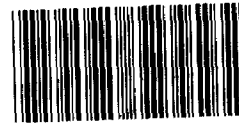
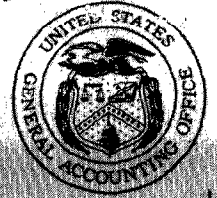
