees with recognition for their service, compensation for the lost job and its consequences, and help in the transition to a new career. The Federal Government's severance pay programs are divided into two major categories: for Federal civilian employees and for uniformed services personnel.

**Findings/Conclusions:** The armed services nondisability severance program is sometimes viewed as a substitute for vesting for officers who are separated with less than 20 years of service. There are inequities in severance pay entitlements of military and civilian personnel and in benefits available to members of the uniformed services. For example: military nondisability severance pay is available only to officers, not enlisted members; Army and Air Force officers separated for substandard performance sometimes receive more severance pay than officers separated for nonpromotion; basic pay used in calculating military severance pay does not fully reflect a member's compensation; most military officers are limited to a maximum severance pay of \$15,000 unlike civilians who are not limited to a fixed dollar amount; military officers can receive severance pay if separated for unsatisfactory performance while civilian employees are eligible only if they are not at fault; and payments for civilian employees cease if they are rehired while this limitation does not apply to military members. Recent legislation may affect employees' entitlement to the concurrent receipt of severance pay and unemployment insurance.

**Recommendations:** The Congress should: revise the uniformed services' severance pay programs so that

separation pay will be calculated and applied uniformly for all services, provide a severance pay program for enlisted personnel, base the military severance pay formula on the average regular military compensation of the grade of the separated member and bring eligibility criteria in line with the civilian severance program, eliminate the practice of providing severance pay to members separated for unsatisfactory performance, and provide uniform severance pay limitations for all Federal personnel reemployed by the Government. It should also clarify the Unemployment Compensation Amendments of 1976 as they relate to the concurrent receipt of severance pay and unemployment insurance.

The Civil Service Commission (now the Office of Personnel Management) and the Department of Labor generally agreed with the recommendations that affected their areas of responsibilities. The Department of Defense recently submitted legislation that would reform the military severance pay program. The proposed plan would continue to pay severance pay to some military members who were not involuntarily separated. (*FPCD-78-68, 12-7-78*)

#### **Appropriations**

Military personnel—Army, Air Force, and Navy

#### **Appropriations Committee Issues**

Military compensation/retirement costs could be reduced by more effectively using severance/readjustment pays in attaining the proper mix of military personnel.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *The 20-year Military Retirement System Needs Reform*

##### Departments of the Army, Navy, and Air Force

**Budget Function:** Veterans Benefits and Services: Income Security for Veterans (701).

**Legislative Authority:** 10 U.S.C. 6330.

Members of the Armed Forces can retire at any age after 20 years of service. The Department of Defense (DOD) justifies this length of service as necessary to retain a young and vigorous force and attract and retain servicemen. DOD uses a competitive promotion system which precludes most military members from serving full careers and must, by law, retire officers who have been passed over for promotion or who reach a certain age. Since their career could end in the middle of their potential worklife, DOD believes military members need the assurance of early retirement benefits.

**Findings/Conclusions:** In fiscal year 1975, officers retired at an average age of 46 after about 24 years of service, and enlisted personnel retired at an average age of 41 after approximately 21 years of service. Most fiscal year 1975 retirees' career time was spent in occupations not demanding exceptional youth and vigor. In fact, 81 percent of the enlisted member retirees and 30 percent of the officers spent their entire careers in non-combat-related occupations. The 20-year retirement provision should be discontinued for many military personnel in occupations not demanding exceptional youth and vigor. Twenty-year retirement, in conjunction with present personnel management policies, is an inefficient means of attracting new members, causes the services to retain more members than are needed up to the 20-year point, provides too strong an incentive for experienced personnel to leave after serving 20 years, and makes it impossible for the vast majority of members to serve full careers.

**Recommendations:** The Congress should: revise the military retirement system length-of-service criterion, based on the type of duty performed; revise the retired pay system to encourage appropriate career lengths,

based on duties performed; and provide some form of vesting for members who do not complete full careers. Congress should charge DOD with the responsibility for determining what specific occupational skills require youth and vigor, a more cost-effective force profile that considers longer careers for skills not requiring youth and vigor, and a more efficient method of retaining required personnel. In computing retired pay, Congress should revise the military retirement system to eliminate the use of constructive service and rounding to the nearest year of service; rounding to the nearest month should be used.

DOD recently submitted a retirement proposal that would substantially alter the present system by utilizing a two-tiered retirement plan, granting vesting to all members after 10 years of service, allowing an early withdrawal of either all or part of the deferred compensation after 10 years of service, paying severance pay to all involuntary members with more than 5 years of service, and offsetting military retired pay when social security benefits are received. (FPCD-78-81, 3-13-78)

#### **Appropriations**

Military personnel—Army, Navy, and Air Force

#### **Appropriations Committee Issues**

The Committees should insure that the DOD proposal represents (1) an effective and economical retirement system that is fair to both the Government and the members, (2) a cost effective system to retain required personnel, and (3) a system that will insure more appropriate careers for military personnel.

## DEPARTMENT OF DEFENSE - MILITARY

### MILITARY MANPOWER

#### *Use of Enlisted Personnel as Drivers for Army Officers in Europe*

##### Department of the Army

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** DOD Regulation 4500.3.

In compliance with a congressional request, GAO reviewed U.S. Army operations to determine whether the Army has encouraged its officers stationed in Europe to personally drive administrative vehicles as part of the U-drive-it Program.

**Findings/Conclusions:** The U-drive-it policy has not been adequately emphasized by the military in Europe. Drivers have been assigned to officers even when cars have been provided by the program. It is recognized that some officers work while in transit and a chauffeur may be required. In many cases, however, enlisted manpower could be better utilized.

**Recommendations:** The appropriate Army regulations should be amended to specify that taxi service be restricted to the local area of dispatch and that the driver waiting time be minimized by providing drop-off and pick-up service. The idea should be stressed to personnel that the U-drive-it policy should be the preferred method of dispatch and that vehicles designat-

ed as U-drive-it cars should be used as such. In addition, it was recommended that the Army Audit Agency should periodically evaluate the program's effectiveness and to take immediate action to correct any deficiencies.

The Army and the National Security Agency agreed with our findings and recommendation and have taken some corrective actions. (*LCD-78-241, 1-9-79*)

##### **Appropriations**

Military personnel—Army

##### **Appropriations Committee Issues**

The Committee should determine if DOD is stressing the U-drive-it policy as the preferred method of dispatch as opposed to using enlisted personnel as drivers.

## DEPARTMENT OF DEFENSE - MILITARY

### MISSION BUDGETING

#### *Inadequate Methods Used to Account for Personnel in DOD's Transportation Function*

##### Department of Defense

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).  
**Legislative Authority:** S. 325 (95th Cong.).

A review was made of the budget data on personnel and their costs for the transportation function in the Department of Defense (DOD) for fiscal years 1978 and 1979.

**Findings/Conclusions:** The inconsistencies in transportation data were caused primarily by the lack of a standard definition of the transportation function; inadequate coordination between transportation and personnel managers; and the lack of a flexible system which permits reporting of how manpower is distributed functionally across organizational, occupational, and job structures. DOD has not adequately defined which organizations and jobs should be included in its transportation function. The costs of transportation personnel for fiscal years 1978 and 1979 were understated because they were based on an incomplete definition of such personnel, excluded all contract personnel, and excluded Federal Government costs other than those met by DOD. Inadequate coordination at the directorate level within the Office of the Assistant Secretary of Defense contributed to the reporting of inaccurate and inconsistent data when officials who were responsible for transportation policies attempted to determine the number of transportation personnel in DOD without coordinating with the manpower

office. DOD does not have a comprehensive manpower information system because each service has its own system. As a result, DOD has limited oversight over the use of manpower.

**Recommendations:** The Senate Appropriations Committee should direct the Secretary of Defense to: see that the manpower system design now being developed is completed and supported by insuring that adequate funds are specifically set aside; coordinate Defense-wide implementation and test of the system to assure consistent and credible output at the earliest practical date; and periodically report the progress of the development and implementation of the system design. (FPCD-79-38, 5-25-79)

##### Appropriations

Military personnel—Army, Navy, Air Force  
Operations and maintenance—Army, Navy, Air Force

##### Appropriations Committee Issues

Agency workforce planning should identify the numbers of employees needed to effectively and efficiently accomplish the Government's essential work.



## DEPARTMENT OF DEFENSE - MILITARY

### MISSION BUDGETING

#### *Mission Budgeting: Discussion and Illustration of the Concept in Research and Development Programs*

#### Department of Defense

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).  
**Legislative Authority:** Energy Reorganization Act of 1974 (P.L. 93-438). Congressional Budget Act of 1974 (88 Stat. 297). Sunshine Act of 1977; S. 2 (95th Cong.). Budget and Accounting Procedures Act of 1950. H. Rept. 94-1231. S. Rept. 95-164. S. Rept., 95-129. OMB Circular A-109. DOD Directive 5000.2.

The mission budget concept offers significant potential for alleviating problems with the way the Federal budget is currently presented and the limitations it imposes on congressional review. The common complaint with the present system is that Congress gets a great mass of detail but not a coherent picture of what the money is for and why it is needed. A mission budget structure links an agency's basic responsibilities, or "missions," to its activities and their proposed funding. Descending levels of the structure then focus more sharply on specific purposes, needs, and programs to satisfy them. The new concept also illuminates the early (front end) decisions that control the purpose and direction of all programs.

**Recommendations:** Congress should begin to experiment with mission budgeting in carrying out its budget review, authorization, and appropriation functions because the concept has significant potential for: helping the President and Federal agencies formulate budgets according to end purposes, needs, and priorities; strengthening congressional policy review and program oversight; achieving greater public accountability in the use of Federal funds; providing one budget system oriented to both executive and congressional needs; clarifying mission responsibilities of the Federal agencies and keeping them relevant to national policies and needs, and serving as a structural foundation for "zero-base" and "sunset" reviews as well as for governmental reorganization.

The Congress has taken an initial step of requiring a mission informational display in the President's '74 budget act but has yet to fund budget requests of the agencies on that basis. A few committees are beginning to experiment with the concept. In its FY 1978 budget, DOD took a first step by reclassifying its Research and Development (R & D) budget structure from product orientation to broad strategic and tactical programs. At lower tiers, however, product classifi-

cation still exists, so that a mission structure and needs are not yet discernible. Mission needs are not traceable upwards to top mission categories or downward to programs and activities. The House Armed Services Committee's R & D Subcommittee conducted portions of its FY 1980 budget review on a mission basis with a view toward expanding application of the concept in future years. A number of Defense and military service officials believe the congressional funding process should be shifted to a mission approach. (PSAD-77-124, 7-27-77)

#### Appropriations

All Federal agencies—defense and civil

#### Appropriations Committee Issues

1. How should the appropriations committees set up a joint program with the executive branch to more fully test and evaluate the mission concept? In a recent followup, GAO illustrates one approach to such an executive/congressional program—legislative recommendations of the Commission on Government Procurement: 5 years later. (PSAD-78-100, 7-31-78)
2. To what extent should the Appropriations Committee monitor or participate in experiments with the House Armed Services Committee?
3. Appropriation subcommittees get only slices of agency missions and are not aware of mission funding aggregates from year to year nor of what mission results are achieved with this money. How should budget requests be modified or subcommittee jurisdictions realigned to deal with mission capabilities and outputs?
4. Mission budgeting clarifies the end purposes of and needs for tax dollars. Questionable mission purposes and priorities can be revised and

funding levels can be raised or lowered rather easily with congressional guidance provided in specific areas. On the other hand, it is difficult for the Congress to absorb great masses of input activities and adjust up or down (or cancel out) the "right kinds" of activities in any precise way. Since congressional members are not technical specialists, would it not be better for them to focus more on regular mission reviews and key program decisions than on inputs unrelated to outputs?

# DEPARTMENT OF DEFENSE - MILITARY

## MISSION BUDGETING

### **Marine Corps Needs Work Performance Measurements for Staffing Support Functions**

Departments of Defense and the Navy

**Budget Function:** National Defense (0050).

A study of the Marine Corps manpower requirement procedures for base support activities focused on the development and use of staffing standards for the Marine Corps Logistics Base in Albany, Georgia, and the Marine Corps base at Camp Lejeune, North Carolina.

**Findings/Conclusions:** Manpower decisions were based on survey team reviews of support manpower needs at each installation every three years. The teams relied heavily on historical staffing patterns and a subjective review of installation work centers, coupled with the Marine Corps Personnel Requirements Criteria Manual. Although Marine Corps headquarters prepared and updated the manual, the installations visited made little use of its quantitative and qualitative information for identifying staffing requirements. Installations differed in the extent to which they established their own guidelines for staff allocation. GAO expressed concern that the Marine Corps' failure to quantify its support manpower needs in relation to its workload, general weaknesses in its decentralized management approach, and inadequate manpower surveys, resulted in an absence of data critical for validating the current budget, reduced the Marine Corps' ability to manage and assess the effectiveness of its manpower, and limited its ability to determine mobilization needs in an emergency.

**Recommendations:** In view of the Department of

Defense's support of similar action in the Army, the Secretary of the Navy should use personnel experienced in budgeting, manpower, workload planning, central data processing, and work measurement to design a support manpower management system with the following characteristics: (1) an organization structure that combines the manpower-related responsibilities and staffing into one organization at all levels; (2) a methodology for determining manpower needs based on work measurement where it is feasible and cost effective and which uses onsite reviews only for review and validation of staffing standards; (3) a common, integrated data base for all manpower-related functions; and (4) sufficient spaces to implement the system and an allocation of these manpower resources to the program. (FPCD-79-75, 9-17-79)

#### **Appropriations**

Military personnel—Navy  
Operations and maintenance—Navy

#### **Appropriations Committee Issues**

Agency work force planning should identify the numbers of employees needed to effectively and efficiently accomplish the Government's essential work.

## DEPARTMENT OF DEFENSE - MILITARY

### MISSION BUDGETING

#### *Opportunities To Streamline the Air Force Headquarters Structure in the Pacific*

##### **Department of the Air Force**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

In 1974, following House Appropriations Committee recommendations to reduce the Air Force command structure in the Pacific, the Secretary of Defense announced that Headquarters, Pacific Air Forces, would be disestablished and other reductions would be made in Hawaii. The Air Force estimated that this decision would save \$34 million annually plus one-time cost savings of \$32 million.

**Findings/Conclusions:** Although some reductions were made, the Air Force did not disestablish the Headquarters. Opportunities exist for the Air Force to further reduce its management headquarters and related staffs in the Pacific. These reductions would achieve manpower economies consistent with a reduced force level and streamline the Air Force command and control structure in the Pacific.

**Recommendations:** The House Appropriations Committee should explore with the Secretary of Defense ways to achieve savings discussed in this report. The

Air Force should: (1) eliminate its headquarters in Japan and the Philippines; (2) reduce the staff at Headquarters, Pacific Air Forces; and (3) consolidate, cut back, and/or transfer their functions and responsibilities to other commands as originally envisioned.

Defense disagreed with our recommendations. (FPCD-79-27, 2-8-79)

##### **Appropriations**

Military personnel—Air Force  
Operations and maintenance—Air Force

##### **Appropriations Committee Issues**

Agency workforce planning should identify the numbers of employees needed to effectively and efficiently accomplish the Government's essential work.

## DEPARTMENT OF DEFENSE - MILITARY

### MOBILIZATION

#### ***Army Plans To Modernize the Rock Island Arsenal May Be Inappropriate***

##### **Department of the Army**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** Legislative Reorganization Act of 1970. A.R. 235-5.

The Army's Rock Island Arsenal, Illinois, is burdened with old and obsolete facilities and equipment and an insufficient capacity to meet projected mobilization production requirements responsively. The Army consequently decided to begin modernizing the arsenal's manufacturing equipment and facilities. The Army approved a 2-year planning project submitted by the Arsenal in January 1977 to analyze existing facilities and recommend improvements. This project is scheduled for completion in August 1979. Preliminary estimates indicate that modernization may cost \$101 million for fiscal years 1981-1985, but actual costs may be substantially higher.

**Findings/Conclusions:** Although the Army's modernization plan for the Arsenal is credible, its production requirements are questionable because there were flaws in the calculation of combat consumption rates of major end items; the computation of mobilization requirements for secondary items was based partly on unsupported assumptions; and wartime overhaul and rebuild requirements were unfounded. In response to 1975 and 1976 recommendations by GAO, the Army Armament Materiel Readiness Command determined private industry's willingness to satisfy the Arsenal's mobilization requirements, but failed to establish its capability or capacity. GAO could not identify the impact these conditions might have on the Arsenal's modernization needs, which might be substantial.

**Recommendations:** The Secretary of the Army should defer extensive modernization plans for the Arsenal,

except for completing the current project, until mobilization requirements are reexamined to insure the consideration of only valid requirements and, private industry's ability to do work now assigned to the Arsenal has been clearly established.

The Department of the Army agreed that private production facilities should be used whenever feasible to satisfy mobilization needs. However, they added that Rock Island Arsenal capabilities were not only needed to satisfy mobilization needs but also peacetime production of small, uneconomical but essential quantities. They agreed to review proposed modernization plans as they relate to the overall requirement necessary to insure an adequate defense posture during peacetime as well as mobilization. This review has not yet been completed. (*LCD-79-418, 6-6-79*)

##### **Appropriations**

Military construction—Army  
Operations and maintenance—Army

##### **Appropriations Committee Issues**

Reasonably accurate mobilization requirements and increased reliance on private sector capability could reduce mobilization expenditures for the Rock Island Arsenal.

## DEPARTMENT OF DEFENSE - MILITARY

### MOBILIZATION

#### *Army's FY 1980 Programs for Procuring Conventional Ammunition, Modernization, and Expansion*

##### Department of Defense

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

The Army requested \$974 million for 66 conventional ammunition items and \$257 million for 8 projects for modernizing and expanding the Army's ammunition base.

**Findings/Conclusions:** The \$109.6 million requested for three conventional ammunition items should not be appropriated. The copperhead rounds system is not ready for procurement. Engineering development tests have not been completed and are not scheduled for completion until December 1979. There are continuing delays in testing the full-frontal area impact switch required to increase the high explosive antitank cartridges' reliability. The new improved 81-mm high explosive cartridges recent test failure resulted in the Army's decision to suspend further testing indefinitely. After reviewing all eight modernization and expansion projects all but three were adequately justified. The funds requested for a permanent facility for the production of surface launched unit fuel air explosive rocket seems premature. The project for manufacturing warhead and motor body parts for two different rocket assisted projectiles has been redesigned since the budget submission because of decreased procurement requirements. Although production capabil-

ities for the center core propelling charges should be expanded, additional justification for the site is needed before the project is executed.

**Recommendations:** The House Committee on Appropriations should reduce by \$153.5 million the Army's conventional ammunition request for 11 items and increase by \$32.8 million the request for 9 others, reduce by \$10.5 million the request for modernization and expansion program, and require the Army to provide additional justification for its selected site for the center core propelling charges before the Army executes the project.

Agency comments on this report have not been received. (*LCD-79-416, 6-15-79*)

#### **Appropriations**

Procurement—Army

#### **Appropriations Committee Issues**

Same as recommendations to Congress.

## DEPARTMENT OF DEFENSE - MILITARY

### MOBILIZATION

#### *Followup on Use of Numerically Controlled Equipment to Improve Defense Plant Productivity*

#### Departments of the Army, Navy, and Air Force

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

The Department of Defense (DOD) owns \$336 million worth of numerically controlled equipment, such as drills, lathes, and machining centers. This equipment, controlled automatically by computers or punched tape, is particularly expensive and complex. Although conventional equipment is more appropriate for many applications, numerically controlled equipment offers increases in productivity and savings, particularly for a small lot production. Also, depending on its management and application, numerically controlled equipment can improve Defense plant surge capability for emergencies. On the other hand, unless management closely monitors this capability, it may not function as intended during a mobilization buildup. Two prior GAO audits analyzed Defense-owned numerically controlled equipment. This followup report was made to assess what DOD had done to improve its use and management of numerically controlled equipment.

**Findings/Conclusions:** GAO briefly examined selected subjects covered in its earlier reports at several activities. Standardization continues to be a problem and is approached differently by different commands and activities. Work interchange between activities has not occurred except for a few work orders. Air Force activities employ formal work-mix study techniques to identify equipment needs, whereas others buy equipment because of production bottlenecks or deteriorated machines, sometimes without critically evaluating numerically controlled machines. Management information systems are extremely diverse in terms of usage categories recorded, and some systems are inaccurate and inadequate. Systems for workloading parts onto conventional or numerically controlled machines need improvements. Most shops have given priority to numerically controlled machine repair part

acquisition. However, procedures could still be more streamlined.

**Recommendations:** The Secretary of Defense should activate a Department of Defense or combined-service group or assign to an existing group the responsibility to provide overall technical and policy direction and coordination for numerically controlled equipment. The group should periodically provide status reports of its progress and problems. The Secretary should require the group to address the areas suggested in GAO's 1974 and 1975 reports.

Initially, military service officials agreed there is a need to have some type of interservice group or function to share ideas, reduce duplication, and work on mutual problems. However, in a later response DOD stated that the current policy statements are adequate and that a formal interservice group is not needed. DOD felt that service participation in Defense Industrial Plant Equipment Center seminars would provide the needed technical assistance and idea interchange to challenge numerically controlled equipment problems. (LCD-78-427, 1-17-79)

#### Appropriations

Procurement—Army, Navy, Air Force  
Operations and maintenance—Army, Navy, Air Force

#### Appropriations Committee Issues

The use of numerical controlled industrial plant equipment in defense plants has the potential for greatly increasing productivity.

## DEPARTMENT OF DEFENSE - MILITARY

### MOBILIZATION

#### *Host Nation Support*

##### **Departments of Defense and Army**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Since 1960 the United States has attempted to rely on host countries for assistance to provide needed rear area support in case of a North Atlantic Treaty Organization (NATO) conflict. The concept has been mostly applied to base maintenance, but not weather support functions. Weather support is generally provided by Air Weather Service personnel on U.S. bases.

**Findings/Conclusions:** The Air Weather Service has not studied the feasibility of host nation weather support to U.S. installations. The Air Force has a positive attitude toward increasing host nation support even though it has voiced concern about such support. Current operations tend to indicate that, with some exceptions, host nations can provide weather support at the central guidance center and base level. The Air Force is concerned over the following issues: economies derived from host nation services, classified material, contingencies, differences in operating requirements, and control over civilians. These issues must be closely examined before a final conclusion can be reached. On the other hand, the Air Force reliance on host nations tends to downgrade concern over some of these potential problem areas.

**Recommendations:** The Secretary of Defense should direct the Air Force to increase weather-related host nation support where appropriate, or use contract

services; and intensify U.S. efforts within the NATO community to establish military analysis centers in all NATO regions. These centers should operate fully not only during the war, but also in peacetime to alleviate the need for separate guidance centers and improve interoperational capability.

Air Force officials stated that they are now placing greater emphasis on host nation support. A complete assessment of the host nation support concept, including U.S. requirements and allied capabilities, is currently in progress. Weather support will be one of the functions included in this new approach. As a result of this greater emphasis, the Air Force will continue to examine all opportunities for use of contractor or host nation weather support. (*LCD-79-413, 5-11-79*)

#### **Appropriations**

Operations and maintenance—Air Force

#### **Appropriations Committee Issues**

The Committee should monitor Air Force actions to increase weather-related host nation support.



# DEPARTMENT OF DEFENSE - MILITARY

## MOBILIZATION

### *A Time To Consider Alternative Sources of Quick-Response Sealift Capacity*

#### Departments of Defense, Commerce, and the Navy

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

In the event of hostilities, the Department of Defense (DOD) must be ready to ship hundreds of thousands of tons of military equipment, supplies, and subsistence items to overseas locations. Many commodities shipped are unsuitable for transporting in modern containerships, and many ports lack the sophisticated facilities needed to accommodate these containerships. Self-sufficient ships, with cranes and cargo handling equipment, are needed. However, the maritime industry is retiring most of these older self-contained ships and replacing them with with containerships which cannot be unloaded at many strategic ports. In order to fill this gap, some self-contained ships are being maintained in a reduced operational status at an unnecessarily high cost to DOD.

**Findings/Conclusions:** The Navy has required the Military Sealift Command (MSC) to make 10 self-sustaining dry cargo ships available to receive cargo within 10 days in the event of a contingency. In an effort to meet this requirement, MSC has begun a program of placing chartered commercial ships in a reduced operational status when not required for routine military sealift missions. A number of self-sustaining ships in the National Defense Reserve Fleet (NDRF) recently have been upgraded to provide quick-response capability. The cost to maintain quick-response capability in NDRF is far less than the cost to charter commercial ships, and the response time of reserve ships is within the timeframe specified by the Navy. Planned further strengthening of NDRF, coupled with the commercial sealift capability pledged to DOD under its Sealift Readiness Program, are additional reasons to evaluate the costs and effectiveness

of the various alternatives for providing standby shipping capability. Also, fluctuations in the number of ships in a reduced operating status (at times only a single ship) raise some questions about the degree of reliance that can be placed on this alternative as a source of immediate response. Discontinuing the reduced operating status concept could save an estimated \$3 million to \$6 million a year and would not, in GAO's opinion, compromise sealift readiness.

**Recommendations:** The Secretary of the Navy should reevaluate the need to continue the reduced operating status concept, particularly at its current level. The Secretary should determine whether more reliance should be placed on NDRF and on expanded use of commercial ships (on an as-needed instead of a long-term charter basis) to satisfy normal surges in sealift demands.

The Department of the Navy disagreed and believed that both systems were essential at this time. Navy stated that as sealift requirements are better defined, adjustments may be made. (*LCD-78-244, 2-7-79*)

#### Appropriations

Operations and maintenance—Navy

#### Appropriations Committee Issues

The Ready Reserve Fleet of the National Defense Reserve Fleet provides a less costly alternative to the Navy's practice of placing chartered ships in a reduced operational status for readiness purposes.

## DEPARTMENT OF DEFENSE - MILITARY

### NUCLEAR CONTAMINATION

#### *Enewetak Atoll--Cleaning Up Nuclear Contamination*

Departments of Defense, the Interior, Energy, and State

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

In 1972, the United States announced it was prepared to release Enewetak Atoll to the Trust Territory of the Pacific Islands assuming it would eventually be cleaned up and resettled. This project is underway and is expected to be completed in 1980 at a cost of \$100 million to \$105 million.

**Findings/Conclusions:** If the United States accomplishes all its objectives for cleaning up the Atoll, the Enewetak people must not either knowingly or unintentionally violate U.S. recommended living pattern restrictions to avoid over exposure to radiation. As the time for resettlement approaches, the people are less willing to defer, perhaps for as long as 100 years, establishing residences on Enewetak's second largest island until certain radioactive elements no longer pose a radiation hazard. Unsettled test-related issues which remain could result in difficulties for the United States if not resolved soon. These issues include, loss of land, loss of land use, loss of cash crops, radiological monitoring, and the possibility that recommended living pattern restrictions will not be observed. Significant radiological aspects of the project have not been independently assessed.

**Recommendations:** The Office of Micronesian Status Negotiations should make every effort to arrive at an agreement with the Marshall Islands Political Status Commission and the people of Enewetak concerning nuclear test-related issues yet unsolved, such as: lost land or land use; lost cash crops found to be unac-

ceptably contaminated with radioactive elements; specify what the responsibility of the United States would be should the people of Enewetak choose not to observe recommended living pattern restrictions; the courses of action to be taken should the people of Enewetak receive excessive doses of radiation; and the future status of the entombed radioactivity-contaminated soil and debris on the islands and how future monitoring and inspection will be accomplished. The Secretary of the Interior should initiate an independent technical assessment of the Enewetak cleanup project.

The Office of Micronesia Status Negotiations is considering the concerns set forth in the report on the ongoing negotiations with the Micronesians. The Department of the Interior is now considering the prospect of having independent experts assess Energy's radiological support data of the Enewetek cleanup project. (PSAD-79-54, 5-8-79)

#### **Appropriations**

Military construction—Defense Agencies

#### **Appropriations Committee Issues**

The Committee should monitor the progress of the negotiations.

# DEPARTMENT OF DEFENSE - MILITARY

## READINESS

### **DOD "Total Force Management"--Fact or Rhetoric?**

#### **Departments of Defense, the Army, Navy, and Air Force**

**Budget Function:** National Defense (0050).

**Legislative Authority:** DOD Directive 1100.4. OMB Circular A-76.

In addressing the need for competent management of the Department of Defense (DOD) work force, GAO found that each service has developed its own manpower systems and policies; consequently, the Office of the Secretary of Defense (OSD) has not issued a clearly defined total force policy. This report assesses DOD's ability to manage in the most cost-effective way all available manpower resources, which include active and reserve military, civilian, and contractor personnel. GAO made this review because the importance of effective manpower management cannot be overstated in view of rising personnel costs. A well-defined total force policy implementing total force management could help Defense managers achieve maximum force readiness at minimum cost.

**Findings/Conclusions:** The Air Force is the only service with a total force management system; the Army and Navy have only recently started to develop a total force management system. OSD could more effectively monitor and evaluate the total force if accurate and standard information were available. OSD presently depends on the services for its access to military and civilian information, but this information is often inaccurate and incomplete.

**Recommendations:** The Secretary of Defense should take the lead in developing with the services a comprehensive total force policy which includes all manpower resources. The policy should define: the objectives of total force management; the manpower elements of the total force and their respective peacetime and wartime roles; manpower systems that provide for integrated management; and the contributions of host nations' manpower in determining U.S. manpower requirements. The Secretary should prescribe guidance to help the services manage the total force, as follows: the services need to provide a bal-

ance between determining manpower requirements and the ability to acquire the desired mix; factors influencing short- and long-term manpower requirements; methodology to determine manpower requirements; cost elements to be used in figuring manpower; the need for cost-benefit analyses in examining manpower mix alternatives; measures of improved capability over the current force and methods of effecting that capability; clarification of criteria used to decide between performing in-house or contracting out for products and services; and the information needed by OSD to evaluate service requests. When formulating DOD legislation and making DOD authorization and appropriation decisions, Congress should consider the interrelationships between available manpower resources and the impact its decisions may have on DOD's ability to manage the total force in the most cost-effective manner.

Defense says it intends to continue to improve total force management. It has begun to pursue many of GAO's recommendations. (FPCD-78-82, 1-24-79)

#### **Appropriations**

Military personnel—Department of Defense, Army, Navy, Air Force

Operations and maintenance—Department of Defense, Army, Navy, Air Force

#### **Appropriations Committee Issues**

Agency workforce planning should identify the numbers of employees needed to effectively and efficiently accomplish the Government's essential work.

## DEPARTMENT OF DEFENSE - MILITARY

### REQUIREMENTS

#### ***Better Planning and Management of Army Watercraft Could Improve Mission Capability While Reducing Excess Numbers and Costs***

##### **Department of Defense**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** A.R. 310-34.

During a contingency, Army troops will need to be resupplied with ammunition, fuel, spare parts, food, and the like, to sustain their operations. The Army has acquired watercraft to resupply its combat troops and to carry out terminal services at U.S. and foreign seaports. The Army is spending \$23 million a year to operate, maintain, and store its watercraft. It has also established an \$80 million program to improve watercraft, some of which are in excess of requirements. **Findings/Conclusions:** The Army's watercraft requirements are questionable because adequate supporting documentation is not available, some assets are seldom used, and other assets have been recognized by the Army as excess. Although the Army has a current inventory of 840 watercraft, it has determined that its requirements total 500. The need for 93 watercraft assigned to an operational project in Europe has also been questioned. The European Command advised the Army that these watercraft were not needed in view of available fixed ports and host nation agreements and asked that they be transferred to another command. The decision to procure new watercraft for container-handling capability appears to be premature since some Army officials believe vessels already in inventory can satisfy the need for container capability and testing has not been adequate to determine the vessels' true performance or fuel costs.

**Recommendations:** The Secretary of Defense should direct the Army to: review watercraft requirements to ensure that they can be adequately justified; dispose of unneeded watercraft; expedite the signing of host nation support agreements so that watercraft stored in Europe could be used to satisfy other needs or declared excess; establish criteria for authorizing watercraft to table of distribution and allowance units;

make sure that product improvement procurement program funds will not be spent on unneeded watercraft; establish, with the Joint Chiefs of Staff and the Military Sealift Command, priorities to take maximum advantage of available transportation and to ensure that Army watercraft are transported to the area of operations needed; and not commit any procurement funds for a new air cushion vehicle until it makes a cost and economic evaluation analysis to determine its cost effectiveness and utility in a realistic military environment.

The Army agreed with all but one of the report's recommendations. The one recommendation that they did not concur with was to delay commitment of procurement funds for the air cushion vehicle until a cost and economic analysis is done. However, formal DOD comments, received after the report was issued, stated that the Army was reevaluating their decision to procure the LACV-30. (*LCD-79-419, 8-2-79*)

##### **Appropriations**

Procurement—Army

Operations and maintenance—Army

##### **Appropriations Committee Issues**

Accurate watercraft requirements should be established to eliminate expenditures on watercraft excess to requirements. The procurement of the air cushion vehicle should be delayed in light of current watercraft requirements, the availability of on-hand watercraft to meet the need, and the performance of the air cushion vehicle during testing.

## DEPARTMENT OF DEFENSE - MILITARY

### REQUIREMENTS

#### ***Potential Savings Through Consolidated Development of Computer Flight Plan System.***

#### **Departments of the Air Force and Navy**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

The potential exists for incurring unnecessary costs through the duplicative development by the Air Force and the Navy of computer flight plan (CFP) systems to take advantage of or to avoid weather conditions. The CFP systems are being designed to optimize aircraft routing and reduce fuel consumption. The two services are developing CFP systems independently of each other, and, as a result, two separate computer software programs will be developed requiring an additional computer. If there are savings to be realized through joint development of CFP systems, the necessity for each service to develop its own system is questionable. Since commercial airlines and certain Air Force estimates already show that savings can be achieved through improved CFP systems, there is no need for the Air Force to independently test a system to determine if it is economically feasible.

**Recommendations:** GAO recommended that the current independent actions should be halted until

both services justify the need for independent rather than joint CFP system development and the Air Force can demonstrate the need for an economic feasibility test. If the tests are needed, the Air Force should be required to show that less costly test procedures have been adequately considered. Also GAO recommended that adequate pilot monitoring procedures—similar to those used by commercial airlines—be instituted to achieve minimum safe aircraft fuel loads and in turn maximize fuel savings. (*LCD-78-437, 10-10-78*)

#### **Appropriations**

Operations and maintenance—Air Force and Navy

#### **Appropriations Committee Issues**

Because of the potential savings involved the Committee should require joint development of CFP systems.

## DEPARTMENT OF DEFENSE - MILITARY

### REQUIREMENTS

#### *The Services Can Further Refine Management of Flying Hour Programs*

Departments of Defense, the Army, Navy, and Air Force

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

In 1976 a review of the flying hour programs of the Army, Navy, and Air Force presented recommendations for improving those programs. Substantial progress has been made since that review; however, recommendations for further improvement are presented.

**Findings/Conclusions:** Although progress has been made by the services in establishing better management systems, some areas require further attention, i.e., (1) assuring that flying hour requirements are based on assigned pilots and operational constraints, (2) establishing systems to monitor pilot progress for multipiloted aircraft without relying on minimum flying hour criteria, (3) identifying tasks and events to be performed with simulators and giving priority to those which do the most in reducing flying hours, and (4) defining who should or should not fly.

**Recommendations:** The Secretary of Defense should develop and implement improved guidance for managing the services' flying hour programs with particular emphasis on: (1) identifying the skills and qualities needed by commanders of multipiloted aircraft and establishing systems to monitor pilot progress without relying on minimum flying hour criteria; (2) using full flying training requirements of the baseline for readiness measurement; (3) assuring that flying

hour requirements are based on assigned pilots, operational constraints are considered, and operational support flying is limited to training requirements; (4) identifying tasks and events to be done in simulators and doing them in simulators to the extent possible, giving priority to events reducing the number of flying hours the most; and (5) providing a better definition of who should not fly.

The Department of Defense agreed stating that several of the recommendations have already resulted in refinements in flying hour program requirements. It is DOD's plan to use the report in reviewing service flying hour program requests and evaluating overall guidance for the management of flying hour programs. (*LCD-79-401, 03-27-79*)

#### **Appropriations**

Operations and maintenance—Army, Navy, and Air Force

#### **Appropriations Committee Issues**

The Committee should monitor DOD's actions to develop and implement improved guidance for managing the service's flying hour programs.

## DEPARTMENT OF DEFENSE - MILITARY

### SUPPLY MANAGEMENT

#### ***Army Should Use Available Serviceable Parts to Avoid Repairs***

##### **Department of the Army**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** Air Force Logistics Command Manual, No. 57-3. Army Materiel Development and Readiness Command Regulation 750-28.

The Army has been spending millions of dollars needlessly for repair costs at its bases by neglecting to use a stock inventory control system and contracting for needless repairs. It has been a known problem since 1972. The Army recognizes the benefits of using available replacement parts but has taken no action to correct its procedures.

**Findings/Conclusions:** The Army has not developed effective procedures for: (1) identifying parts that are being repaired; (2) notifying supply depots that replacement parts are available; and (3) matching repair actions with available parts.

**Recommendations:** To make the repair system more efficient, the Army should adopt procedures to make sure that item managers do not schedule repair programs for items already in long supply and set up a more timely reporting system to alert item managers that scheduled repairs are no longer needed because stock positions have changed from short to long supply. It should be determined whether items regularly repaired but classified as nonreparable should be classified as reparable. Unserviceable parts resulting from replacement actions should be retained and, if neces-

sary, scheduled for repair to satisfy future requirements for serviceable parts. At present, industrial fund cost practices encourage depot managers to repair rather than replace parts, even when long supply serviceable parts are available. The solution is to change the pricing procedures to eliminate cost disparities caused by utilizing parts in long supply.

The Army agreed with our recommendations and stated that procedural and management improvement actions would be taken. We will follow up at a later date to see if they have in fact been accomplished. (LCD-79-205, 1-31-79)

##### **Appropriations**

Operations and maintenance—Army

##### **Appropriations Committee Issues**

The Army has not taken advantage of opportunities to use serviceable long supply or excess parts in place of repairs.

## DEPARTMENT OF DEFENSE - MILITARY

### SUPPLY MANAGEMENT

#### *Disposal of Obsolete and Excess Inventories Would Save Millions of Dollars*

##### Department of Defense

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** DOD Instruction 2140.1.

A large buildup of excess inventory has resulted from a 1973 self-imposed Department of Defense (DOD) moratorium on disposal of excess assets with potential foreign military applications. The moratorium was declared to prevent premature disposal of assets until better criteria were established for determining the needs of foreign governments. When DOD phases out a weapon system from its active inventory, it can offer foreign governments an opportunity to make a one-time purchase of spare parts to support the weapon system's remaining useful life. DOD can then dispose of the remaining inventory for the weapon system and end its support responsibility. This life-of-type buy policy could maximize the potential proceeds from the sale of excess items and reduce supply administration costs.

**Findings/Conclusions:** The Army is the only service that has used the life-of-type buy policy to dispose routinely of unneeded inventory. The Air Force and the Navy are retaining sizable inventories of excess items, some of which are peculiar to weapons that have been phased out of their systems. The military services could make better use of their storage facilities and reduce inventory and administrative supply costs if they immediately purged unneeded items from their inventories, either through life-of-type buys or through normal disposal practices.

**Recommendations:** The Department of Defense should direct the military services to: identify the excess and obsolete inventory currently held in their supply systems; develop procedures for determining the requirements of foreign governments for this material; and utilize the life-of-type buy policy and normal disposal practices to dispose of unneeded items promptly.

DOD agreed with GAO's conclusions and recommendations and has begun a number of programs to assist in eliminating the deficiencies identified in GAO's report. In addition, the Congress is holding hearings on the subject. (*LCD-79-211, 5-16-79*)

##### Appropriations

Operation and maintenance—Departments of the Air Force, Army, and Navy

##### Appropriations Committee Issues

The Committee should ask DOD to identify the excess and obsolete inventories still held in its supply system and explain what action is being taken to correct the problem.



## DEPARTMENT OF DEFENSE - MILITARY

### SUPPLY MANAGEMENT

#### ***Fragmented Management Delays Centralized Federal Cataloging and Standardization of 5 Million Supply Items***

**Departments of Defense and Transportation, Federal Aviation Administration, and General Services Administration**

**Budget Function:** National Defense: Defense-related Activities (0054).

**Legislative Authority:** DOD Instruction 4120.19. H. Rept. 91-1718. Military Standard 965. 10 U.S.C. 2451.

The Federal cataloging, engineering standardization, item entry control, and item deletion programs used by Government agencies to manage required parts were reviewed.

**Findings/Conclusions:** It has been nearly 30 years since the Federal Catalog System was created, yet congressional intent has not been fully achieved. Notable progress has been made, but duplication of supply items continues to hamper effective Government logistics.

**Recommendations:** The appropriate Congressional Oversight Committees must exert their influence over the Federal agencies to assure that a Government-wide perspective is given to program improvement plans. Before substantial new resource commitments are made, agencies should demonstrate that their remedies will effectively overcome the fundamental problems in cataloging and standardization. The Secretary of Defense should make the Joint Logistics Commanders of the military services members of the Defense Materials Specifications and Standards Board. The Secretary of Defense and Administrator of General Services should take the following actions: (1) work with industry to explore ways that designers can best learn about preferred items that may already be in the Government's supply system; (2) make clear to contractors that engineering standardization is a priority concern in Government procurements; (3) explore various incentive programs that could lead to greater parts standardization in Government weapon systems and related equipment; (4) assume a more definite role in parts control monitoring by involving Military Parts Control Advisory Groups in the earliest phase of equipment design; (5) modify the definition of a standard item so that it describes only those items governed by an existing Government specification; (6) monitor procurement activity performance to be sure that

technical data, including true vendor and alternate manufacturers' part numbers, are obtained so that proper cataloging and item entry control can work; and (7) supplement current, automated item entry controls with manual reviews by experienced equipment or item technicians.

A Federal Catalog System Executive Level Steering Committee has been created by DOD and GSA. About 100 projects have been created to overcome the problems with the cataloging and standardization programs. DOD and GSA generally concur in the overall thrust of the report. Efforts have begun to implement our recommendations. However, GSA has stated that insufficient funding continues to inhibit full implementation of all recommendations. (*LCD-79-403, 3-15-79*)

#### **Appropriations**

Operation and maintenance—all military services General Services Administration, Federal Supply Service

#### **Appropriations Committee Issues**

DOD in the next five years will introduce over 40 new weapons systems, the largest number ever introduced in this tight timeframe. Thousands of decisions concerning the parts and assemblies needed to support these systems will be necessary. Therefore, timely improvement of the item entry control, cataloging, standardization, and item deletion programs are necessary. The Appropriation Committees should review the improvement programs proposed by the agencies and fund only those actions which will overcome the problems identified in the GAO report.

## DEPARTMENT OF DEFENSE - MILITARY

### SUPPLY MANAGEMENT

#### ***Management of Storage and Distribution of DOD Bulk Fuels Can Be Improved***

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

A study was made of the storage and distribution of bulk petroleum products by the Defense Logistics Agency. The Defense Fuel Supply Center has a responsibility to procure and distribute fuel used by the armed forces and certain other Federal activities.

**Findings/Conclusions:** There are four areas in which the Defense Logistics Agency can improve its management of bulk petroleum products. The use of inaccurate or inappropriate transportation cost data in the computer model used by the Defense Fuel Supply Center to evaluate bids from suppliers has in some instances distorted the results. The overall cost of petroleum products could be reduced if maximum use were made of existing pipelines for distribution. Inventories at some fuel storage points have been maintained at higher levels than can be justified by usage or war reserve requirements. The loading of fleet oilers at supply points away from the source of supply has resulted in unnecessary double handling of fuels, thus increasing costs.

**Recommendations:** The Director of the Defense Logistics Agency should adopt quality control measures to make sure that the proper transportation data are included in the bid evaluation model. Regional personnel who have knowledge of specific installations and distribution facilities should review the transportation data used in the bid evaluation process. Distribution patterns should be changed to make the best use of less costly pipeline services. The Director should

work with the individual services to encourage them to share distribution facilities. The Director should recompute peacetime stockage objectives on the basis of documented requirements, and storage needs should be evaluated on the basis of the revised stockage requirements and release facilities no longer needed. Finally, the Director should ask the Navy to require that fleet oilers be loaded as near to the supply source as is feasible. The Director should direct the Secretaries of the military services to cooperate in bringing about the above improvements, particularly in the areas involving the sharing of distribution facilities and the loading of fleet oilers.

In responding to GAO's final report Defense officials concurred with the recommendations and agreed to take action. GAO will followup in about two years to see what action has been taken. (LCD-79-218, 6-14-79)

#### **Appropriations**

Procurement—Department of Defense  
Operation and maintenance—Department of Defense

#### **Appropriations Committee Issues**

Management of bulk petroleum products can be improved in several areas enumerated above.

## DEPARTMENT OF DEFENSE - MILITARY

### SUPPLY MANAGEMENT

#### **Material Handling Equipment--A Weak Link In the Defense Logistics Chain**

##### **Departments of the Army and Air Force**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Although material handling equipment is vital to moving cargo efficiently, it has apparently remained low on the Department of Defense's (DOD) list of priorities when competing for resources. This is evidenced by the fact that the material handling equipment fleet has not kept pace with the shift from break-bulk to containerized shipping practices, and problems identified years ago still have not been resolved.

**Findings/Conclusions:** Much of the material handling equipment used overseas is old and will soon exceed its life expectancy, if it has not already. Maintenance of material handling equipment has been adversely affected because of its age and lengthy delays in obtaining repair parts. There are shortages of material handling equipment needed to efficiently handle and process cargo shipments. In terms of efficiency, material handling equipment used overseas is marginally adequate for peacetime operations. More importantly, problems with material handling equipment could result in units being unable to meet surge requirements of a wartime contingency.

**Recommendations:** The Secretary of DOD should establish a realistic and timely schedule for: replacing the overaged and hard-to-maintain equipment; acquiring new and specialized items, including support equipment, needed to efficiently handle containers and containerized cargo; and adding needed items to claimant stocks and war reserves. The Secretary should also make sure that material handling equipment needs get the priority they deserve in competing for funds, and he should direct the services to survey their material handling operations to ensure that: equipment operators properly maintain their equipment, docking facilities are capable of receiving containerized shipments of supplies, containers are loaded so that they can be easily emptied, and parts needed to repair equipment are provided in a timely manner.

Although no one took exception to our findings, both Army and Air Force representatives were quick to

point out that actions have been taken, or are planned, to correct many of the material handling equipment problems highlighted in our report. Regarding our recommendation that material handling equipment needs receive a higher funding priority, Army and Air Force officials' representatives stated that current budget plans are giving material handling equipment one of the highest priorities it has received in several years. Air Force representatives stated that they have a 5-year/\$240 million program planned for material handling equipment procurement. They stated further, however, that procurements to increase war reserve assets in Europe are being postponed pending negotiations with foreign countries for host nation support. They stated that Pacific theatre war stocks are now at authorized levels. Concerning solutions to the material handling equipment repair parts problems, Air Force representatives said they were planning to purchase some material handling equipment from the country where it would be used; i.e., German-made forklifts for use in Germany. They said this would help eliminate the long supply pipeline from the continental United States. The Army representative said that the Army was also planning to explore the procurement of foreign-made material handling equipment items. In addition, an effort is underway to stock more repair parts in the theatre for American-made equipment. (LCD-79-212, 8-10-79)

#### **Appropriations**

Operation and maintenance—Army and Air Force  
Procurement—Army and Air Force

#### **Appropriations Committee Issues**

Appropriations required for operation and maintenance and equipment procurement should be reviewed to determine if the Department of Defense is adequately addressing the recommendations made by GAO.

## DEPARTMENT OF DEFENSE - MILITARY

### SUPPLY MANAGEMENT

#### *Millions of Dollars Can Be Saved by Improved Management of Aircraft Carrier Inventories*

##### Departments of Defense and the Navy

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

**Legislative Authority:** OPNAVINST 4400.9. OPNAVINST 4441.12A.

During a recent 2-year period, Atlantic and Pacific Fleet aircraft carriers reported inventory excesses and shortages averaging \$154 million and \$216 million respectively. In studying the problem for the Department of Defense, GAO found the cause of the conditions to be inventory and management control problems.

**Findings/Conclusions:** Specific examples were cited by GAO where inaccurate inventory records caused untimely or unnecessary reorders of supplies. In most cases, equipment was ordered that was already part of the carrier's inventory or could have been transferred from overstock on other carriers. Aircraft carrier inventory allowances for aviation items were overstated on procurement reports because they were based on usage data as much as 8 years old.

**Recommendations:** The solution to the Navy's procurement problems lies in improved shipboard management to insure more stringent requisitioning controls and more timely and accurate updating of inventory records. Accurate recording of inventory data will result in more accurate procurement analysis

for the entire program. To make these changes effective, high level management must take a more active role in controlling procurement for all the Navy's carriers. The estimated savings to the Navy over an 18-month period would be \$114.8 million.

The Department of the Navy concurred with our recommendations and revised appropriate regulations where necessary. In addition, the Navy has reemphasized that, through its supply bulletins, required actions be taken where noncompliance with existing procedures was the cause of the audit findings. (LCD-78-221, 12-22-78)

##### **Appropriations**

Aircraft procurement—Navy.

##### **Appropriations Committee Issues**

In view of savings potential, consider reducing the Navy's appropriation.

## DEPARTMENT OF DEFENSE - MILITARY

### SUPPLY MANAGEMENT

#### *Planned Procurement Quantities for F-15 and F-14 Are In Excess of Needs*

##### Departments of Defense and Air Force

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

GAO pointed out in October 1977 that the planned procurement quantities for F-14 and F-15 combat aircraft for training purposes, peacetime attrition, and replacements for aircraft undergoing overhaul, were in excess of needs. The services used inconsistent and imprecise criteria to forecast needs for support aircraft, which could be reduced with tighter management controls and closer scrutiny of data. F-14 and F-15 needs were overstated by 178 aircraft, estimated to cost about \$2.5 billion, and GAO recommended that need estimates be based on more realistic data. Department of Defense (DOD) acknowledged the report, but did not respond to its conclusions and recommendations; it did agree, however, that programs must be based on realistic and supportable data, and indicated that a special review of support aircraft needs was underway and that changes in procurement objectives would be made as warranted. Following up on the GAO report, the Defense Audit Service found that F-14 and F-15 aircraft needs were overstated in the categories mentioned by about 111 airplanes. The Office of Program Analysis and Evaluation said that DOD was studying means of computing needs for aircraft to support combat squadrons. Both GAO and the Defense Audit Service findings showed that procurements are excessive. Since few F-14s and F-15s remain to be funded by Congress, steps should be taken immediately to reduce the number to be procured.

**Recommendations:** The Congress should require the Department of Defense and the military services to specify the requirements for training, replacement,

and overhaul of aircraft based on realistic and supportive data, and not on absolute and arbitrary percentages of operational combat aircraft.

DOD did not comment specifically on GAO's recommendations. It agreed, however, that all programs must be based on realistic and supportive data, and stated also that the Department is currently making a special review of support aircraft requirements and would change the procurement objective if the original planning requirements were no longer warranted by the review. (*LCD-79-420, 5-22-79*)

#### **Appropriations**

Procurement—Navy, Air Force  
Military personnel—Navy, Air Force  
Operations and maintenance—Navy Air Force

#### **Appropriations Committee Issues**

DOD's action on GAO's recommendations could reduce the total number of combat aircraft requested for support purposes. The Committees should determine whether the Department has critically examined the services' requests for these aircraft and has included only those aircraft essential for support. If the services need additional back-up aircraft for wartime contingencies above those required for peacetime operations, the Committees should have the Department change its policy and request a war reserve requirement for this purpose.

## DEPARTMENT OF DEFENSE - MILITARY

### SUPPORT FUNCTIONS

#### *Progress and Problems in Consolidating Military Support Functions in the Pacific*

##### Department of Defense

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).  
**Legislative Authority:** B-160683 (1972). B-164217 (1968). DOD Directive 4000.19.

An examination of Department of Defense (DOD) consolidation of military functions in the Pacific was made to determine what effort is needed under the Pacific area Defense Retail Interservice Support (DRIS) program to eliminate duplication of military support functions.

**Findings/Conclusions:** The services have consolidated some functions suggested in a prior GAO report or identified by the services, and these actions have saved an estimated \$1.1 million, and recurring savings are estimated at \$8.4 million annually. All needed consolidations have not been achieved, however. Examples include real property maintenance near Pearl Harbor and on Okinawa, civilian personnel offices in Hawaii and Japan, family housing management in Hawaii, and administrative aircraft support in Japan. A key cause of this is DOD's disagreement with GAO's previous recommendation to the Secretary of Defense to delegate clear-cut authority below the Department level to direct, not just recommend, interservice arrangements for support activities.

**Recommendations:** The Secretary of Defense should direct the program administrator to develop procedures which will insure that disputed studies and unresolved proposed consolidations are promptly

submitted for review and arbitration to an organization with directive authority. This can best be done by delegating clear-cut directive authority to responsible commands within the Defense Retail Interservice Support program. The Secretary should direct completion of several consolidation plans where progress has stalled or where new functions are shown to be duplicative.

The Defense Logistics Agency has worked with the military departments to develop procedures that are substantially in line with the GAO recommendations. (LCD-78-223, 4-12-79)

##### Appropriations

Operation and maintenance—Army, Navy, and Air Force

##### Appropriations Committee Issues

The Committee should determine if DOD has made further consolidations, what savings have resulted, and if disputed studies are being submitted to higher authorities for resolution.

## DEPARTMENT OF DEFENSE - MILITARY

### TRAINING

#### **Better Equipment Maintenance and Personnel Training Needed to Improve Firefighting Capability on Navy Ships**

##### **Department of the Navy**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Fires which reduce mission performance and are tragic and costly continue to present a problem for Navy ships, particularly on aircraft carriers.

**Findings/Conclusions:** Effective firefighting is a combination of good equipment and trained personnel, and deficiencies currently exist in both of these areas. Firefighting equipment on aircraft carriers is poorly maintained in many instances and therefore, does not function properly. Two factors contribute to this: a lack of personnel trained in maintenance and a need for better trained firefighters. Several weaknesses in the fleet's shore-based training program were identified: (1) firefighting schools cannot meet the fleet's training demands, (2) no formal selection procedures exist for fulfilling training slots, and (3) quality of training may be declining.

**Recommendations:** The Secretary of the Navy should take appropriate action to ensure that: (1) fire fighting equipment on aircraft carriers is adequately maintained and in good operating condition, (2) personnel are adequately trained to maintain new firefighting systems, (3) fleet procedures for selecting personnel to

attend firefighting training courses are improved, (4) all personnel assigned to firefighting teams complete one of the advanced training courses as soon as possible, and (5) firefighting training schools have enough training slots to meet the fleet's essential requirements.

The Navy initiated a comprehensive internal audit concerning the Adequacy of Training as a result of GAO's report. The Navy's work is still ongoing with completion of the report expected in early 1980. (PSAD-79-6, 1-16-79)

#### **Appropriations**

Operations and maintenance—Navy

#### **Appropriations Committee Issues**

The committee should determine the Navy's progress in identifying and correcting deficiencies in the shipboard firefighting training program.

## DEPARTMENT OF DEFENSE - MILITARY

### TRANSPORTATION

#### **Claims of Savings and Improved Service in DOD's Competitive Rate Program for Shipments of Household Goods Overseas**

##### **Departments of Defense and the Army**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Claims made by the Department of Defense (DOD) concerning improved materials transport service and savings being achieved under its Competitive Rate Program (CRP) were reviewed.

**Findings/Conclusions:** The methodology DOD used to calculate savings resulting from CRP was acceptable, and its estimate of dollar savings was as accurate as possible considering the information available at the time of preparation. Claims by DOD of improved service could not be verified because the methodology used to measure such improvements was poorly designed and documented. (LCD-78-232, 3-20-79)

##### **Appropriations**

Military personnel—Department of Defense

##### **Appropriations Committee Issues**

Department of Defense officials testified that they would not expand the Competitive Rate Program to Alaska and Hawaii, two states excluded from the program, but they would introduce the Courier Evaluation and Reporting System, a competitive system. The Committee deleted \$8 million from DOD's 1980 budget request to reflect these greater efficiencies.



# MILITARY ASSISTANCE

## DEFENSE COST SHARING

### *The United States and Japan Should Seek More Equitable Defense Cost-Sharing Agreements*

#### Departments of Defense and State

**Budget Function:** National Defense: Military Assistance (052).

**Legislative Authority:** Department of Defense Appropriation Authorization Act, as amended (P.L. 93-155). Treaty of Mutual Cooperation and Security.

It has become increasingly apparent in recent years that Japan is capable of assuming a greater share of the common defense costs, and conditions now exist to seek increased defense contributions from the Government of Japan.

**Findings/Conclusions:** Japan's financial support of the U.S. presence has been limited to paying land rental for areas occupied by U.S. Forces, constructing replacement facilities, and payments to Japanese communities near U.S. bases. The heavy U.S. defense burden in Asia could be made more equitable by cost-sharing of common defense costs, such as increased logistical and operational support, labor cost sharing, and joint use of defense installations.

**Recommendations:** Secretaries of State and Defense should jointly reexamine possible cost-sharing methods, and develop definitive plans for pursuing increased cost-sharing by the Government of Japan; begin negotiations to implement a labor cost-sharing agreement; and arrange for increased joint use of military installations. The United States has a major role in preserving peace and stability in Northeast Asia. Japan has prospered under the security provided by the U.S. defense umbrella and has developed into an economic superpower capable of assuming a greater share of common defense costs. Japan has made tremendous economic strides during the past decade and is the dominant economic power in Asia. Its impressive economic growth is reflected in its bilateral trade with the United States; while the United States maintained a favorable balance before 1966, Japan has enjoyed a trade surplus every year since then. Each year from 1968 through 1975, the U.S. trade deficit with Japan exceeded \$1 billion and cumulatively totaled \$15.8 billion during this period. In comparing the continuously large U.S. bilateral trade deficits with Japan and the multi-billion dollar cost of stationing U.S. Forces in Asia with Japan's modest defense expenditures and tremendous economic capabilities, GAO concluded that the United States is justified in seeking increased Japanese support for the common

defense costs. There are recognized political constraints on how far Japan can go, but a measurable level of increase should be possible. A logical first step is to develop comprehensive objectives and priorities that meet U.S. interests. The goals of complementarity appear to offer a realistic approach in this direction. Although mutual cooperation is subject to mutual determination of how it will be achieved, the U.S. government should establish its own position before holding discussions with Japan. Accordingly, GAO recommended that the Secretaries of State and Defense jointly reexamine possible cost-sharing methods and develop definitive plans for exploring additional cost-sharing opportunities with Japan. Important considerations include the

- missions, functions, or costs Japan can and should assume;
- impact on the U.S. military posture in Japan;
- possible U.S. cost savings or increased United States-Japan military capability; and
- target dates to discuss actions identified. Positive U.S. action to initiate cost-sharing arrangements could lead to a more equitable sharing of common defense interests. Two potential areas are labor cost-sharing and joint use of defense installations. The recent decision to reconsider labor cost-sharing is encouraging, but no target dates for taking action have been set. GAO recommends that the Secretaries of State and Defense begin negotiations to implement a labor cost-sharing arrangement. GAO also recommended that the Secretary of Defense review the use of military installations in Japan to identify potential joint-use candidates and then act to establish joint use of installations so identified. Underused Army installations would seem to be obvious joint-use candidates.

The Departments of State and Defense both concurred with these recommendations. In July 1977 the American Ambassador reported that labor cost-

sharing negotiations were underway. A 5-year cost-sharing agreement was signed in December 1977 in which the Japanese Government agreed to pay certain indirect labor costs estimated to save the Department of Defense about \$26 million annually. As of October 1979, formal negotiations have terminated on a positive note according to the State Department. Japan's budget request for fiscal year 1980 which begins in April 1980 includes provisions for:

- continued payment for certain indirect labor costs as agreed to in December 1977, and
- a significant increase in payments for facilities construction. (*ID-77-8, 6-15-77*)

### **Appropriations**

Operation and maintenance—Department of Defense

### **Appropriations Committee Issues**

Development of burden-sharing plans could ultimately reduce the operations and maintenance expenses of maintaining U.S. troops in Japan.

# MILITARY ASSISTANCE

## MILITARY ASSISTANCE ADVISORY GROUPS

### ***Management of Security Assistance Programs Overseas Needs To Be Improved***

#### **Departments of Defense and State**

**Budget Function:** National Defense: Department of Defense-Procurement and contracts (058).

**Legislative Authority:** International Security Assistance and Arms Export Control Act of 1976 (P.L. 94-329). International Security Assistance Act of 1977 (P.L. 95-92). Foreign Assistance Act of 1961.

Military Assistance Advisory Groups (MAAGs) have operated in foreign countries for many years to provide operational and tactical advisory and training assistance to host-country armed forces and to administer the grant aid program. The International Security Assistance Act of 1977 (Public Law 95-92) specified changes in the operations of the groups to improve the overall management of the programs.

**Findings/Conclusions:** Public Law 95-92 had little, if any, direct effect on the scope and type of MAAG operations or on the direction and supervision provided by the Chiefs of U.S. Diplomatic Missions. The staff levels of certain groups were reduced, but their duties were unchanged. The Departments of State and Defense have not defined the primary functions to be performed by MAAGs under the Act or the duties and tasks for each function. Many of the tasks being performed by the MAAGs are procedural in nature and could be assumed by the host country, performed by security assistance program managers in the United States, or performed by teams sent to the country for limited periods. Public Law 95-92 imposed a manpower ceiling on the number of military personnel that could be assigned overseas to security assistance functions. Two of the 15 MAAGs achieved apparent compliance by merely transferring personnel to technical assistance field teams which are not subject to the ceiling.

**Recommendations:** The Secretaries of State and Defense should: define the tasks to be performed for each primary function under the Act; perform manpower surveys to determine optimal staffing and to identify tasks that must be performed incountry by MAAG personnel; transfer all tasks which do not have to be performed in-country by MAAG personnel to the country personnel or state-side program managers;

submit plans for eliminating tasks performed incountry by MAAG personnel to the Congress for its approval; reemphasize to host countries the necessity for establishing procurement offices in the United States; and study the feasibility of using contractors or U.S. civilian personnel to perform advisory and training tasks requiring more than 2 years to complete.

The Department of State commented that some form of security assistance management organization under the direction and control of the Chief of Mission will continue to be needed for coordinating the U.S. effort in some foreign countries. For FY 1980, separate security assistance organizations under the Chief of Mission were proposed for 48 countries while in 24 additional countries, it was proposed that security assistance management functions be assigned to the Defense Attache Offices. Proposed FY 1980 military and civilian authorized personnel strengths reflect only marginal reductions. (*ID-78-27, 4-21-78 and ID-78-51, 9-1-78*)

#### **Appropriations**

Operation and maintenance—Department of Defense  
Foreign assistance—Department of State

#### **Appropriations Committee Issues**

The Committee should consider the actions taken by the Defense Department and the State Department to improve the management of the Security Assistance Program with particular emphasis on the actions to transfer tasks to host country personnel of stateside managers and to further reduce and eliminate unneeded staff.

## DEFENSE-RELATED ACTIVITIES

### ACCOUNTING SYSTEMS

#### ***More Direction Needed to Establish a Uniform Depot Maintenance Accounting System***

##### **Departments of the Army, Navy, and Air Force**

**Budget Function:** Miscellaneous: Financial Management and Information Systems (1002).

Over the past 15 years, the Department of Defense (DOD) has made several unsuccessful attempts to establish a uniform depot maintenance cost accounting system.

**Findings/Conclusions:** The most recent attempt to establish such a system, begun in 1975, has met with substantial difficulties in its implementation stage. The scheduled startup date, October 1976 at Air Force depots, has been delayed, and an interim system does not provide for the allocation of actual direct labor. Implementation of this part of the system may take 3 more years. As now used at Army and Navy maintenance depots, the new system is not producing uniform cost accounting data because these services are continuing to use diversified approaches in developing such data. A uniform system would enable DOD management officials to assess the effectiveness of depot maintenance operations which cost several billion dollars in fiscal year 1976. Problems identified in implementing a uniform cost accounting system were: lack of sufficiently comprehensive guidelines to preclude the use of widely varying methods of computing and reporting costs, lack of leadership to insure that managers knew the objectives and uses of the system, and failure of depots to follow the DOD Handbook.

**Recommendations:** The Secretary of Defense should have Assistant Secretaries establish a focal point to oversee system implementation and respond decisively to problems which might compromise the comparability of the cost system at different depots, and provide more complete instructions to depots and limit interpretations of the instructions so that services will follow the same cost accounting procedures.

In August 4, 1978, comments on this report, the Acting Assistant Secretary of Defense (Comptroller) stated that each of the military departments was requested to (1) formalize a monitoring and reporting system to assure that prescribed cost accounting procedures are fully implemented in a cost effective manner, (2) review implementing guidance to assure it is adequate and lower level issuances do not contradict higher level issuances, and (3) establish more specific plans to improve accounting for indirect costs. The Acting Comptroller also stated that a series of changes to expand and clarify uniform cost accounting instructions for the military services were under development. (FGMSD-78-35, 5-22-78)

##### **Appropriations**

Operations and maintenance—Army, Navy, Air Force  
Military pay and allowances—Army, Navy, Air Force

##### **Appropriations Committee Issues**

The implementation of an effective and truly uniform depot maintenance cost accounting system by each of the military services can provide the Appropriations Committee and the Congress with a means of assessing and comparing the effectiveness of military services depot maintenance operations which cost several billion dollars a year. The Appropriations Committee should monitor the Defense Department efforts to implement the system and request the Defense Department to provide Congress with information on how it proposes to use data from this system to manage depot maintenance operations.

## DEFENSE-RELATED ACTIVITIES

### ACCOUNTING SYSTEMS

#### *Navy Shipyard Accounting System Needs Improvement*

##### Department of the Navy

**Budget Function:** Financial Management and Information Systems: Accounting Systems in Operation (1101).

The accounting system at Long Beach and Pearl Harbor Naval Shipyards has not been implemented in full accordance with the documented standard system design for Navy shipyards which was approved in June 1975. As a result, inventory values reported to Navy headquarters and Congress were incorrect, accounts receivable were not properly shown on financial statements, and control over appropriated funds was inadequate.

**Findings/Conclusions:** The shipyards' administrative control over customer funds was not adequate to insure that funds were used for only authorized purposes and obligations and expenditures do not exceed the amounts authorized. Project orders were combined, thereby precluding the shipyards from matching expenditures incurred with funds received from the customer during the year. Adequate controls were not exercised to insure proper cost transfers between customer orders. Expired appropriations were used in renegotiating fixed price orders. Current operating procedures at the shipyards do not provide administrative control over funds. The balance of the direct material inventory account was not accurate because the general ledger and the subsidiary records were not reconciled as required. Although the approved system design requires the use of three separate accounts to classify accounts receivable, the shipyards were using only one account.

**Recommendations:** The Secretary of Defense should direct the Secretary of the Navy to require the Long Beach and Pearl Harbor shipyards to strengthen their controls over the use of appropriated funds and to review the transactions specifically identified in this report and make any appropriate adjustments. The Secretary of the Navy should establish procedures to ensure that all shipyards comply with Navy instructions and control procedures for project orders, fixed pricing, and cost reimbursable orders; and effectively

implement Navy instructions on controls over cost transfers between customer orders. Emphasis should be placed on eliminating the practice of recording and reporting improper transactions in the material-in-transit account, insuring that general ledger and subsidiary direct material inventory accounts are properly reconciled, and properly classifying accounts receivable on financial statements.

On August 13, 1979, the Assistant Secretary of Defense stated that the Assistant Secretary of the Navy (Financial Management) has taken or will take the necessary action to ensure that inventory and accounts receivable are properly reported and that administrative control of funds procedures are improved. The Assistant Secretary of Defense further stated that the questionable transactions specifically identified in the report would be reviewed and appropriate adjustments made. In addition, Defense plans to establish follow-up procedures to assure the above actions are accomplished. (FGMSD-79-34, 6-6-79)

#### **Appropriations**

Operation and maintenance—Navy  
Research, development, test and evaluation—Navy  
Weapons procurement—Navy  
Shipbuilding and conversion procurement—Navy  
Other procurement—Navy

#### **Appropriations Committee Issues**

Current operating procedures at the shipyards do not provide proper administrative control over funds and afford opportunities for the misuse of annual appropriations. Because of the accounting system deficiencies, accurate and reliable information was not reported to the Congress.

## DEFENSE-RELATED ACTIVITIES

### ACCOUNTING SYSTEMS

#### ***Uniform Accounting and Workload Measurement Systems Needed for Department of Defense Medical Facilities***

##### **Department of Defense**

**Budget Function:** Miscellaneous: Financial Management and Information Systems (1002).

The military departments do not have uniform procedures for preparing budget estimates, accounting for costs, measuring workload, and staffing medical facilities. Lacking comparable accounting and workload information, the Department of Defense (DOD) has been unable to make cost comparisons and evaluations of the management of military medical resources.

**Findings/Conclusions:** Following an interim report, DOD officials developed and are testing a system based on a uniform chart of accounts for hospitals. DOD plans to develop uniform budgeting and staffing procedures for military medical facilities.

**Recommendations:** The Secretary of Defense should initiate uniform procedures for the accumulation and reporting of the military services' medical facility costs which are to be included in their operations and maintenance budget submissions; develop and issue uniform staffing criteria for military health care facilities; require that responsible Defense managers analyze uniform financial and workload information when it is developed and reported and take the necessary actions to allocate medical resources effectively and efficiently; and require that internal auditors participate in the development of uniform cost and workload systems for military medical facilities in order to

assure that sufficient internal controls are included in the systems.

Department of Defense officials had initiated a project to develop and implement the recommendations made by GAO. The Department of Defense has developed a Uniform Resource and Performance Accounting System for fixed medical and dental treatment facilities. Implementation will be on a phased basis commencing October 1, 1979, and will span a three-year period. To determine future manpower requirements, all services will use a common medical manpower staffing methodology beginning in fiscal 1981. (FGMSD-77-8, 1-17-78)

##### **Appropriations**

Operation and maintenance—Army, Navy, Air Force  
Military pay and allowances—Army, Navy, Air Force

##### **Appropriations Committee Issues**

Because of failures to properly implement uniform systems in the past, the Appropriations Committees should monitor Defense's progress.

## DEFENSE-RELATED ACTIVITIES

### AUTOMATIC DATA PROCESSING

#### *Development of Department of Defense's Tri-Service Medical Information System*

##### **Department of Defense**

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).

The Department of Defense's (DOD's) Tri-Service Medical Information System (TRIMIS) should provide automated data processing support for patient care in military hospitals. Its potential benefits involve minimizing duplication in systems development by the services, money savings, and improved hospital patient care. However, little progress has been made toward achieving these objectives despite expenditures of about \$50 million. Problems identified were: lack of unified support from services in the design and development effort, little management continuity, lack of definition of organizational responsibilities, inadequate planning, and lack of emphasis on system standardization. The Congress should advise the Secretary of Defense that further funding of the TRIMIS Program should be restricted to DOD's: preparation and presentation of a long-range plan for the development, implementation, and operation of TRIMIS within budgetary and time limitations; preparation of a series of short-range plans that provide DOD firm commitment for implementing the long-range plan; identification of the uniform data elements, codes, and communication protocols that are to be used by the services throughout TRIMIS' life cycle; and designation of

the patient administration module as the top priority module for development and implementation.

The Department of Defense took exception to our recommendations by stating that we only considered the long-range objectives of the TRIMIS program. While we agree that the short-range needs of the military are extremely important, attempting to satisfy those needs without clear long-range plan is a dangerous and costly route to take—one in which the probability for long-term success is low. The House Appropriations Committee cut \$36,271,000 from FY 80 budget. (*LCD-78-121, 7-19-78*)

##### **Appropriations**

Operation and maintenance—Defense Agencies

##### **Appropriations Committee Issues**

Our recommendations should be continually monitored as the TRIMS plan is further developed and executed.

## DEFENSE-RELATED ACTIVITIES

### AUTOMATIC DATA PROCESSING

#### *Implementation of Recommended Improvements by the Defense Logistics Agency*

##### **Department of Defense**

**Budget Function:** National Defense: Defense-Related Activities (054).

A review of the actions taken by the Defense Logistics Agency (DLA) to implement the recommendations contained in the report entitled "Automated Support of Depot Operations Could Be Improved" showed that DLA has not fully implemented those recommendations that will provide the most substantial improvements in the automated depot system.

**Findings/Conclusions:** DLA can realize substantial savings in materiel shipment costs when it improves consolidation of parcel post shipments with freight shipments. Additional controls and verification procedures are still needed before DLA should rely on its microfiche records for its shipping and transportation data.

**Recommendations:** The Secretary of Defense should direct the Director of the Defense Logistics Agency to revise the automated depot systems to identify those parcel post shipments that can be combined with freight shipments and sent at a reduced cost and to incorporate additional procedures and controls to provide assurance that all shipping data related to its shipments is included in the microfiche records. In addition,

the Office of the Secretary of Defense should provide for evaluation of the process of establishing and maintaining materiel descriptions used by the military services. After the evaluation, the establishment of effective procedures should be assured by the Office so that the freight description of materiel will be consistent and uniform.

The agency advised that actions are being taken to implement our recommendations. (*LCD-77-111, 10-14-78*)

##### **Appropriations**

Defense Logistics Agency

##### **Appropriations Committee Issues**

The Committee should see that the recommendations are being implemented as agreed.



## DEFENSE-RELATED ACTIVITIES

### AUTOMATIC DATA PROCESSING

#### *Planning for the Bureau of Naval Personnel's Proposed Advance Information System*

##### **Department of the Navy**

**Budget Function:** National Defense: Department of Defense - Military (except procurement & contracts) (051).

The Department of the Navy is committed to the development of a "total force" personnel management system which will enable it to more effectively control personnel resources—civilian and military, active and reserve—from recruitment to retirement. The Bureau of Naval Personnel is developing an automated system called the Advanced Information System to assist in this objective. This system is intended to provide a remote, interactive processing capability, which is expected to be a substantial improvement over the current batch-processing-oriented system.

**Findings/Conclusions:** As of September 30, 1977, the system was being developed and implemented without an adequate long-range plan. The proposed upgrading of computer equipment was found to be unwarranted at the present time; and, although consolidation of the Bureau's capabilities appeared sound, locating these capabilities in New Orleans, as proposed, would involve more managerial and technical risks than would locating them at the Bureau's computer center in Washington, D.C., and would be more costly. Bureau officials concurred in these observations and agreed to suspend development of new system modules until an adequate long-range plan is

developed, to continue to operate on its current computers without interim upgrading until competitively procured equipment is available, and to consider consolidating computer facilities in Washington rather than New Orleans. According to Navy data, this revised development effort will cost about \$5.3 million less than the proposed interim upgrading and the consolidation of computer capabilities in New Orleans.

The Secretary of the Navy advised the House Appropriations Committee of his concurrence with our recommendations. The House Appropriations Committee reduced the FY 80 budget for the Advanced Information System by \$3,019,000. (*LCD-78-103, 11-21-77*)

##### **Appropriations**

Department of the Navy

##### **Appropriations Committee Issues**

The Committee should continue to monitor the development of the Navy's personnel management system.

## DEFENSE-RELATED ACTIVITIES

### CASH MANAGEMENT

#### **Cash Management Policy and Procedures Need Improvement**

##### **Departments of the Army, Navy, and Air Force**

**Budget Function:** Miscellaneous: Financial Management and information Systems (1002).

**Legislative Authority:** 31 U.S.C. 492.

A recent review showed that the Department of Defense's (DOD's) cash-on-hand balances exceeded requirements by about \$50 million. If this money had been returned to the Treasury, Government interest costs could have been reduced by about \$3.2 million annually.

**Findings/Conclusions:** In spite of promised action by DOD, cash-on-hand balances were still unnecessarily large in relation to operating needs. Excess balances could be reduced in the military banking facilities, finance and accounting offices, foreign currency accounts overseas, and aboard ships. Excess cash has been on deposit with military banking facilities overseas, and the central finance office in Europe had foreign currency accounts which were not needed with the military banking facilities. DOD has not developed criteria for the central finance offices to use in determining cash levels to be maintained at these facilities. Reviews showed that 26 military finance and accounting offices were holding about \$15.5 million in excess cash, costing the Government about \$1,075,000 annually in unnecessary interest costs. Excess cash balances continue because there is no incentive for Defense organizations to maintain minimum balances. The President has directed his reorganization staff to study cash management policies.

**Recommendations:** The Secretary of Defense should: issue guidelines for determining the level of cash bal-

ances that should be maintained by central finance offices overseas, clarify DOD criteria for determining how frequently cash should be replenished at finance and accounting offices, and have the Secretary of the Navy develop detailed guidelines for determining what cash needs should be for deployed ships and ships in port.

The Department was in agreement with the conclusion and recommendations as stated in the report and the Department indicated that it has initiated action on GAO's recommendations. Our followup report (FGMSD-79-6, Jan. 10, 1979), disclosed that Defense, through better program monitoring and cash controls, could reduce its excess cash which remains a problem despite recommendations made in two previous GAO reports on this subject. (FGMSD-78-20, 3-17-78)

#### **Appropriations**

None directly

#### **Appropriations Committee Issues**

Because of failures to properly develop necessary controls over cash balances in the past, the Appropriations Committee should continue to monitor Defense's progress.

## DEFENSE-RELATED ACTIVITIES

### CASH MANAGEMENT

#### ***Effects of Reduced Funds for Transportation Overseas of Military Exchange Merchandise***

##### **Departments of the Army, Navy, and Air Force**

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

In fiscal year 1979 the military exchanges received over \$70 million in appropriated fund support to ship merchandise overseas. This was a reduction of \$9 million from the services' original request.

**Findings/Conclusions:** Despite the cut in the budget request for funds to transport merchandise overseas for military exchange systems, none of the services plans to increase prices. If all appropriated funds are eliminated, the likely outcome would be an average price increase of 3 percent; reduced contributions to the services' moral, welfare, and recreation programs; and reduced funding of exchange facility construction projects. In addition, increased stock of foreign merchandise is probable if all appropriated funds are eliminated. Space available transportation is not a feasible option for making up losses in funding and is not a solution to prevent increases in transportation costs.

Officials of the Office of the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) find no disagreement with GAO's findings, but caution about the implications of reduction or elimination of funding for Post Exchange transportation. They feel that long-range costs may exceed immediate savings. (LCD-79-224, 8-14-79)

##### **Appropriations**

Operation and maintenance—Army, Navy, Air Force

##### **Appropriations Committee Issues**

The Committee should determine whether appropriated fund support for transportation overseas of exchange goods should be continued or whether these costs should be paid from exchange earnings.

## DEFENSE-RELATED ACTIVITIES

### CASH MANAGEMENT

#### ***Weaknesses Persist in Defense Overseas Cash Management Program***

##### **Departments of Defense, Army, Air Force, and Navy**

**Budget Function:** Financial Management and Information Systems (1100).

**Legislative Authority:** Government Loss in Shipment Act (40 U.S.C. 721).

GAO is continuing its examination of cash management and unnecessary interest costs incurred overseas by the Department of Defense (DOD). Since the Treasury bears the cost of public borrowings, Defense organizations have little incentive to improve the management of cash beyond the general employee responsibility to conserve Government funds.

**Findings/Conclusions:** Because replenishment techniques are cumbersome and inefficient, Defense employees keep about \$6 million in excess cash on hand in the Far East. Because the Army did not know the available amount of dollars for payroll and disbursement purposes, it could not determine whether its agent in Europe was making appropriate and timely dollar purchases from lending institutions. Premature Treasury withdrawals and excessive cash holdings generate unnecessary interest costs, and GAO estimates that improvements could save about \$1 million in such costs annually. The President, the House Committee on Appropriations, and the Department of the Treasury have all taken steps to improve financial management by DOD. DOD has also formulated a cash management review program and is planning a number of other actions.

**Recommendations:** Defense employees should make an effort to keep overseas cash holdings at minimum

levels even without incentives. The Secretary of Defense should reduce cash balances, improve replenishment procedures, and strengthen cash management at overseas activities. The Assistant Secretary of Defense (Comptroller) should devise a system of incentives to encourage efficient cash management.

The Department agreed with the conclusions and recommendations as stated in the report. The Department has initiated action on GAO's recommendations in Europe, and is conducting an in-depth study of the issues in the Far East. No action has been taken on the recommendations that a system of incentives be developed to encourage efficient cash management. (FGMSD-79-6, 1-10-79)

#### **Appropriations**

None directly

#### **Appropriations Committee Issues**

Improved cash management by Defense can lead to a reduction in interest expense incurred by the Government.

## DEFENSE-RELATED ACTIVITIES

### FOREIGN MILITARY SALES

#### **Centralization: Best Long-Range Solution to Financial Management Problems of the Foreign Military Sales Program**

##### **Department of Defense**

**Budget Function:** Financial Management and Information Systems: Review and Approval of Accounting Systems (1102).

**Legislative Authority:** International Security Assistance and Arms Export Control Act of 1976. (22 U.S.C. 2751 et seq.).

For many years, the Department of Defense (DOD) has experienced serious financial management problems with regard to accounting, billing, and collecting for its foreign military sales program. Those problems have resulted in the failure to charge other governments hundreds of millions of dollars, and in the inability to properly account for what has been done with billions of their dollars.

**Findings/Conclusions:** DOD has not had an adequate program-wide financial management plan since the program's inception. Each military department and the Security Assistance Accounting Center designed their own systems, which have not provided accurate or timely data. As a result, DOD is unable to provide foreign governments with a proper accounting of how their money was spent. Policy implementation has been inconsistent and attempts at standardization have failed. Although some improvements have been made, progress has been slow and many longstanding problems remain uncorrected.

**Recommendations:** The Secretary should strengthen the existing steering committee by designating the Assistant Secretary of Defense (Comptroller) as head and by requiring that military department comptrollers and other responsible managers of the program be represented. This committee should be capable of monitoring the implementation of any new or improved systems. Congress should require the Secretary of Defense to produce a plan for centralizing the accounting and financial management of the foreign military sales program to assure that all costs properly chargeable to the program are fully recovered. The plan should include: obligation and expenditure accounting and disbursing of funds; specification of the central organization's responsibilities, as well as support required from other organizations; establishment of detailed policies and procedures; definition of systems requirements; identification of personnel

needs; establishment of milestones for development, testing and implementation; and provisions for oversight by the Comptroller General.

Defense supported the basic objective of the report that the financial management of the foreign military sales program needs strengthening. They believe, however, that present Department actions to improve its systems will result in the improvements envisioned by GAO's recommendation to centralize accounting and financial management for the program. The Department said that a long-range objective is to have the Security Assistance Accounting Center assume accounting and disbursing for most foreign military sales transactions—an action in line with GAO's recommendation on centralization. The Department did not specifically comment on GAO's recommendation to strengthen the existing foreign military sales steering committee. (FGMSD-79-33, 5-17-79)

##### **Appropriations**

Procurement—Department of Defense  
Operation and maintenance—Department of Defense  
Military personnel—Department of Defense  
Research and development, test and evaluation—Department of Defense

##### **Appropriations Committee Issues**

The House Appropriations Committee in its report (H.R. Report 96-450, September 20, 1979) on the Defense Department's fiscal 1980 appropriation bill agreed with GAO's recommendation on centralization. The Committee mandated that Defense submit a plan to the Committee for centralizing the accounting and financial management for foreign military sales by March 1980.

## DEFENSE-RELATED ACTIVITIES

### FOREIGN MILITARY SALES

#### ***Correct Balance of Navy's Foreign Military Sales Trust Fund Unknown***

##### **Departments of Defense, and the Treasury**

**Budget Function:** Financial Management and Information Systems (1002).

**Legislative Authority:** 31 U.S.C. 200.

The Navy's foreign military sales (FMS) trust fund account is used to hold and account for cash collected from foreign countries until it is disbursed. The Department of the Treasury maintains trust fund records, but balances on those records result from data reported to it by the services. Cash collections and disbursements are accounted for in detailed sales case accounting records which are maintained by the Defense Department's Security Assistance Accounting Center. The Center is also responsible for managing the trust fund.

**Findings/Conclusions:** Problems in the Navy's accounting and reporting of FMS disbursements and collections were disclosed when the sales case accounting records were transferred to the Center. The Navy was directed to reconcile the cash balance on the trust fund records with the cash balance shown on official detailed sales case accounting records. Despite more than a year's effort involving thousands of staffdays, the Navy has not been able to reconcile these balances. As a result, the correct amount of cash being held for foreign countries is not known. Some of the adjustments made by the Navy were in error or were not adequately supported. Differences between the Treasury trust fund and sales case accounting records have continued to increase, and, at June 1, 1978, totaled \$554 million. Under the Navy's current system, there will continue to be a significant amount of transactions in-float at any time, and therefore, there will continue to be differences in the balances.

**Recommendations:** The Secretary of Defense should have the Secretary of the Navy: direct that prompt action be taken to determine the trust fund cash balance that can be documented for each foreign country and require that Treasury records and sales case accounting records be adjusted accordingly; and insure that procedures are implemented to identify transactions in-float so that in the future the Treasury

trust fund balance can be regularly reconciled to sales case accounting records. The Secretary of Defense should direct the Defense Audit Service to review and report to him whether: all adjustments to Treasury trust fund and sales case accounting records are valid, the Treasury trust fund and sales case accounting record balances have been effectively reconciled and are accurate, and procedures have been implemented to enable regular reconciliations of the two sets of records in the future.

In his January 17, 1979 reply letter, the Assistant Secretary of Defense (Comptroller) stated that the Navy had made "significant progress in identifying and reconciling the difference in expenditures reported in summary to Treasury and in detail to SAAC." According to the Assistant Secretary's letter, only \$87 million in differences had not been explained. The Navy has employed the services of a contractor to research the remaining differences in order to reduce or eliminate them. The House Appropriations Committee, in its report on Defense's 1980 appropriation request (Report No. 96-450) expressed concern over the matters reported by GAO. A follow-up review of this area has been requested by Chairman Whitten, House Appropriations Committee. (FGMSD-79-2, 11-15-78)

##### **Appropriations**

No direct appropriation—Foreign Military Sales Trust Fund

##### **Appropriations Committee Issues**

A follow-up review is in process as requested by the Chairman, House Appropriations Committee.

## DEFENSE-RELATED ACTIVITIES

### FOREIGN MILITARY SALES

#### ***Cost Waivers under the Foreign Military Sales Program: More Attention and Control Needed***

##### **Departments of the Army, Navy, and Air Force**

**Budget Function:** Miscellaneous: Financial Management and Information Systems (1002).

**Legislative Authority:** International Security Assistance and Arms Export Control Act of 1976 (22 U.S.C. 2151). Foreign Military Sales Act of 1968, as amended (22 U.S.C. 2761). DOD Directive 2140.2. DOD Instruction 2140.1.

The Arms Export Control Act provides that charges for non-recurring research, development, and production costs and for the use of Government-owned assets can be waived or reduced if the sale would significantly advance either U.S. interests in North Atlantic Treaty Organization (NATO) standardization or foreign procurement in the United States under coproduction arrangements. The Department of Defense (DOD) is not required to obtain congressional approval before authorizing waivers, nor is it required to report to the Congress on the reasons for and amounts of waivers.

**Findings/Conclusions:** In some cases, planned waivers will comply with congressional intent, but in other cases it is difficult to measure whether standardization would be advanced. DOD has not developed specific criteria for granting cost waivers because it believes this would place the Secretary of Defense at a disadvantage in negotiations. However, the Congress should be informed of the amounts being waived and the reasons for granting waivers. DOD authorized the waiver of royalty fees for use of a U.S.-developed technical data package. Although the act does not require that the fees be charged, the waiver results in subsidies to foreign governments which is inconsistent with a purpose of the act. In addition to cost waivers, there were instances in which foreign governments were undercharged, and thus subsidized, by millions of dollars.

**Recommendations:** The Congress should amend the Arms Export Control Act to require that DOD include the value of and explanation for cost waivers in the required notification reports on foreign military sales

and that royalty fees be charged on such sales, with the Congress deciding under what circumstances DOD would be permitted to waive the charges. The Secretary of Defense should: until legislative changes have been considered, include the value of and explanations for cost waivers when he submits notification reports to the Congress and direct the military services make reasonable efforts to recover applicable costs identified as not being charged to foreign governments. He should also direct that the Army take actions to improve its depot accounting systems and determine whether improper cost transfers have taken place and, if so, attempt to bill foreign governments for undercharges.

The Department of Defense has not yet informed us as to what, if any, action it will take on the recommendations in this report. (*FGMSD-78-48A, 10-26-78*)

##### **Appropriations**

Operation and maintenance—Department of Defense

##### **Appropriations Committee Issues**

Defense should be required to provide Congress details on cost waivers. Also, the issue over the recovery of royalty fees should be resolved. Further, the Committee should question Defense as to those costs which, although required to be recovered by law, were intentionally not charged. Appropriated funds in effect paid for the undercharges.

## DEFENSE-RELATED ACTIVITIES

### FOREIGN MILITARY SALES

#### **Efforts To Charge for Using Government-Owned Assets for Foreign Military Sales: Marked Improvement but Additional Action Needed**

##### **Department of Defense**

**Budget Function:** Financial Management and Information Systems: Accounting Systems in Operation (1101).  
**Legislative Authority:** Foreign Military Sales Act (22 U.S.C. 2761). International Security Assistance and Arms Export Control Act of 1976 (22 U.S.C. 2751 et seq.). A.S.P.R. 7-702.12. A.S.P.R. 13-406. DOD Instruction 2140.1. H. Rept. 94-517. H. Rept. 95-1398. 10 U.S.C. 2304(a)(10). 10 U.S.C. 2667. 31 U.S.C. 484. 31 U.S.C. 628.

Since 1970, GAO has been reporting that although Government-owned assets are used to produce items sold to other countries, these countries have not been charged for the use of the assets as required by law and Defense policy. In April 1978, GAO reported that foreign governments had been subsidized by \$107 million for those sales reviewed because foreign governments were not being charged for the use of Government-owned assets. (FGMSD-77-20, 4-11-78)  
**Findings/Conclusions:** Despite marked improvement in their efforts to charge foreign governments for the use of U.S. assets for foreign military sales since the April 1978 report, the Department of Defense needs to make additional improvements to assure that these costs are properly billed, collected, and deposited in the proper account. Millions of dollars are still not being collected because all accounting and other control weaknesses have not been fully corrected. For example, roughly \$10 million has not been recovered because the cost of using Government-owned assets on sales from inventory has not been assessed foreign countries. In addition, sufficient attention has not been given to recovering the \$107 million in unbilled costs for using Government-owned assets identified in our April 1978 report.

**Recommendations:** The Secretary of Defense should: closely monitor efforts to implement requirements concerning the application of the asset-use charge on sales from DOD inventories, assuring the development of an adequate assessment system and the billing of charges from prior periods without further delay; require the military departments to improve their accounting procedures for asset-use and rental charges and to develop procedures for readily identifying foreign military sales items on contracts with U.S.

contractors; and require that all asset-use charges be billed and collected, including those previously unbilled, before a foreign sales agreement is closed.

The Department of Defense agreed with GAO's recommendations. The Department agreed that proper charges to foreign governments should be billed and collected before closeout of sales agreements and that retroactive billings should be made where appropriate. They said that action has been initiated to bill foreign governments for asset use charges on sales from inventory retroactive to October 1, 1976. However, the Department did not agree to retroactively bill the \$107 million discussed in our April 1978 report. The House Appropriations Committee, in its report on Defense's fiscal year 1979 appropriation request (Report No. 95-1398), expressed concern about the matters in our April 1978 report and urged Defense to comply with the Arms Export Control Act and bill foreign governments for the use of Government-owned assets. (FGMSD-79-36, 6-1-79)

##### **Appropriations**

Procurement—Department of Defense

##### **Appropriations Committee Issues**

The Committee should inquire as to the status of Defense's effort to retroactively bill asset use charges on inventory sales. Further, GAO stands by its position regarding the \$107 million discussed in its April 1978 report. Defense's lack of action on this matter will make it more difficult to recover these charges.



## DEFENSE-RELATED ACTIVITIES

### FOREIGN MILITARY SALES

#### *Financial and Legal Implications of Iran's Cancellation of Arms Purchase Agreements*

**Budget Function:** Financial Management and Information Systems: Accounting Systems in Operation (1101).

**Legislative Authority:** Arms Export Control Act (22 U.S.C. 2762). 22 U.S.C. 2791. 31 U.S.C. 724a.

Questions were raised by members of Congress concerning the recent cancellation of foreign military sales contracts by the Iranian government, the legal requirements of the foreign military sales program, and the fiscal responsibility and liability of the United States for cancelled contracts. The report responds to these questions and provides financial information from the accounting records of the Department of Defense (DOD) concerning the sales program.

**Findings/Conclusions:** On February 3, 1979, the Iranian government cancelled \$6.6 billion of its \$12.6 billion of undelivered military sales orders. The Arms Control Act and Defense regulations permit foreign governments to purchase Defense articles and services that they agree to pay the full amount of all contracts entered into on their behalf, and they must agree to meet progress payments required by the contractor and to cover any damages and costs arising from the cancellation of a contract entered into for them. However, foreign countries are only required to make such payments at the time they are due, as opposed to making them at the time they accrue. These funds are placed in a trust fund, which, in the case of Iran, was estimated at \$640 million when the sales orders were cancelled. By June 30, 1979, this amount was estimated at \$112 million, with the current disbursement rate being about \$125 million a month. Controls do exist in the contract administration process of DOD to insure that payments from the trust fund are made only for justifiable contractor costs. However, for years, DOD has experienced serious accounting and financial management problems with regard to the foreign military sales program. Some of the production contracts have not been entered into and some that have, have been diverted to second buyers, thus avoiding potential termination costs estimated at \$245 million. However, if DOD stops making payments to defense contractors, the likely result would be the filing of lawsuits against the U.S. for the unpaid amounts, and the liability of the U.S.

would have to be resolved in the courts.

**Recommendations:** The Congress should consider legislation to assure that liability does not fall on the United States in the case of future cancellations of foreign sales agreements. Until the Congress has had an opportunity to consider legislative changes, the Secretary of Defense should assure that adequate termination costs are included in foreign government payment schedules, as Defense now requires, and direct that amounts collected for potential contract termination be segregated in the trust fund.

The Department of Defense has not yet informed us as to what action it will take on the recommendations in this report. Defense, however, has reemphasized to the military departments the need to include termination costs in foreign government payment schedules. This action meets the intent of our recommendation to the Secretary of Defense. There are indications, however, that Defense does not plan to segregate amounts applicable to termination costs into a separate account as we recommended. (FGMSD-79-47, 7-25-79).

#### **Appropriations**

Procurement—Department of Defense  
Research, development, test and evaluation— Department of Defense  
Operation and maintenance—Department of Defense  
Military personnel—Department of Defense

#### **Appropriations Committee Issues**

The Committee needs to insure that Defense follows through with its action to include potential termination costs within the foreign government payment schedule to assure that financial liability does not fall on the United States in the case of future cancellations of foreign sales agreements.

## DEFENSE-RELATED ACTIVITIES

### FOREIGN MILITARY SALES

#### *Improperly Subsidizing the Foreign Military Sales Program--A Continuing Problem*

##### Department of Defense

**Budget Function:** Miscellaneous Financial Management and Information System (1002).

**Legislative Authority:** International Security Assistance and Arms Export Control Act of 1976 (22 U.S.C. 2151). Foreign Military Sales Act of 1968 (22 U.S.C. 2761). DOD Instruction 2140.1. DOD Instruction 2140.3.

Over the past decade, we have issued numerous reports on the Department of Defense's continued failure to recover all costs incurred for foreign military sales. The primary causes of this failure have been inadequate implementation of Defense's pricing policies by the military departments and Defense agencies, and insufficient followup or monitoring of actual cost recovery practices by Defense policy-makers. As a result, the foreign military sales program has been subsidized by hundreds of millions of dollars, a practice which the Congress wants the Defense Department to avoid.

**Findings/Conclusions:** Defense failed to recover, as required, up to an estimated \$370 million during the last six fiscal years for quality assurance services performed by U.S. Government employees on items sold to foreign governments. As you know, the Congress, in passing the Arms Export Control Act of 1976, intended that indirect as well as direct costs of goods and services sold to foreign governments be recovered so that the foreign military sales program would not be subsidized by Defense appropriations. Further, since 1973, the Government-provided quality assurance services have been specifically identified in Defense pricing instructions as a recurring support cost to be recovered. Since at least 1970, Defense pricing instructions have required that items sold to foreign governments be priced to recover the full Defense contract costs. Defense Department officials indicated that full Defense contract costs should include Government-provided quality assurance services. Until the Department expands its efforts to insure that its pricing policies are effectively implemented, the full recovery of costs cannot be assured, and the foreign military sales program will continue to be subsidized.

**Recommendations:** Congress should require the Secretary of Defense to provide a plan for overcoming the foreign military sales pricing problems. The plan should specify any organizational changes that will be made and set forth the number of additional person-

nel to be assigned to these activities. If the Secretary determines that the expanded staff cannot be provided from present resources, then he should request an increase in the Department's personnel ceiling. The Secretary of Defense should: assign specific responsibility for ensuring effective and consistent implementation of foreign military sales pricing policies to a new or existing organization that can be sufficiently freed from other work to carefully follow up or monitor implementation of the policies in pricing systems; develop and implement practical procedures to recover the cost of Government-provided quality assurance; and direct responsible organizations to make a reasonable attempt to identify and recover undercharges on foreign sales resulting from nonrecovery of the costs of Government-provided quality assurance services.

The Department of Defense did not agree with the recommendation relating to a new or existing organization to follow up or monitor implementation of policies in pricing systems. Defense indicated that corrective actions have been initiated relating to the other recommendations. We are presently preparing a report to the Secretary of Defense rebutting Defense's position on the former recommendation and commenting on the corrective actions relating to our other recommendations. The Committee reduced the fiscal year 1980 request by \$65 million in O&M. (FGMSD-79-16, 3-22-79)

##### **Appropriations**

Operations and maintenance—Department of Defense

##### **Appropriations Committee Issues**

The Committee needs to insure that Defense is taking effective action to recover all costs incurred on foreign military sales. GAO is presently rebutting Defense's position on our recommendations as indicated above.

## DEFENSE-RELATED ACTIVITIES

### FOREIGN MILITARY SALES

#### *The Department of Defense Continues to Improperly Subsidize Foreign Military Sales*

##### Departments of the Army, Navy, and Air Force

**Budget Function:** Miscellaneous: Financial Management and Information Systems (1002).

**Legislative Authority:** Foreign Military Sales Act of 1968, as amended; International Security Assistance and Arms Export Control Act of 1976 (22 U.S.C. 2151); Arms Export Control Act of 1976; DOD Directive 7420.1; DOD Instruction 2140.1 B-165731 (1976).

Foreign military sales are transacted under the authority of the International Security Assistance and Arms Export Control Act of 1976. The legislative history of this act indicates that the Congress intended that indirect as well as direct costs of goods and services sold to foreign governments should be recovered so that the foreign military sales program would not be subsidized by Department of Defense (DOD) appropriations.

**Findings/Conclusions:** Because of weaknesses in pricing policies and practices, an estimated \$69 million of direct and indirect costs for selected sales cases have not been charged to foreign governments. The military services did not charge replacement costs for items sold from certain inventories; costs of normal inventory operating stock losses (an indirect cost) were not allocated to sales of nonstock funds items; and a breakdown in the Air Force's accounting system led to unrecovered costs on items procured for foreign countries. Not charging the right amount for equipment and spare parts is part of the overall problem DOD has experienced in pricing foreign sales.

**Recommendations:** The Secretary of Defense should take action to revise the method for determining and charging replacement cost for items sold to foreign governments from DOD inventories, revise Defense instruction 2140.1 to require that replacement pricing be used for items sold from the stock fund, and direct the military services to make a reasonable attempt to recover the undercharges in sales from inventories resulting from the failure to charge replacement pricing. The Secretary should also: require the Air Force to institute necessary controls so that foreign governments are billed replacement costs, requisitions for unauthorized items are not honored, and foreign country requisitions that will deplete critical inventory items will not be filled; require that supply support arrangements are based on a list of specific items and quantities to be needed during the term of the

arrangement; and require that Army and Navy internal auditors conduct reviews to determine whether those services have similar problems with supply support arrangements. The Secretary should assign specific responsibility for administering pricing systems to a new organization or some existing organization that can be sufficiently freed from other work to provide careful surveillance over the pricing function.

In September 1977 and August 1978, GAO pointed out that Defense had not recovered costs from foreign customers for normal inventory losses. As a result, Senator Percy offered an amendment to the Arms Export Control Act requiring that charges for normal inventory losses be recovered. The amendment was enacted on September 26, 1978. However, as stated in GAO's May 15, 1979, followup report (FGMSD-79-31), Defense has not yet acted to implement Senator Percy's amendment. Although the military services have since identified almost \$600 million in inventory losses, foreign governments have not been charged for their fair share of the losses. As a result, the United States has lost millions of dollars. (FGMSD-78-51, 8-25-78).

##### Appropriations

Procurement—Department of Defense  
Operation and maintenance—Department of Defense  
Military personnel—Department of Defense

##### Appropriations Committee Issues

This report exemplifies the continuing problems Defense has had in pricing and billing for all costs of the foreign military sales program. The committee should consider the overall cost recovery problem. Of particular concern in this report is replacement pricing for stock fund items and the recovery of normal inventory losses.

## DEFENSE-RELATED ACTIVITIES

### FOREIGN MILITARY SALES

#### *The Defense Department Continues To Subsidize the Foreign Military Sales Program by Not Charging for Normal Inventory Losses*

##### Department of Defense

**Budget Function:** Financial Management and Information Systems: Accounting Systems in Operation (1101).  
**Legislative Authority:** International Security Assistance and Arms Control Act of 1976 (P.L. 94-329). DOD Instruction 2140.1.

In 8 years, Department of Defense (DOD) sales of military items to foreign countries have risen from \$953 million to \$13.5 billion. DOD has included the following provisions in its standard sales contract: item prices set at their total cost to the Government; price increases of 10 percent or more announced in advance to purchasing countries; and agreement by foreign governments to reimburse the United States for costs exceeding estimates in sales agreements. Besides major articles, such as tanks and planes, DOD sells secondary items to foreign governments. These are either stock fund items (low-cost, expendable articles) or nonstock fund items (generally reparable and nonexpendable), which may be purchased by foreign governments through the supply support arrangements by which nations invest in DOD inventories, or other sales agreements. DOD incurs normal inventory losses in secondary item inventories due to damage, deterioration, pilferage, disposal of excess items, and obsolescence. Normal inventory losses in articles stored for purchase are charged against the purchasing country, but surcharges have only been assessed for this purpose on stock fund sales.

**Findings/Conclusions:** As of February 1979, the Army and Navy had made little effort to identify or recover inventory losses and DOD is consequently losing millions of dollars. The Air Force is not yet charging foreign governments for inventory losses, but it identified over \$480 million of such losses in fiscal year 1978 and has developed two alternatives for assessing foreign governments for their fair share of these losses: pro-rata charges for each country's share of the total loss and surcharges placed on items withdrawn from inventory. DOD has consistently failed to recover all costs because of a lack of effort to insure proper implementation of pricing policies. Nearly 10 years have elapsed since DOD first issued instructions that these costs be recovered, with notable lack of

response from the military services. Surcharges and adjustments to undercharges are possible means of recovering the value of lost items, and action must be taken before losses continue to grow. Many foreign governments purchase nonstock fund items through sales agreements not covered by supply support arrangements, although inventory losses from these sales are not legally recoverable and the purchasing nations are the only beneficiaries of the arrangement. **Recommendations:** The Secretary of Defense should direct that DOD prescribe uniform procedures for charging foreign governments for normal inventory losses based on the use of inventory and the military services should implement them without delay. The Secretary should also direct the military services to make a reasonable attempt to identify and recover undercharges resulting from costs of normal inventory losses that are not recovered. Congress should amend the Arms Export Control Act to require that normal inventory losses be recovered on all sales to foreign governments from DOD inventories.

The Department of Defense agreed that additional internal controls are needed to enforce compliance with established Department pricing requirements for foreign military sales and indicated they are revising their internal procedures. They agreed to attempt to identify and recover undercharges resulting from costs of normal inventory losses that were not recovered retroactive to fiscal year 1977. They did not agree with our recommendation to charge for normal inventory losses based on the use of inventory. Instead, they held to their position that such losses should be recovered based on the estimated on-hand portion of supply support arrangement nonstock fund items. Further, the Department disagreed with our recommendation to the Congress to revise the Arms Export Control Act to require that normal inventory

losses be recovered on all sales to foreign governments from defense inventories. (FGMSD-79-31, 5-15-79)

### **Appropriations**

Procurement—Department of Defense

### **Appropriations Committee Issues**

This report is another example of the continuing problems Defense has had in pricing and billing for all costs of the foreign military sales program. The House Appropriations Committee discussed the problem in its report on Defense's 1980 appropriation request.

## DEFENSE-RELATED ACTIVITIES

### FOREIGN MILITARY SALES

#### ***The Defense Department's Systems of Accounting for the Value of Foreign Military Sales Need Improvement***

##### **Department of Defense**

**Budget Function:** Financial Management and Information Systems: Accounting Systems in Operation (1101).

The review was requested after the Defense Security Assistance Agency disclosed, in November 1977, that its previously reported estimate of \$9.9 billion for fiscal 1977 foreign military sales was understated by \$1.4 billion. This matter received widespread attention since the fiscal 1978 arms sales ceiling was to be based on fiscal 1977 sales. The Agency stated that the \$1.4 billion accounting adjustment was made because the Agency had erroneously followed superseded accounting practices. The Agency was unaware of the magnitude of the error until the end of fiscal 1977. The report discusses the procedures by which the Department of Defense accounts for the value of foreign military sales and by which the yearly foreign military sales ceiling is established. It includes an evaluation of Defense's efforts to improve its systems of accounting for the value of foreign military sales and the impact of accounting errors and inconsistencies on the computation of the arms sales ceiling.

**Findings/Conclusions:** Approximately \$1.1 billion of inconsistencies and errors in accounting for fiscal 1977 arms sales were identified. Had the correct sales figures been known, the President's fiscal 1978 arms sales ceiling, based on fiscal 1977 sales, might have been set \$420 million lower. GAO also identified \$540 million in differences in sales information on the two systems Defense uses to account for the value of foreign military sales. Further, Defense identified an additional \$800 million in differences in sales information on one of these systems.

**Recommendations:** The Secretary of Defense should require that the Defense Security Assistance Agency and the Security Assistance Accounting Center closely coordinate actions to improve their automated sys-

tems of accounting for the value of foreign military sales. A single system which would include adequate automated computer controls should be developed to eliminate the maintenance of duplicate systems. DOD should also: (1) make its accounting practices for price changes consistent; (2) correct its accounting records, taking into account the errors GAO identified; and (3) have its internal auditors review from time to time the accounting for foreign sales values to assure the effectiveness of efforts by the Agency and Center to improve their system.

The Department of Defense generally agreed with the conclusions and recommendations contained in our report. Defense agreed that a single source of data entry should exist and indicated that such a system is being designed. Further, Defense agreed to correct the accounting errors found during the course of our review. Defense disagreed that inconsistencies were applied in the accounting for price and scope changes during fiscal 1977. (FGMSD-79-21, 3-16-79)

##### **Appropriations**

None directly

##### **Appropriations Committee Issues**

As discussed in this and other reports, Defense has been unable to develop adequate accounting systems for foreign military sales. Defense has made improvements to its systems but policies have not been consistently implemented and efforts to develop a standard accounting system have been unsuccessful.

## DEFENSE-RELATED ACTIVITIES

### GOVERNMENT POLICY OF SELF INSURANCE

#### *Extending the Government's Policy of Self-Insurance in Certain Instances Could Result In Great Savings*

**Budget Function:** National Defense—Defense Related Activities (054).

GAO reported to the Congress that the Government could have saved \$27 million over the 5-year period ended June 30, 1973, by extending its policy of self-insurance to: (1) certain categories of inventories under negotiated fixed-price contracts and subcontracts thereunder, (2) all Government property in the hands of commercial shipyards under ship repair contracts, and (3) facilities leased to contractors and users.

**Recommendations:** Accordingly, GAO recommended that the Department of Defense (DOD), National Aeronautics and Space Administration (NASA), and the Department of Energy (DOE), extend the self-insurance policy to these areas. GAO also recommended that DOD and DOE jointly study extending self-insurance to special nuclear material held by contractors under fixed-price contracts.

The Office of Management and Budget believes that our recommendations are feasible and is evaluating whether the level of savings would justify the costs involved. GAO believes extending the self-insurance policy would result in significant savings. DOD is awaiting DOE to initiate a study to determine the feasibility of self-insurance of nuclear material held by contractors. The Department of Defense has taken steps to clarify Defense Acquisition Regulation by eliminating the contractor's risk from the Government Property Clause. However, this extension of the policy of Government self-insurance applies only to facilities, special test equipment, and certain special tooling and does not apply to property to which the Government obtained title under the Progress Payment Clause, such as parts, materials, work-in-process inventories, and technical data. The National Aeronautics and

Space Administration has indicated it would not take any action independent of the Department of Defense. The Department of Energy has taken the position that it would be unlikely that it would extend the self-insurance policy on an across-the-board, unqualified basis. (PSAD-75-105, 8-26-75)

#### **Appropriations**

Procurement—Army, Navy, Air Force  
National Aeronautics and Space Administration  
Department of Energy

#### **Appropriations Committee Issues**

1. The Committee should pursue the reasons why the Government's policy of self-insurance has not been extended to:
  - The categories of inventories under negotiated fixed-price contracts, when similar inventories under cost-type contracts are self-insured, and in some instances, located in the same production facility.
  - All Government property in the hands of commercial shipyards under ship repair contracts, when the Government self-insures (a) all losses or damages to its property in excess of \$300,000 and (b) all Government property under new ship construction contracts.
  - Facilities leased to contractors and users.
2. The Committee should inquire as to the status of studies aimed at determining the feasibility of self-insuring nuclear materials held by contractors under fixed-price contracts.

## DEFENSE-RELATED ACTIVITIES

### INTERNAL AUDITS

#### *The Effectiveness of the Defense Contract Audit Agency Can Be Improved*

##### **Defense Contract Audit Agency**

**Budget Function:** Financial Management and Information Systems: Internal Audit (1103).

**Legislative Authority:** Truth in Negotiations Act of 1962. (P.L. 87-653). DOD Directive 5105.36. DOD Instruction 7600.3.

The Defense Contract Audit Agency (DCAA) is the only Department of Defense (DOD) audit organization designated to audit DOD contracts. While the agency's work is generally rated highly by users, the problems that do occur using DCAA products tend to increase Government procurement cost.

**Findings/Conclusions:** Failure of some contracting officers to make use of DCAA findings has resulted in higher costs to the Government. Despite procurement regulations, the agency many times does not have access to all of the contractor's records necessary for an effective audit. DCAA has not followed up adequately on the reports it issues; and contracting officers often have not provided the feedback necessary for the agency to improve its service. The low priority given to defective pricing reviews seems inappropriate. Time constraints and an excessive workload have sometimes resulted in substandard audit work.

**Recommendations:** The Secretary of Defense should direct cognizant procurement management officials to: provide the kind of feedback required by procurement regulations and needed by contract auditors; conform to current regulations and established procedures providing for the review of unaudited and unsupported costs that were available prior to negotiation but not at the time of initial audit; aggressively conform to regulations in regard to the support to be provided to DCAA when access to records problems are encountered; and provide technical evaluations for DCAA review and reporting. The Secretary should direct the Director of DCAA to establish more aggressive and appropriate followup procedures to obtain negotiation results, and to cease entering into agree-

ments with contractors for future access to needed contractor data. In addition, the Secretary should direct DCAA to determine cost effective thresholds at which preaward work will have preference over other priority work, and to review priorities in regard to defective pricing reviews. Existing policy and directive must be modified to require that matters on which auditors and officers disagree be reported through existing separate channels. DCAA must faithfully follow its procedures for reporting significant matters, concurrently reporting these matters to other internal audit organizations.

DOD has:

- agreed to develop procedures to assure utilization of audit information by contracting officers;
- agreed to work with the access to records problems incurred by auditors;
- directed that required feedback be provided to contract auditors by contracting officers; and
- emphasized to contracting officers that auditors should be assisted in gaining access to required contractor data and technical evaluations. (FGMSD-79-25, 5-10-79)

##### **Appropriations**

Procurement—Department of Defense

##### **Appropriations Committee Issues**

Contracting officers should be able to obtain more cost effective contracts if they were to utilize more effectively the audit information provided and available by the Defense Contract Audit Agency.



## DEFENSE-RELATED ACTIVITIES

### INTERNAL AUDITS

#### ***Grant Auditing: A Maze of Inconsistency, Gaps, and Duplication That Needs Overhauling***

**Budget Function:** Financial Management and Information Systems (1100).

**Legislative Authority:** Accounting and Auditing Act of 1950. Intergovernmental Cooperation Act. of 1968. Executive Order 11647. P.L. 93-647. OMB Circular A-73. OMB Circular A-111.

Federal grants will total about \$85 billion in fiscal year 1979. The Government relies on audit as the basic control to see that these funds are spent as the Congress intended and to prevent unauthorized expenditures and loss of funds from fraud and abuse. The ideal in auditing grant programs is to have a single audit of a recipient that would be acceptable to all the funding organizations. Such audits would be made periodically when needed, and would assure that the recipient is complying with the terms of the grants and that financial records and controls are adequate. Funding organizations would then be free to perform additional audits of economy and efficiency and program results.

**Findings/Conclusions:** This ideal is far from being achieved. In general, agencies audit only their own grants, and do not completely review grant recipients' financial controls or grant management practices. The auditors are unlikely to detect improper charges or transfers of funds and equipment to the grant. Moreover, the agencies do not audit many grants while repeatedly auditing other grants with minimal results. This approach costs time and money through gaps in coverage and duplication of effort. Through a review of the audit experience of 73 grant recipients during fiscal years 1974 through 1977, it was found that 80 percent of the Federal funds was not audited. Of the 73 recipients, only 56 were considered to have been audited, and 51 of these received audits which provided only partial or no insight into whether funds were properly spent. Only one recipient received a single comprehensive audit. The number of times a recipient was audited ranged from no audits to 50. The Government needs to expand audit coverage of grant recipients through the use of coordinated single audits which would eliminate duplication and reduce auditing of many compliance items while providing a better look at the grantee's overall performance.

**Recommendations:** The Director of the Office of Management and Budget (OMB) should: (1) designate cognizant Federal agencies for making single

audits of multifunded recipients (responsibility for auditing specific types of recipients, such as hospitals and colleges, could be divided among several agencies); (2) hold periodic meetings with grant administering agencies to insure complete and successful implementation of the cognizant approach; (3) direct cognizant agencies to use a standard audit guide such as the one developed by GAO, OMB, and the International Audit Forum, or a suitable replacement, in auditing multifunded recipients; (4) develop a nationwide system to identify Federal funding that grant recipients may receive; and (5) stipulate that to be reimbursed with grant funds, non-Federal audits must follow Federal audit guidelines. The heads of Federal departments and agencies administering grants should establish procedures to insure that grantees under their cognizance have required audits that include steps necessary to satisfy Federal as well as their own needs. They should also assure that their auditors make maximum use of audits arranged by non-Federal agencies and only do whatever additional work may be necessary to see that grant funds are spent for the intended purpose and are otherwise safeguarded, and assure continuous liaison with non-Federal audit staffs with common interest to minimize the amount of audit effort required and to learn of problem areas. The Congress should amend the Intergovernmental Cooperation Act of 1968 to prescribe standard audit requirements applicable to all Federal grants. The amendment should rescind existing laws for regularly scheduled audits of individual grants by particular organizations and allow Federal agencies flexibility in judging audit need. The amendment should designate a responsible time interval within which grant recipients must be audited.

The agencies agreed in principle with the findings and recommendations of the report. OMB has been working with Federal, State, and local agencies to simplify the way grant audits are made. OMB published in the "Federal Register" a proposed revision to its Circular

A-102, "Uniform requirements for grants to State and local governments." The revision is an attachment that would implement the "single audit concept" which is recommended in the report. The House Government Operations Subcommittee on Legislation and National Security conducted hearings during July 30 and 31, 1979, on the issues of this report. The Subcommittee plans to issue its own report in the near future. (FGMSD-79-37, 6-15-79)

### **Appropriations**

Various appropriations that include funds for internal audits

### **Appropriations Committee Issues**

Poor conditions in grant auditing exist largely because each agency audits its own grants rather than coordinating its efforts with other agencies to obtain comprehensive financial and compliance audits of the grant recipients. Conditions are aggravated by the inconsistency in Federal law and agency regulations along with the inefficient use and possible shortage of audit resources.

## DEFENSE-RELATED ACTIVITIES

### INTERNAL AUDITS

#### *A Look at the Air Force Inspector General's Inspection System*

##### Department of the Air Force

**Budget Function:** National Defense: Defense-related Activities (0054).

Until November 1978, GAO was denied access to inspection reports and supporting documentation of the Air Force Inspector General's office. At that time, the Department of Defense adopted a new policy which permitted the release of such reports to GAO. Inspection reports of the Air Force Inspector General provide valuable information, but the reports can be improved by developing more information on the underlying causes of problems disclosed during inspection and by reducing the number of non-mission-related findings.

**Findings/Conclusions:** The Inspection system could be strengthened by reducing the high turnover of top-level inspection officials, replacing some military inspectors with civilians, and by giving the Inspector General more influence over the operations of command-level inspectors general. Overinspection continues to be a problem within the Air Force due to the large number of inspector general reviews, staff assistance visits, and self-inspection being performed. Duplication of inspection effort is not a problem at the Headquarters Inspector General level because of the coordination of inspection with the audits of the Air Force Audit Agency. However, duplication does occur between command-level inspector general reviews and other groups' evaluations.

**Recommendations:** The Secretary of the Air Force should: issue directives to command-level inspectors general requiring that future management effectiveness inspection reports identify the underlying causes of problems and that the reporting of minor deficiencies

be reduced; issue directives to command-level inspectors general requiring them to implement needed improvements suggested by the Headquarters Inspector General; stabilize the top management of the system by requiring top military inspector general personnel to complete their tours of duty and by having civilians back up these personnel to promote continuity; require that more civilians be used throughout the inspection system to the greatest extent possible; expand the present staffing study on Air Force-wide inspection standards to include an analysis of the possibility of using more temporary inspectors and fewer full-time inspectors; and direct that the duplication occurring between inspector general reviews, self-inspections, and other inspection be reduced. (FGMSD-79-51, 8-28-79)

##### Appropriations

Military personnel—Air Force

##### Appropriations Committee Issues

Substantial resources could be saved or redirected if the Air Force used civilians throughout the inspection system to the greatest extent possible and eliminated the overinspection and duplication existing between the different types of inspection. In addition, an analysis of the possibility of using more temporary inspectors and fewer fulltime inspectors would benefit the Air Force in effectively managing its staff resources.

## DEFENSE-RELATED ACTIVITIES

### INTERNAL AUDITS

#### ***More Effective Action Is Needed on Auditors' Findings: Millions Can Be Collected or Saved***

**Budget Function:** Financial Management and Information Systems (1002).

**Legislative Authority:**

Comprehensive Employment and Training Act of 1973 P.L. 93-203 87 Stat. 850 29 U.S.C. 841 Emergency Employment Act of 1971 P.L. 92-54 85 Stat. 146 42 U.S.C. 4871 Federal Claims Collection Act 31 U.S.C. 951 Elementary and Secondary Education Act 4 C.F.R. 102 B-163922 (1978) OMB Circular A-73 GAO Policy and Procedures Manual, title III, sec. 40

Under various programs, the Government relies on audit as the basic tool for preventing unauthorized expenditures and seeing that the intent of the Congress is carried out. GAO and the Office of Management and Budget (OMB) have formulated requirements for managers to take prompt action to decide what should be done and to complete corrective measures, as necessary, on auditors' findings.

**Findings/Conclusions:** The lack of a good system for resolving auditors' findings could be very costly. An examination disclosed that \$4.3 billion in audit findings contained in nearly 14,000 audit reports of 34 agencies had not been resolved. About 80% of this amount involved potential recoveries from grantees and contractors, and the remainder involved potential savings in operating costs. Some of the findings were unresolved for as long as 10 years. Under the present system, the officer who has the final word on settlement of audit findings is usually an administrator of the program that was audited. These officials have given resolution of audit findings low priority, often decide not to pursue recoveries without adequate explanation or legal advice, and often do not aggressively seek collection or savings needed for final resolution. Few agencies have adequate systems for tracking and resolving audit findings, and many agencies have not followed OMB policy to establish timeframes for responding to audit recommendations.

**Recommendations:** Agencies having audit staffs should establish the following system for resolving audit findings: require agency auditors to keep accurate records of findings until a final disposition has been made; give program administrators 6 months to reach decisions on the amount due from grantees or contractors as the result of audit findings and require written decisions signed by the program administrator to justify not seeking collection; assign responsibility to an official independent of the program administrator for deciding whether to make recoveries on findings

not decided on within the 6-month period and require justification of such decisions; require such officials to issue quarterly reports to the agency head on the status of findings; establish accounting and collection controls for amounts due as a result of audit findings; and if the agency decides against collection, take action to resolve causes which resulted in the debt.

Agencies agreed that significant problems exist and are taking action to improve their audit resolution systems. OMB published in the "Federal Register" a proposed revision to Government-wide audit requirements, Circular A-73, Audit of Federal Operations and Programs. The revision strengthens the audit followup provisions of the Circular in response to the recommendations of GAO's report. OMB has met with the agencies involved and required reports on their progress to improve audit resolutions. The House Government Operations Subcommittee on Legislation and National Security conducted two days of hearings (March 21 and 22) on the issues of the report. The Subcommittee supported GAO's findings and recommendations and issued its own report on June 18, 1979. (FGMSD-79-3, 10-25-78)

#### **Appropriations**

Various appropriations that include funds for internal audits

#### **Appropriations Committee Issues**

The lack of a good system to promptly and properly resolve auditors' findings could be costing the executive departments and agencies hundreds of millions annually—most of which grantees and contractors are keeping although they are not entitled to the funds under applicable laws and regulations. Among other controls, agencies should require documentation and

legal concurrence on decisions not to pursue recovery of amounts due the Government as a result of audit findings, and provide for an independent official to pursue the resolution of findings if the designated program official does not complete action within six months.

## DEFENSE-RELATED ACTIVITIES

### NATIONAL MAKE-OR-BUY STRATEGY

#### *Development of a National Make-or-Buy Strategy: Progress and Problems.*

##### Department of Defense

**Budget Function:** General Government: Executive Direction and Management (802).

**Legislative Authority:** Department of Defense Appropriation Authorization Act [of] 1978 (P.L. 95-79). Department of Defense Appropriation Act [of] 1978 (P.L. 95-111). Monroney Amendment (P.L. 90-560; 5 U.S.C. 5341). Service Contract Act of 1965, as amended (P.L. 89-286; 79 Stat. 1034). Economy Act. Intergovernmental Cooperation Act. Department of Defense Appropriation Act [of] 1956. Department of Defense Appropriation Authorization Act [of] 1975. P.L. 93-400. P.L. 83-108. P.L. 95-269. P.L. 93-365. P.L. 84-157. 25 Stat. 423. 40 Stat. 1290. 10 U.S.C. 4532. 10 U.S.C. 9532. 31 U.S.C. 686. 42 U.S.C. 4222. 44 U.S.C. 501. 10 U.S.C. 138(c). 33 U.S.C. 622. 33 U.S.C. 624. 15 U.S.C. 631 (a). 5 U.S.C. 2105(a). Executive Order 11491. OMB Circular A-76.

There has been much controversy regarding the question of whether the Government should provide its own needed goods and services or contract for them with private enterprise. The Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget (OMB) provides overall procurement policy direction for executive agencies. OMB Circular A-76 states that no executive agency will engage in or contract for commercial or industrial activities except in accordance with the provisions of the Circular, or as otherwise provided by law. Since 1976, there has been increased emphasis on contracting.

**Findings/Conclusions:** The stated policy has not been perceived as a national policy with full executive and legislative branch approval and support. Policy pronouncements and applications have been controversial, implementation has been inconsistent and relatively ineffective; and make-or-buy decisions have not necessarily been based on sound management principles. Management of the A-76 program needs acceptable management control systems, clarification of basic policy and regulations, clear identification of types of activities subject to the policy, consistent execution of the policy, and development of review and appraisal systems. Implementation has been hampered by confusion, lack of understanding, reluctance to carry out the program which was not integrated with agencies' main decisionmaking processes, and budgetary and accounting systems which did not always support the program. Agencies seldom prepared cost comparisons because of such difficulties as when and how to prepare them, and determining Government's and contractors' costs and comparability of pay rates. Agency make-or-buy decisions were significantly influenced by such factors as per-

sonnel ceilings, contract issues, labor-management policies, other procurement policies, personnel assignment policies, legislation, and Federal printing policy.

**Recommendations:** The Congress should endorse a national policy of reliance on private enterprise for the Government's needs to the maximum extent feasible and consistent with the national interest and procurement at reasonable prices, require executive agencies to report on their progress in supporting that policy, and direct reviews of existing related legislation to identify and eliminate sources of conflicts and inequities.

Agency comments were sent to the appropriate congressional committees concerning additional report recommendations made to OMB and OFPP for more effective implementation of the A-76 program. In general, OMB stated that the recommendations had already been initiated or would be initiated with a pending revision of Circular A-76. A new Circular A-76 was issued on March 29, 1979. The sense of the Congress about legislating a national policy has not crystalized. (PSAD-78-118, 9-25-78)

##### Appropriations

All Federal agencies—defense and civil

##### Appropriations Committee Issues

The Committees should determine whether agency requests indicate that appropriate management attention is being given to the A-76 program because of its potential for more economical and effective government.

## DEFENSE-RELATED ACTIVITIES

### NORTH ATLANTIC TREATY ORGANIZATION

#### *NATO's New Defense Program: Issues for Consideration*

##### Departments of Defense and State

**Budget Function:** National Defense: Defense-related Activities (0054).

NATO is recognized to be this country's single most important security arrangement. Its new plan, the Long-Term Defense Program (LTDP), reflects the alliance's most recent acknowledgement of, and effort to resolve, its well-known shortcomings and deficiencies in light of the buildup of the Warsaw Pact forces. The plan focuses on NATO's priority defense concerns, which are: readiness; reinforcement; reserve forces; maritime posture; air defense; command, control and communications; electronic warfare; standardization and interoperability; consumer logistics; and nuclear forces. The U.S. will spend an estimated \$40.5 billion for forces committed to NATO in fiscal year 1979. The basic theme of the program is increased cooperation among alliance members. It calls for quantitative increases in forces, weapons, and equipment, and for more effective procedures and plans for multinational coordination and mutual support.

**Findings/Conclusions:** The plan is far from complete and some important and sensitive issues remain unresolved. To put the program into effect, nations may need to realign some national priorities, reallocate resources, and alter national defense plans. Similar past improvement efforts have been impaired by NATO's inability to overcome national concerns of its members. A 1970 study generated by NATO's own Defense Planning Committee identified critical deficiencies which would face the alliance during the 1970's. At that time, the Defense Ministers agreed to place higher priorities on these areas. Nearly a decade

later, these same issues are addressed in the new program. Limitations of NATO's planning system are partly to blame. A review of U.S./NATO-related activities also identified many problems in the priority defense areas. Although it stresses collective action, national interests and issues will continue to influence NATO-related decisions made by sovereign nations. In considering legislative proposals to implement the U.S. share of the LTDP, the following issues will warrant congressional attention: (1) the responsiveness of NATO allies in fulfilling their new program requirements; (2) the impact of the program on the U.S. defense costs; and (3) the potential expansion of NATO's role. (ID-79-4A, 7-9-79)

##### Appropriations

Procurement—Department of Defense  
Operation and maintenance—Department of Defense  
Military personnel—Department of Defense

##### Appropriations Committee Issues

During future defense appropriation processes, the Committees should require the Department of Defense to provide data on the impact the U.S. commitments to NATO's long-term defense program has on U.S. defense costs. Also the Committees should require the Department of Defense to provide data showing responsiveness of the other NATO allies in meeting their commitments.

## DEFENSE-RELATED ACTIVITIES

### PRODUCTIVITY

#### ***Manufacturing Technology--A Cost Reduction Tool at the Department of Defense That Needs Sharpening***

##### **Department of Defense**

**Budget Function:** National Defense: Defense-related Activities (0054).

The objective of the Department of Defense's (DOD) Manufacturing Technology Program is to develop or improve manufacturing processes, techniques, materials, and equipment to provide timely, reliable, and economical production of defense materiel. The Manufacturing Technology Program has the potential for reducing costs of producing defense systems by applying new or improved technologies. Much needs to be done to determine systematically what benefits are achieved from the annual expenditure of program funds.

**Findings/Conclusions:** The Manufacturing Technology Program has weak controls. Managers were not aware of how well the program was working and lacked specific information on program benefits or results. DOD criteria for funding projects were broadly and generally interpreted and did not focus specifically on the program's primary goals. DOD did not have a consistent project ranking system applicable to all services to assure that funds were allocated only to the most beneficial projects. DOD was unable to readily provide basic program data on completed projects and projects implemented into production. The implementing instructions of the Army, Navy, and Air Force contained many procedures and requirements that were neither complied with nor enforced. DOD had not developed a system to periodically evaluate the program's effectiveness. There have been many completed Manufacturing Technology projects that have never been implemented, yet very little had been done to actively promote, track, or document the implementation of project results into defense contracts.

**Recommendations:** The Secretary of Defense should ensure that the services exercise their criteria for fund-

ing projects so they specifically focus on achieving the program's primary goals; devise and institute a consistent project ranking system, applicable to all services, to assure that program resources are spent on the most beneficial projects; develop and institute a uniform, centralized management data system that would allow program managers to evaluate and control program effectiveness; insist that the services comply with their own implementing instructions regarding the reporting of cost savings and lessons learned; have the services make regular evaluations of their programs and identify and correct deficiencies; have the services actively promote the use of Manufacturing Technology Program results; and have the services account for the use of program funds by documenting for each project what was spent, where it was spent, what benefits were expected, and what benefits were actually realized. Congress should consider withholding approval of increases in funding proposed by DOD until the Secretary of Defense can demonstrate that these improvements have been instituted and are effective. (PSAD-79-99, 9-11-79)

##### **Appropriations**

Procurement—Army, Navy, and Air Force

##### **Appropriations Committee Issues**

The Committee should insist that the DOD demonstrate that its promised improvements have been instituted and are effective before approving further program funding.



## DEFENSE-RELATED ACTIVITIES

### RESEARCH AND DEVELOPMENT

#### *The Department of the Army's Food Irradiation Program: Is It Worth Continuing?*

##### Department of the Army

**Budget Function:** National Defense: Defense-Related Activities (054).

**Legislative Authority:** Food Additives Amendment of 1958 (P.L. 85-929; 72 Stat. 1784). Federal Food, Drug and Cosmetic Act.

Food irradiation technology, being developed by the Department of the Army, uses high doses of radiation to sterilize meat and poultry products. In the last 25 years, the Department of Defense has spent about \$51 million on research on this technology. Food irradiation is classified with food additives and requires Food and Drug Administration (FDA) approval before its public use.

**Findings/Conclusions:** The Army's food irradiation program, while not yet succeeding in obtaining FDA approval of irradiated meats, has made progress in advancing the state of the art. A large portion of work performed in a renewed effort to obtain data to meet FDA requirements was wasted because the Army did not adequately review the contractor's work, which was later found to be unacceptable. Although default by the contractor hampered progress toward obtaining FDA approval, the Army believes that, with continued satisfactory studies, it could obtain approval of irradiated chicken by September 1983 at an additional cost of about \$10 million. Cost estimates for restarting other animal feeding studies to obtain FDA approval and for completing the study on irradiated chicken range from \$28 million to \$47 million. Some food irradiation proponents believe that classifying food irradiation as a process rather than as an additive would facilitate its commercial adoption, but GAO found no basis for this belief. A potential benefit of irradiated meats for use in military rations is that no refrigeration would be required during storage. However, irradiation of foods may be economically unfeasible because of its lack of acceptance in the commercial market.

**Recommendations:** The Secretary of Defense should have the Secretary of the Army develop a plan to complete the food irradiation program. The plan should restrict animal feeding studies to those needed to obtain approval of irradiated chicken; evaluate the need for

continuing food irradiation research at the \$3-million-a-year level; and determine, using irradiated chicken as a test case, the desirability of further Government investment in high-dose sterilization of meats and the potential for successfully transferring the technology to industry.

Defense and Army Officials agreed with GAO's recommendations. The Department of Defense has (1) reduced its funding for food irradiation research at the Natick Research and Development Command, and (2) restricted its funding of animal feeding studies to the remaining study on irradiated chicken. In October 1979, GAO was advised by an Army official that the cost of the irradiated chicken study contract will be far more than originally estimated. The Army has decided to end its involvement in this research in fiscal year 1980 and has offered the program assets to the Department of Agriculture. The Department of Agriculture is considering the matter. (PSAD-78-146, 9-29-79)

#### **Appropriations**

Research, development, test and evaluation—Army

#### **Appropriations Committee Issues**

The Committees should inquire into the problems the Army is experiencing on its animal feeding study contract for irradiated chicken. Regardless of which agency continues this program, the Committees should assure that the chance of success in obtaining FDA approval and the probability that the technology would be useful to private industry justifies continued Government funding.

## DEFENSE-RELATED ACTIVITIES

### RESEARCH AND DEVELOPMENT

#### *Relative Performance of Defense and Commercial Communications Satellite Programs*

##### Department of Defense

**Budget Function:** National Defense: Department of Defense - Military (except procurement and contracts) (0051).

The cost and schedule experience of both the Department of Defense's and the commercial sector's communications satellite programs were reviewed.

**Findings/Conclusions:** The average costs to develop, procure, and launch the military's latest generations of communications satellites have been greater than the most expensive commercial satellites. The military's higher costs have been the result of more sophisticated satellite designs, more costly developmental programs, and developmental schedule delays that require alternative satellite procurements for operational gapfillers. In general, the designs of satellites were comparable in complexity to the most sophisticated commercial satellites of the same generations. The military's two latest generations of communications satellites have experienced high costs and schedule delays due to developmental problems. The problems are directly related to the high level of design sophistication required for these satellites. Unplanned for cost growth in the military contracts

ranged from 15 to about 238 percent over the original prices. In contrast to the military, the highest cost growth of this type in any commercial contract was about 11 percent. Consequently, decisionmakers may not have appropriately considered the potential costs for each program. (*LCD-79-108, 8-10-79*)

##### Appropriations

Department of Defense

##### Appropriations Committee Issues

Unique military requirements have contributed to the missing of cost and schedule estimates in military programs. New communications programs should be carefully scrutinized in light of past developmental problems, high budget cost, and cost overruns in military communications satellite programs.

# WEAPON SYSTEMS

## INDIVIDUAL SYSTEM STUDIES

### *Aerial Fire Support Weapons: How Useful Would They Be in a European Conflict?*

Departments of the Army and Air Force

**Budget Function:** National Defense: Weapons Systems (0057).

In a possible European conflict, the effectiveness and survivability of aerial fire support weapons assisting ground forces could be seriously limited by adverse battlefield conditions. More than \$8 billion is to be spent for these systems over the next several years. For close air support, the Air Force is producing the A-10 attack aircraft, equipped with the 30- millimeter GAU-8 cannon and the Maverick missile. For its aerial antiarmor role, the Army is producing the AH-15 Cobra attack helicopter, using the TOW missile. The Army also has under development the AH-64 advanced attack helicopter, with the laser-guided Hellfire missile. Major contributions are expected from all these aircraft in supporting ground combat operations, since they incorporate advanced technology and formidable firepower with good antitank potential.

**Findings/Conclusions:** The services agree that in intense European combat, aircraft should fly at low altitudes and be employed as far from targets as possible, although these conditions will reduce the effectiveness of the weapons systems. The Army has proposed the use of scout helicopters designating targets by laser for AH-64 attack helicopters, but this would expose both aircraft long enough to draw enemy fire. Use of an onboard target designator by the AH-64 would be even more risky because of frequent poor visibility in Europe, and this practice would force aircraft to maneuver rather close to targets. The A-10 attack aircraft can also operate only with good visibility. Its Maverick missile comes in three versions (equipped with television, laser, or imaging infrared), but the laser Maverick failed to demonstrate its effectiveness and was removed from the Air Force's fiscal year 1980 budget. The imaging infrared Maverick is the version preferred by the Air Force, but it would require the addition of costly supplemental terrain avoidance and forward-looking infrared systems to the A-10 aircraft carrying it, degrading the A-10's performance by increases in maintenance. The A-10 and AH-64 warrant a reassessment because of their limitations regarding the support of ground operations.

**Recommendations:** The Secretary of Defense should reassess the relative possible contributions of the AH-64/Hellfire and Cobra/TOW systems in an intense European conflict in terms of operational and cost effectiveness, and consider the results of such an assessment in future decisions affecting these programs. The Secretary should also confirm, through testing under simulated conditions, the operational utility of scout and forward air controller aircraft and determine whether a common configuration could serve the needs of both the Army and the Air Force. Congress should hold hearings to consider whether to fund the development of an improved A-10 to provide close air support in bad weather, to continue development of the A-10 in its present configuration, or to discontinue all A-10 procurement.

Subsequent to GAO's report, Department of Defense officials acknowledged that they could not address the report's basic point—that the effectiveness of these weapons will be limited by operational constraints required to increase aircraft survivability. They stated that weapons are planned on the best available information during peacetime and employment doctrine would be adjusted during wartime to obtain a balance between effectiveness and attrition. (PSAD-79-65, 6-11-79)

#### **Appropriations**

Research, development, test, and evaluation—Army and Air Force  
Aircraft procurement—Army and Air Force

#### **Appropriations Committee Issues**

Before providing additional funds for A-10 night and adverse weather capability, the Appropriations Committees should be assured that the A-10's effectiveness with this capability would be greater than the costs of adding it. Additionally, the Committees should

also be assured that the missile will be a more cost-effective alternative than the improvements being made to the Cobra attack helicopter using the current or improved TOW missile.

# WEAPON SYSTEMS

## INDIVIDUAL SYSTEM STUDIES

### *Status of the Navy's CAPTOR Ocean Warfare Mining System*

Departments of Defense and the Navy

**Budget Function:** National Defense: Weapon Systems (057).

GAO recommended (1) the CAPTOR system not to be approved for full-scale production until it has fully demonstrated at an acceptable level of statistical confidence that it would function as required, (2) the detection and control unit be provided as government-furnished property, and (3) the Navy's plan to develop a second source for the detection and control unit be reassessed for appropriateness and cost effectiveness.

A third minefield test has been added to the program. The results of this test along with long-term reliability testing will be the basis for a Defense Systems Acquisition Review Council decision in March 1979 regarding proceeding into full-scale production. Two

Defense studies regarding the detection and control unit procurement issues are expected to be completed in January 1979. GAO is following up on these and other issues in an ongoing review of the CAPTOR system. A report will be issued in February 1980. (PSAD-78-23, 4-10-78)

#### **Appropriations**

Procurement—Navy

#### **Appropriations Committee Issues**

Determine if Defense and Navy actions are consistent with test results before funding production.

## WEAPON SYSTEMS

### INDIVIDUAL SYSTEM STUDIES

#### *Status of the Navy's Ocean Mine Countermeasures Program*

##### **Departments of Defense and the Navy**

**Budget Function:** National Defense: Weapon Systems (057).

GAO recommended that the Congress and the Secretary of Defense jointly review the funding being provided the mine countermeasures program, considering its projected capabilities, limitations and potential impact.

The Department of Defense disagreed with the need to jointly review the program with the Congress, asserting that its ongoing program was adequate to meet its needs. GAO believes there is still a serious question regarding the adequacy of the funding level for the mine countermeasures program, and antici-

pates initiating a review of the mine countermeasures program during FY 80. (PSAD-78-22, 3-21-78)

##### **Appropriations**

Ship Construction—Navy

##### **Appropriations Committee Issues**

Determine if an adequate funding level is being provided for the mine countermeasures program.

## WEAPON SYSTEMS

### TESTING

#### **Concurrent Development and Production of MK-12A Reentry Vehicle**

**Budget Function:** National Defense: Weapons Systems (0057).

Since 1970 the Department of Defense has actively discouraged concurrent development and production. In general, the acquisition process as defined in DOD Directive 5000.1 is designed to defer the production decision until successful demonstration of development prototypes. The objective is to avoid the enormous financial commitments required to initiate production until testing has demonstrated that all major development problems have been resolved. The Secretary of Defense established the Defense Systems Acquisition Review Council to oversee the acquisition of major weapon systems at key decision points, and among other duties to make recommendations on whether to approve a system for production and deployment.

**Findings/Conclusions:** A review of the development test and evaluation program for the MK-12A reentry vehicle system intended for deployment on Minuteman III missiles indicated that the MK-12A was not subjected to the Defense Systems Acquisition Council purview although significant design changes were required and estimated program costs were substantial. The decision to produce MK-12A systems for operational deployment was made in December 1976 before initiation of the deployment flight test program when only limited component and system testing had been completed. MK-12A subassemblies are now being fabricated for delivery in 1979 and for subsequent operational deployment even though important development tests will not be completed until late 1978 and early 1979. Air Force officials said that the program involved low technical risks and that concurrent development and production was justified because it allowed a less disruptive transition from development to production. Technical risks were sig-

nificant at the time of the production decision, and further tests are needed to fully evaluate the risks. The technical risks arise from a combination of the new miniaturized arming and fuzing system, high-reliability requirements, and the extreme stress that a reentry vehicle is subjected to during its flight.

**Recommendations:** The Secretary of Defense should reassess the actions taken to date before permitting the Air Force to award the follow-on production contract scheduled for December 1978.

The Department of Defense replied on January 26, 1979, that the MK-12A vehicle was now in full production; the remaining tests are essentially repeats of previous ones and confidence is high for a favorable outcome; and delaying production for another 6 months would cost about \$30 million. Based on current development status and production, the Department concluded that ongoing concurrence is an appropriate response to the occasionally conflicting requirement to reduce cost and risk. (*PSAD-79-2, 10-23-78*)

#### **Appropriations**

Procurement—Department of Defense

#### **Appropriations Committee Issues**

The Appropriations Committee should determine the status of the concurrent development and production of the MK-12A vehicles. Particular attention should be given to identifying technical problems disclosed in subsequent development testing, and the adequacy of corrective actions being taken to minimize costly retrofits and/or production delay.

## WEAPON SYSTEMS

### TESTING

#### *Effectiveness of DOD Development Test and Evaluation*

##### Departments of the Army, Navy, and Air Force

**Budget Function:** National Defense: Weapons Systems (0057).

**Legislative Authority:** DOD Directive 5000.3.

In 1978, GAO reviewed the military services' development test and evaluation (DT&E) of six weapons systems totaling an estimated \$12 billion in development and procurement costs. Inadequate testing is principally due to the expense, the difficulty of staging and execution, the time consumed, and the belief that negative test results may jeopardize or delay a program. To overcome the unenthusiastic attitude towards testing, the type of results expected from the testing must be defined. Possibly, a strong testing activity is the only means of accomplishing this objective. The Department of Defense spelled out testing procedures in a 1973 policy directive; when it is followed, it discloses problems and risks before production and verifies solutions.

**Findings/Conclusions:** As design and development phases progressed, the programs experienced cost growth, schedule slippages, and a reduction in performance levels. To offset these effects, the responsible agencies, without formal assessment of risks and benefits, reduced the scope of, and hardware for, DT&E during critical tests; advanced programs into operational testing and production before completion of DT&E; and approved concurrent development and production; all without formal assessment of risks and benefits. In five of the six programs, planned tests for resolving technical uncertainties either were reduced or not performed, and final test reports either were unavailable or omitted the critical issues to be resolved before a given development phase could be considered complete. These practices could result in the systems' entering production before their performance capabilities are known. Judging from past experience, this is an unsatisfactory procedure because systems have emerged from testing with degraded performance or with additional costs incurred in raising performance levels to acceptable standards.

**Recommendations:** The Secretary of Defense should require that DT&E reports identify any deleted, reduced, or substituted tests, and state clearly the risks

and implications of these actions. The Secretary should also require test plans to show the additional risks of joint DT&E/IOT&E test schedules and allow time to correct discovered deficiencies before proceeding to the next testing phase. Formal assessment of risks and benefits should be required before approval of concurrent development and production, and developers should be ordered to monitor sensitive system elements and high-risk areas closely, and provide schedule and funding reserves to resolve problems as they are identified.

The Department in its reply of August 22, 1979, concurred with the objectives of the recommendations, but expressed its belief that present directives provide adequate guidance, that senior management level reviews should examine the issues raised in the recommendations and on the whole are doing so, and that the Department's ability to provide funding reserves is in the final analysis determined by resources made available by the Congress. (PSAD-79-86, 6-25-79)

#### **Appropriations**

Procurement—Department of Defense

#### **Appropriations Committee Issues**

The Appropriations Committee should require the Department of Defense to identify and justify the degree of concurrency that will be involved in each weapon system for which production funds are being requested. This means identifying and justifying the amount of development and testing that is to be completed during production. Particular attention should be given to the adequacy of schedule and funding reserves to resolve problems as soon as possible and to minimize the extent of expensive retrofits.



## WEAPON SYSTEMS

### TESTING

#### **Major Deficiencies Disclosed in Testing of the Army's XM-1 Tank Warrant Slower Production**

Departments of Defense and Army

**Budget Function:** National Defense: Weapons Systems (0057).

**Findings/Conclusions:** The deficiencies demonstrated during operational testing of the XM-1 tank indicate that production of the XM-1 should be delayed until acceptable reliability and durability levels are demonstrated. In operational testing, the XM-1 demonstrated a cumulative 104.3 mean miles between failure (MMBF) compared to the testing goal of 272 MMBF. The design goal is 320 MMBF. Problems in the engine, transmission, fuel system, and track were disclosed during operational testing. The Army plans to conduct development testing until November 1979 concurrently with initial production. The Army proposes to proceed with production in order not to lose favorable contract options negotiated with the development contractor in 1976.

**Recommendations:** GAO recommends that, in order to avoid the possibility of producing a large quantity of unacceptable tanks, the Army should defer or slow down the XM-1's production until acceptable reliability and durability levels are demonstrated.

Subsequent to GAO's report, the Secretary of Defense authorized the Army to procure the first year's low-rate production quantity of 110 tanks, but restricted the second year of a planned production quantity of 352 tanks unless reliability, availability, maintainability, and durability performance improves. (PSAD-79-67, 4-16-79)

#### **Appropriations**

Procurement of weapons and tracked combat vehicles—Army

#### **Appropriations Committee Issues**

The Appropriations Committees should limit or delete procurement funds unless the Secretary of Defense certifies that the Army has demonstrated substantial and creditable improvement to the XM-1's performance.

## WEAPON SYSTEMS

### TESTING

#### ***Need for More Accurate Weapon System Test Results To Be Reported to the Congress***

Departments of Defense, the Air Force, and Navy

**Budget Function:** National Defense: Weapons Systems (0057).

The Department of Defense submits annual reports to Congress that include results of operational tests and evaluations on new major weapon systems for which procurement funds are requested. These reports, called Congressional Data Sheets, aid members of Congress in making funding decisions. Operational testing aids in predicting how well new weapon systems will work and identifies ineffective or unreliable systems before they are produced.

**Findings/Conclusions:** The results of the tests and evaluations of 10 Navy and 5 Air Force weapon systems contained in the Data Sheets reviewed by GAO were found to be incomplete, misleading, and/or outdated. The three Army systems selected for review had deficiencies identified during recent operational testing; however, those test results were satisfactorily reported on the Data Sheets. The following factors have contributed to inaccurate reporting of test results to Congress: reviewers at higher levels often omit or change the Congressional Data Sheets prepared by independent test agencies; the reports are not updated between the annual reporting periods; and the Department of Defense has not provided sufficient instructions regarding the type of information required in Congressional Data Sheets.

**Recommendations:** The Secretary of Defense should improve the quality and timeliness of operational test results reported in Congressional Data Sheets through the following procedures: (1) more thorough review of Congressional Data Sheets by the Office of the Director of Test and Evaluation before submission to Congress; (2) more definitive guidelines concerning the kind of test information that is required in Congressional Data Sheets; and (3) continual evalua-

tion and identification of new results that become available after initial Congressional Data Sheets have been submitted in order to determine if updated information should be reported to Congress.

In May 14, 1979, comments on this report, the Under Secretary of Defense for Research and Engineering stated that the report had been very useful in highlighting some of the problems involved in communicating to the Congress—accurately and concisely—the voluminous and often complex results derived from operational testing of our weapon systems and that Defense agreed that there was a need to improve that communication process. Consequently, actions taken or to be taken included (1) a recent reorganization of the staff elements responsible for operational testing and development testing to provide a unified approach to review of data sheets (2) revision of the DOD Budget Manual to include a more comprehensive narrative on requirements for test and evaluation information, and (3) initiation of a more rigorous review procedure. (PSAD-79-46, 3-9-79)

#### **Appropriations**

Research and development—Defense  
Procurement—Defense

#### **Appropriations Committee Issues**

More complete and accurate reporting of operational test results would provide the Appropriations Committee better information on which to review Defense budget requests.

## DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

### CONTRACTS

#### **Contractor Pension Plan Costs: More Control Could Save Department of Defense Millions**

##### **Department of Defense**

**Budget Function:** National Defense: Department of Defense—Procurement & Contracts (058).

**Legislative Authority:** Employee Retirement Income Security Act of 1974. P.L. 91-379. Internal Revenue Code of 1954, as amended.

The Government incurred pension plan costs that were inequitable and too high because the Department of Defense permitted actuarial assumptions or unjustified changes in actuarial cost methods.

**Findings/Conclusions:** Government controls and surveillance over contractors' pension plan practices were not adequate considering the costs involved. Establishing effective controls and surveillance over these practices could save the Government millions of dollars. Department of Defense auditing and contracting activities also lacked personnel with actuarial skills to evaluate pension plan costs. Properly implementing the existing requirements of the Cost Accounting Standards Board and the proposed standard on pension plan costs should prevent the increased costs.

**Recommendations:** The Secretary of Defense should have the Defense Acquisition Regulation (DAR) (Formerly the Armed Services Procurement Regulation) revised to require that pension plan costs charged to the Government (1) are equitably distributed between Government and commercial work when different actuarial cost methods are used, (2) reflect allocation of pension fund assets in proportion to contributions, and (3) are allocated by using assumptions based on division or cost center experience instead of company-wide experience. The DAR should also be revised to require that any changes in the policies and procedures affecting allocation of pension plan costs be completely disclosed.

The Department of Defense has promised some action to help prevent overpayments of pension plan costs. The Defense Contract Administrative Services (DCAS) has (1) increased by one its insurance/pension staff, (2) contracted with an actuary to act as a consultant to its staff on pension matters, and (3) monitored the contractor pension fund with a large excess fund balance as reported by GAO. DCAS still

relies upon on-the-job training for improving its staff's expertise and still maintains the same level of review as in the past with the exception of the use of a consultant. Therefore, GAO still believes that the actions promised and taken are not enough. GAO continues to believe that additional staffing with actuarial skills and more in-depth reviews of pension plan costs are required to (1) perform the pension reviews now being requested by the Departments of the Air Force and Energy, (2) deal with the increasing complexity of the pension area, and (3) detect and recover overpayments to contractors. In a letter of August 2, 1977 to the Chairman, Senate Committee on Government Operations, Defense stated that, in its opinion, the problems stated in the report were unlikely to reoccur since development of the Employee Retirement Income Security Act (ERISA) of 1974 and Cost Accounting Standards 412 and 413 of the Cost Accounting Standard Board. Moreover, the Defense Acquisition Regulation is continually modified and incorporates these standards. We believe that the enactment of ERISA and the promulgation of Cost Accounting Standards dealing with contractor pension plan accounting practices will not prevent all the problems noted in the report. (PSAD-77-100, 5-19-77)

##### **Appropriations**

Procurement—Army, Navy, Air Force  
Operations and Maintenance—Army, Navy, Air Force

##### **Appropriations Committee Issues**

Some type of surveillance by Government representatives with specialized knowledge is needed to assure that the Government is not allocated excessive pension costs.

## DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

### CONTRACTS

#### ***Federal Agencies Should be Given Multiyear Contracting Authority for Supplies and Services***

**Budget Function:** General Government: Other General Government (806).

**Legislative Authority:** Federal Property and Administrative Services Act, as amended (40 U.S.C. 481). Adequacy of Appropriations Act (41 U.S.C. 11). Anti-Deficiency Act (31 U.S.C. 665). (P.L. 90-378; 10 U.S.C. 2306 (g)). Small Business Act. 15 U.S.C. 631(a). 10 U.S.C. 712a. 20 Comp. Gen. 437. 33 Comp. Gen. 57. 33 Comp. Gen. 90. 42 Comp. Gen. 272. 43 Comp. Gen. 657. S. 2309 (94th Cong.). S. 3005 (94th Cong.) S. 1264 (95th Cong.). S. 1491 (95th Cong.).

Federal agencies operating under annual appropriations generally are prohibited from entering into contracts for needs occurring beyond the year for which the appropriation is made. Multiyear contracts entitle the Government to purchase services or supplies from contractors for more than 1 year. The Commission on Government Procurement has recommended that Congress enact legislation to permit multiyear contracting of supplies and services using annual or multiyear appropriations.

**Findings/Conclusions:** Federal agencies with either funding or statutory authority for multiyear procurement benefit from reduced contract prices and other advantages. Annual savings of \$3 million resulting from multiyear procurement were identified on 26 contracts having an annual cost of \$14 million. The benefits of multiyear procurement include: contract prices may be reduced for agency service and supply needs, Federal agencies' administrative costs can be reduced, the quality of performance and service could increase, and competition could increase for the initial award of a government contract. Generally, the advantages of multiyear procurement outweigh the disadvantages.

**Recommendations:** Congress should enact legislation authorizing multiyear procurement for Federal agencies and provide for the Office of Federal Procurement Policy to develop appropriate criteria for use of the

procurement method, require responsible agency officials to determine when the criteria are met, and provide for the payment of cancellation costs.

The agencies commented that the advantages of multiyear procurement outweigh the disadvantages and that it would be an advantageous procurement method. They concurred in GAO's recommendations regarding the need for multiyear contracting authority and the development of criteria for its use. No significant events have happened since the report was issued. (PSAD-78-54,1-10-78)

#### **Appropriations**

No specific appropriations are involved. The subject covers all appropriations involving funds for contracts for needs which will occur beyond the year for which the appropriation is made.

#### **Appropriations Committee Issues**

GAO believes the Congress should enact legislation authorizing general multiyear contracting authority for Federal agencies and provide for the Office of Federal Procurement Policy to develop appropriate criteria to guide the agencies in its use.

# DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

## CONTRACTS

### *Issue Relating to Escalation Provisions Under Shipbuilding Contracts Warrants Action*

#### Department of the Navy

**Budget Function:** National Defense: Department of Defense - Procurement & Contracts (0058).

Construction of a naval ship takes several years. Since construction would be a great risk to shipbuilders if they were not protected from cost increases over which they have little control, shipbuilders are protected by special contract clauses which provide for escalation payments. Because of the recent high inflation rate in the shipbuilding industry and the long construction period needed to complete the ships, the amount of escalation payments are substantial. Under some current shipbuilding contracts, the Navy is paying shipbuilders for escalation on costs subject to inflation. Action is needed to prevent such excessive and unwarranted payment under proposed contracts.

**Findings/Conclusions:** Not all of the contractor's costs increase with inflation and some increase slower than others. Regulations state that escalation payments should not be made on costs not affected by fluctuations in the economy, such as subcontracted items which may be fixed or certain overhead charges such as depreciation. The percentage of overhead costs on which overhead escalation is computed should not be standard but should vary with the differences among shipyards. The prior Navy practice of providing a standard percent of escalation coverage on different shipbuilders, without determining the actual percentage of costs affected by inflation for each shipbuilder, conflicts with the purpose of allowing escalation payments.

**Recommendations:** The Secretary of the Navy should: delay the procurement of the FFG-7s under the

current request for proposals and delay any other shipbuilding contracts until confidence is restored in contractor escalation payments; direct Navy contracting officers to discontinue the practice of negotiating shipbuilding contracts which provide different shipbuilders with escalation payments for a standard percentage of costs and especially those which provide escalation on all costs; and ensure that the Navy adopt the policy of reviewing shipbuilders' price proposals before contract negotiation to determine the percent of costs subject to inflation.

Based on a review of the terms, conditions, and pricing arrangements for the planned FFG-7 contracts, the Navy is confident that no excessive escalation payments will result. The Naval Sea Systems Command is conducting a priority study that will evaluate this issue on a contractor-by-contractor basis. This review should be completed prior to the next major shipbuilding contract. (PSAD-79-79, 4-19-79)

#### Appropriations

Ship construction—Navy

#### Appropriations Committee Issues

The Committee should determine whether Navy contracting practices and methods of providing escalation payments to shipbuilders are acceptable.

## DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

### CONTRACTS

#### ***Payment of Kickbacks by Subcontractors and Purchasing System Weakness at Raytheon Company's Microwave and Tube Division, Waltham, Massachusetts***

Departments of the Army, Navy, and Air Force

**Budget Function:** National Defense: Department of Defense - Procurement & Contracts (058).

**Legislative Authority:** Anti-Kickback Act, sec. 3, as amended (41 U.S.C. 51-54).

Three subcontractors admitted paying an estimated \$125,000 in kickbacks to the buyer for the Raytheon Company, Microwave and Power Tube Division, Microwave Tube Operation, in return for purchase orders placed in support of negotiated Defense contracts awarded to Raytheon. The three subcontractors admitted paying kickbacks to the Raytheon buyer from about 1962, 1970, and 1971, respectively, until April 1975.

**Findings/Conclusions:** About \$46,000 of the \$125,000 paid to the Raytheon buyer by the subcontractors may be recoverable on behalf of the United States. This is the amount which can be documented as kickbacks paid from 1970 through April 1975 related to negotiated Government prime contracts. Much of the documentation for the period prior to 1970 was destroyed by the time of the review of the case. Inadequacies in some company procurement policies and procedures, failure to follow others, and general inattention by Raytheon's management to its purchasing operation contributed to the creation of an environment in which the kickbacks were paid for 13 years.

**Recommendations:** The Secretary of Defense should initiate action to recover the \$46,000 in kickbacks which has been documented. The Secretary should also circulate this case to all Defense contract administration offices as an illustration of serious internal control and procurement problems. There is a need for an anti-kickback contract clause prohibiting gifts and gratuities to serve as a means of fostering public policy against giving kickbacks, gifts, and gratuities.

The Department of Defense (DOD) concurred with our recommendation and referred the case to the Military Departments for recovery action. With respect

to a contract clause prohibiting the giving of gifts and gratuities as GAO previously recommended, DOD will await the completion of the Office of Federal Procurement Policy, Office of Management and Budget (OMB), evaluation of a model clause. OMB is still evaluating the clause. DOD agreed to have the Defense Logistics Agency perform a procurement system review at Raytheon in view of the noted deficiencies. DOD also agreed to circulate the GAO report to all contract administration offices as an illustration of a serious internal control and procurement program. DOD to maintain surveillance of contractors' purchasing activities. (PSAD-77-166, 10-6-77)

#### **Appropriations**

Procurement—Army, Navy, Air Force

#### **Appropriations Committee Issues**

GAO believes the Committee should insist that the Department of Defense establish a contract clause prohibiting gifts and gratuities. Such an anti-kickback clause is needed as a means of implementing public policy against giving kickbacks, gifts and gratuities. The Government has no legal authority to seek recovery from the prime contractor to protect the Government's interests as well as to serve as a deterrent to kickback activities by prime contractor employees. GAO's suggestions for a contract clause would strengthen the deterrent factor by adding contract termination and/or civil money penalties as possible Government actions where gratuities were offered or accepted in the performance of Government subcontracts.

## DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

### CONTRACTS

#### *Review of the Navy's Ship Acquisition Process*

#### Departments of Defense and Navy

**Budget Function:** National Defense: Department of Defense - Procurement & Contracts (0058).

GAO is revising the Navy's ship acquisition process for the FFG-7 class frigate, which is undergoing an extensive stern modification to accommodate three auxiliary systems. These are the Light Airborne Multi-Purpose System (LAMPS)-MK III helicopter, the Recover, Assist, Secure, Traverse (RAST) haul-down system, and the Tactical Towed Array Sonar (TACTAS) system. The necessary modifications are not being incorporated, however, in the 26 FFG-7 frigates already under contract during construction, but the Navy plans to retrofit these vessels at some time after delivery, until which time they will be equipped with the marginal LAMPS-MK I helicopter. The Navy did not perform cost-benefit analyses to investigate the feasibility of introducing the stern modification immediately in ships under construction and did not ask the shipyards performing the work if the modifications could be made at the present. GAO is concerned with the antisubmarine capability of the first 26 frigates and recommends incorporating the modified stern in ships under construction.

**Findings/Conclusions:** The effectiveness of the FFG-7 class frigate in antisubmarine warfare is highly dependent upon three subsystems which are still in the developmental stage.

**Recommendations:** The Secretary of the Navy should determine the most expeditious way of incorporating the stern modifications to the 26 FFG-7 class frigates under contract or construction.

OSD indicated that validated drawings for the modified stern would not be validated until June 1980. To allow perturbations to the FFG-7 ship contracts would be to neglect the hard learned lessons as to causes of recent major claims actions by shipbuilders. The modification is necessary to accommodate the three subsystems being developed for this ship. This issue is being followed in an ongoing review of the FFG-7 program. A report will be issued in February 1980. (PSAD-79-21, 12-29-78)

#### Appropriations

Ship construction—Navy

#### Appropriations Committee Issues

The Committee should determine whether the Navy is making stern changes to the 26 FFG-7 class frigates in the most cost-effective manner.

## DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

### CONTRACTS

#### ***Special Procurement Procedures Helped Prevent Wage Busting under Federal Service Contracts in the Cape Canaveral Area***

Department of the Air Force

**Budget Function:** National Defense: Department of Defense-Procurement & Contracts (806).

**Legislative Authority:** Service Contract Act of 1965, as amended (41 U.S.C. 351; P.L. 94-489). Classification Act (5 U.S.C. 5102(c)). Fair Labor Standards Act, as amended (29 U.S.C. 201). H. Rept. 89-948. H.R. 314 (95th Cong.). H.R. 4276 (95th Cong.). H.R. 4393 (95th Cong.). H.R. 4873 (95th Cong.). H.R. 5373 (95th Cong.). H.R. 5514 (95th Cong.). H.R. 7388 (95th Cong.). S. Rept. 89-798. S. 969 (95th Cong.). P.L. 92-473.

The Service Contract Act of 1965 protects all employees of service contractors from wage busting (lowering of wages and benefits by contractors in efforts to become low bidders) except bona fide executive, administrative, and professional employees. To discourage wage busting for professional employees, the National Aeronautics and Space Administration (NASA) and the Air Force designed special procurement procedures which were used for recompetition on three major contracts.

**Findings/Conclusions:** In a review of wages and fringe benefits of 881 of 1,034 employees not covered by the act, no cases of wage busting were found on two of the three contracts, and only two cases were identified on the remaining contract. In the two cases, the contractor paid salaries requested on job applications, and there was no indication of intent by the contractor to wage bust. The procurement procedures influenced contractors to submit proposals based on paying wages and fringe benefits comparable to those paid under the prior contracts, and these factors affected the proposal evaluations. The special procurement procedures demonstrate that a policy directed towards discouraging wage busting is a viable alternative to proposed legislation that would include professional employees under the act.

**Recommendations:** The Administrator for Federal Procurement Policy should establish a Government-wide policy to discourage wage busting of professional employees not covered by the act and require Federal agencies to include appropriate implementing language in their procurement regulations and service contracts. The Secretary of Defense and the Administrator of NASA should amend their procurement regulations to discourage wage busting of employees not covered by the act on recompetition of

service contracts without waiting for a Government-wide policy.

As a result of our recommendations, the Office of Federal Procurement Policy (OFPP), issued Policy Letter Number 78-2, "Preventing 'Wage Busting' for Professionals: Procedures for Evaluating Contractor Proposals for Service Contracts," which stated that it is the declared policy of the Federal Government that all service employees, including professional employees, employed by contractors providing services to the U.S. Government, be fairly and properly compensated. The policy letter said Federal procurement procedures shall be developed to assure equitable compensation for all such employees. The letter also provides appropriate language for inclusion in all future solicitations whenever professional employees are expected to be needed to perform the services. The new policy, effective April 1, 1978, is to be implemented through regulatory guidance issued under both the Defense Acquisition Regulation and Federal Procurement Regulations. Also as a result of our recommendations, DOD advised us in June 1978 that the Air Force has been directed to develop guidance, for DOD activities, to discourage wage busting of professional service employees. In addition, NASA, in July 1978, amended its procurement regulation to include procedures to implement the requirements in OFPP Policy Letter Number 78-2.

We believe the new Government-wide policy and procedures to be implemented by NASA and DOD should prevent wage busting of professional contract employees and alleviate labor instability, loss of morale, and undermined mission performance that comes from the fact or fear of wage busting. In addition, the new policy should not unduly increase the



costs of service contracts, impact on the professional salary structure, or create additional administrative burdens on the agencies. (HRD-78-49, 2-28-78)

#### **Appropriations**

Salaries and expenses—Department of Defense  
Salaries and expenses—National Aeronautics and Space Administration  
Salaries and expenses—Office of Federal Procurement

#### **Appropriations Committee Issues**

Administratively implemented special procurement procedures are an effective alternative to proposed legislation dealing with the wage busting issue such as H.R. 314 which was introduced in the 95th Congress.

# DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

## PROCUREMENT

### *Analysis of Department of Defense Unobligated Budget Authority*

#### **Department of Defense and Office of Management and Budget**

**Budget Function:** National Defense: Department of Defense - Procurement & Contracts (058).

**Legislative Authority:** Department of Defense Appropriation Act of 1978 (P.L. 95-111).

Budget authority is the authority provided by law to enter into obligations which will result in outlays of Government funds. In the Department of Defense (DOD), budget authority is used to enter into contracts with defense contractors. DOD unobligated balances of budget authority for military activities grew from \$12.8 billion to \$34.5 billion during fiscal years 1972-1976.

**Findings/Conclusions:** There was no evidence that the buildup in unobligated balances for DOD procurements represented an inability to perform functions. Excess obligational authority in DOD's procurement programs could possibly be reprogrammed or used to fund future requirements. Despite the existence of excess funds, DOD has not implemented a process for systematic and regular reporting on the availability of excess funds. Over 90% of the \$5.5 billion increase in the unobligated total was due to program growth rather than an obligation rate decline. Among the reasons for the decline in obligation rates were: delays in awarding contracts; planning and production problems, reserves funds withheld from program managers, congressional actions, better contract prices than budgeted for, staffing deficiencies, and invalid obligations. Through the 1972-1976 period, the executive branch consistently underestimated DOD's unobligated balances.

**Recommendations:** The Secretary of Defense should make certain that improvements in internal reporting provide for the systematic identification of amounts which have become excess to program funding requirements and that new policies and procedures provide for closer monitoring of obligation projections. The Office of Management and Budget (OMB) should monitor the obligation rates reflected in DOD's obligation projections with a view toward identifying possible mis-estimates, getting changes made, and developing guidelines concerning estimating procedures. Congress should: require that DOD provide historical and projected obligation rates and analyses of vari-

ances between estimated and actual rates in its budget requests, give greater attention to the significant balances of budget authority carried over from year to year, review the Office of Management and Budget's plans to strengthen analysis of DOD's obligations estimates, and monitor the implementation of the practice of treating extensions of unobligated balances as new budget authority.

OMB stated that it currently is monitoring DOD obligation rates and projections through identification of programs no longer requiring the full amount of funds originally appropriated, and through review of outlays. OMB expects that its intensified review of outlays during the past year will improve the obligation projections for DOD activities. DOD stated that it uses two formal reporting and reviewing processes concerning amounts that have become excess to program funding requirements; its monthly "Report of Direct Programs by Appropriation and Subaccount," and its semi-annual "Report of Programs." The House Committee on the Budget endorsed the GAO recommendation to DOD in its report on the First Concurrent Resolution on the Budget, Fiscal Year 1979. The Congress appropriated \$38.8 million less than the executive request for the M-60A3 tank procurement program, fiscal year 1979, citing the production backlog and contractor difficulties and the basic reason—an issue raised in our report. (*PAD-78-34, 1-13-78*)

#### **Appropriations**

Procurement—Department of Defense

#### **Appropriations Committee Issues**

There is a seeming OMB and DOD lack of significant concern about mis-estimates of obligations. OMB needs to instruct DOD to develop "best" estimates rather than (as currently done) "target" estimates.

## DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

### PROCUREMENT

#### *Army Procurement of 10kW, 60Hz Gas Turbine Generators Is Highly Questionable*

Departments of Defense, Army

**Budget Function:** National Defense: Department of Defense - Procurement and Contracts (0058).

For the past 13 years the U.S. Army Mobility Equipment Research and Development Command has been developing the 10kW, 60Hz gas turbine generator at a cost of \$5.8 million, and plans to begin production in fiscal year 1980. The Army approved a requirement for 5,938 units: 1,387 to satisfy 10kW power requirements, and 4,551 to satisfy 5kW power requirements for field support of water purification equipment, machine and electrical repair shop equipment, and radio teletypewriters.

**Findings/Conclusions:** The 10kW gas turbine generator consumes two to three times more fuel than current diesel or gasoline generators which conflict with the Department of Defense (DOD) policy to reduce fuel consumption. It has also failed to meet reliability requirements and the Army requirement of human portability. According to GAO, the estimated 20-year cost of acquiring and operating 5,938 10kW gas turbine generators is from \$275 million to \$1.6 billion more than diesel generators. The Army could save between \$62 million and \$370 million over 20 years if it bought 1,387 diesel generators instead of gas turbine generators to meet its 10kW power requirements. If the Army purchased 5kW diesel generators to fulfill 5kW power requirements, the estimated life-cycle cost savings would be from \$213 million to \$1.3 billion over 20 years. Not as cost effective as the diesel, the gasoline generator appears to be more cost effective

than the 10kW gas turbine since a \$208 million fuel savings could be made over 20 years.

**Recommendations:** The Secretary of DOD should direct the Army to: buy 10kW diesel generators instead of 10kW gas turbine generators to satisfy 10kW power requirements, and evaluate using 5kW diesel and gasoline generators before buying 10kW, 60Hz gas turbine generators to satisfy 5kW power requirements.

According to Defense officials, the Army is currently revising its cost and operational effectiveness analysis. Since the report was issued the Army has completed testing. The Army will decide if the gas turbine generator meets the Army's requirements and if it should enter production at an in-process review in December 1979. (PSAD-79-95, 8-9-79)

#### **Appropriations**

Other procurement—Army

#### **Appropriations Committee Issues**

Unresolved issues are whether the Army will buy 10kW generators instead of 10kW gas turbine generators to satisfy 10kW power requirements, or evaluate using 5kW diesel and gasoline generators before buying 10kW, 60Hz gas turbine generators to satisfy 5kW power requirements.

## DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

### PROCUREMENT

#### *Budget Authority for Foreign Military Sales is Substantially Understated*

##### Department of Defense and Office of Management and Budget

**Budget Function:** International Affairs: International Financial Programs (155).

**Legislative Authority:** Congressional Budget Act of 1974 (P.L. 93-344; 31 U.S.C. 1302(a). Arms Export Control Act (22 U.S.C. 2763). B-159687 (1976). B-171630 (1975). B-114828 (1977).

The Office of Management and Budget (OMB) and the Department of Defense (DOD) recently changed the method of recording budget authority within the foreign military sales (FMS) trust fund. Before fiscal year (FY) 1977, each year's FMS trust fund budget authority corresponded to the dollar total of FMS new acceptances. Under the new procedure, the budget authority for a given year is made to match the portion of acceptance (old and new) which result in FMS trust fund implementing obligations during the year.

**Findings/Conclusions:** The budget authority for FMS for FY 1977 was understated by \$2.6 billion. The change introduced a significant element of inconsistency into FMS trust fund procedures and reporting without achieving offsetting improvements, and it is contrary to the usual meaning of budget authority. The change eliminates from the budget totals and schedules reporting on the maximum potential FMS obligations which the executive may incur as a result of the new authority that new acceptances create. It also eliminates standard reporting on FMS unobligated acceptances which is important for evaluating budget and program execution. The Budget authority change is contrary to sound budgetary policy and dilutes appropriate congressional budgetary control.

**Recommendations:** The Director of OMB and congressional committees on the budget should require that the calculation of FMS trust fund budget

authority be based on total, new acceptances. The Congress should adopt additional budgetary controls over the FMS trust fund activities. It should reconsider the degree of control it has delegated and enact legislation to limit total, new FMS acceptances for a FY to the amounts specified in annual authorizing and/or appropriation acts.

OMB stated that it continues to take the position that foreign military sales (FMS) budget authority should be based upon the obligations of the FMS trust fund rather than the new acceptances of the fund. OMB stated that this position reflects "the fact" that the U.S. Government is an "agent" in foreign military sales, thereby incurring a budgetary obligation only at the time an order is placed with a DOD performing account or a private sector supplier. (PAD-78-72, 7-27-78)

##### Appropriations

##### Foreign Military Sales

##### Appropriations Committee Issues

The budget's totals for budget authority continue to mis-state the true amount of authority because of OMB's treatment of FMS budget authority.

# DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

## PROCUREMENT

### ***Recent Changes in the Defense Department's Profit Policy--Intended Results Not Achieved***

**Departments of Defense, the Army, Navy, and Air Force**

**Budget Function:** National Defense: Department of Defense - Procurement & Contracts (0058).

As the result of a study on the profitability of defense contractors, a profit and pricing policy for most negotiated production-type contracts became effective on October 1, 1976. To encourage greater investment, the Department of Defense (DOD) allowed the imputed cost of capital for facility investment on most negotiated defense contracts and recognized the level of facility investment in establishing a profit objective for use in negotiating a profit rate with contractors.

**Findings/Conclusions:** Contractors did not respond positively to attempts by DOD to encourage greater investments in new or upgraded plants and equipment which would lower production costs, since limited emphasis was given to facilities investment in establishing the Government's prenegotiation profit objectives. The new policy provided that only 10 percent of the Government's profit objectives would be based on the level of the contractors' investments in plant and equipment. Unfortunately, the new profit policy did not encourage contractors to increase their investments in cost reducing facilities, but resulted instead in the negotiation of higher profit rates on an overall basis.

**Recommendations:** The Secretary of Defense should: (1) increase emphasis on capital investment of facilities and further reduce the portion of the prenegotiation profit objectives that is based on estimated contract costs; (2) perform additional analysis to determine more precisely the impact of the new profit policy on overall negotiated profit rates and the need to increase the offset factor to approximate the amount of imputed interest on facilities capital; (3) establish more definitive criteria and procedures to enable contracting officers to determine appropriate profit allowances for contractors' facilities capital invest-

ments, cost risk, and productivity improvements subject to special profit rewards; (4) develop safeguards to prevent negotiating profits significantly greater than Government objectives without a complete explanation and review of the rationale and consideration of possible alternatives; and (5) monitor more extensively the implementation of the new profit policy, and revisions made thereto, to provide greater assurance that the desired results are achieved.

While DOD recently increased the emphasis on contractors' investments in facilities by granting higher profits for this element, there was no reciprocal reduction in the profit portion based on estimated costs. This DOD action can cost the Government about \$180 million per year. (PSAD-79-38, 3-8-79)

### **Appropriations**

Procurement—Department of Defense

### **Appropriations Committee Issues**

The Appropriations Committee should direct DOD to reduce negotiated profit objectives based on costs to compensate for the increase in profits being allowed on contractors' investments in facilities. GAO believes that reduced emphasis on costs as a basis for computing profit objectives will reduce the current disincentive for decreasing costs, while an increased emphasis on invested facilities will help promote additional investments which will result in improved productivity with consequential cost reductions.

## ATOMIC ENERGY DEFENSE ACTIVITIES

### WEAPON SYSTEMS

#### *Department of Energy Participation in Defense System Acquisition Review Council Review*

**Budget Function:** National Defense: Atomic Energy Defense Activities (0053).

The Department of Energy (DOE) is developing a common warhead for the Air Force's Air Launched Cruise Missile and the Navy's Sea Launched Cruise Missile.

**Findings/Conclusions:** Before gaining approval to enter the next phase of development or production, the military services must demonstrate to a Defense System Acquisition Review Council that predetermined milestones on major weapons programs have been accomplished. Although it is a key part of the weapons program, the DOE's warhead programs do not require similar evaluation by the Council. GAO believes that DOE should participate fully in the Review Council and present the status, program alternatives, and issues needing decisions at all Council meetings involving nuclear weapons. This will allow the Council to evaluate the entire weapon system before making recommendations on how the program should proceed.

**Recommendations:** GAO recommended that DOE participate in all Council reviews involving nuclear weapons.

Defense advised GAO that procedures had been implemented to provide for Energy participation in the Council. Energy believes that direct involvement in the Council will provide appropriate and timely information exchange at crucial decision points and will be mutually beneficial to the nuclear weapon development process. (PSAD-79-4, 11-7-78)

#### **Appropriations**

Department of Energy  
National Security Programs Council

#### **Appropriations Committee Issues**

In view of the dual management responsibility of the Departments of Defense and Energy to acquire a nuclear weapon, it is imperative that the Departments fully discuss issues and coordinate efforts at the crucial program decision points.

## ATOMIC ENERGY DEFENSE ACTIVITIES

### WEAPON SYSTEMS

#### ***Need To Review Procedures for Safeguarding Nuclear Weapons In Transit***

##### **Departments of Defense and Energy**

**Budget Function:** National Defense: Atomic Energy Defense Activities (0053).

**Legislative Authority:** Legislative Reorganization Act of 1970.

The procedures employed by the Department of Defense (DOD) and the Department of Energy (DOE) for protecting nuclear weapons while in transit were recently examined. Nuclear weapons are most vulnerable while in transit, so that security measures taken to protect them outside of their storage locations must be sufficient to dissuade sabotage and theft and to withstand attack. Security procedures are based on transportation mode preferences. DOE prefers overland shipments in special trailers, while DOD prefers shipping by military aircraft.

**Findings/Conclusions:** Although the protection procedures employed by the two departments for weapons in transit appear adequate, neither department has ever compared and balanced the security, public safety, and cost advantages and disadvantages of the transportation modes to determine if one is better than the other. Results of a study conducted to estimate the average probability of a release of nuclear materials to the environment showed that a release will occur every 192,000 years using special trailers, every 3,000 years using C-141 aircraft, and every 2,000 years using C-130 aircraft. A transportation cost comparison for a selected route showed that it costs about \$20,000 to ship by air and \$38,640 to ship by special truck.

**Recommendations:** It is recommended that the Secretaries of Defense and Energy jointly compare the advantages and disadvantages of the overland special trailer and military aircraft nuclear weapon transporta-

tion modes to determine which mode overall provides the highest levels of security and public safety necessary at the least cost; establish joint criteria consistent with the above determination to be used in deciding whether a particular shipment should be moved overland or by air; and review the question of why DOE is involved in transporting assembled nuclear weapons.

The Department of Defense and Department of Energy stated that the present respective transportation method should be continued, and that the Department of Energy should continue to transport assembled nuclear weapons. (*EMD-79-92, EMD-79-93, 8-1-79*)

#### **Appropriations**

Department of Energy—Operating expenses  
Department of Defense—Operations and maintenance

#### **Appropriations Committee Issues**

The Departments of Defense and Energy should jointly establish criteria for deciding whether a particular nuclear weapon shipment should be moved over land or by air. The criteria should be based on a determination of which mode, overall, provides the highest levels of security and public safety at the least cost.





Single copies of GAO reports are available free of charge. Requests (except by Members of Congress) for additional quantities should be accompanied by payment of \$1.00 per copy.

Requests for single copies (without charge) should be sent to:

U.S. General Accounting Office  
Distribution Section, Room 3512  
441 G Street, NW.  
Washington, DC 20548

Requests for multiple copies should be sent with checks or money orders to:

U.S. General Accounting Office  
Distribution Section  
P.O. Box 1020  
Washington, DC 20013

Checks or money orders should be made payable to the U.S. General Accounting Office. **NOTE:** Stamps or Superintendent of Documents coupons will not be accepted.

**PLEASE DO NOT SEND CASH!**

To expedite filling your order, use the report number and date in the lower right corner of the front cover.

GAO reports are now available on microfiche. If such copies will meet your needs, be sure to specify that you want microfiche copies.

**AN EQUAL OPPORTUNITY EMPLOYER**

UNITED STATES  
GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

OFFICIAL BUSINESS  
PENALTY FOR PRIVATE USE, \$300

POSTAGE AND FEES PAID  
U.S. GENERAL ACCOUNTING OFFICE



**SPECIAL FOURTH CLASS RATE  
BOOK**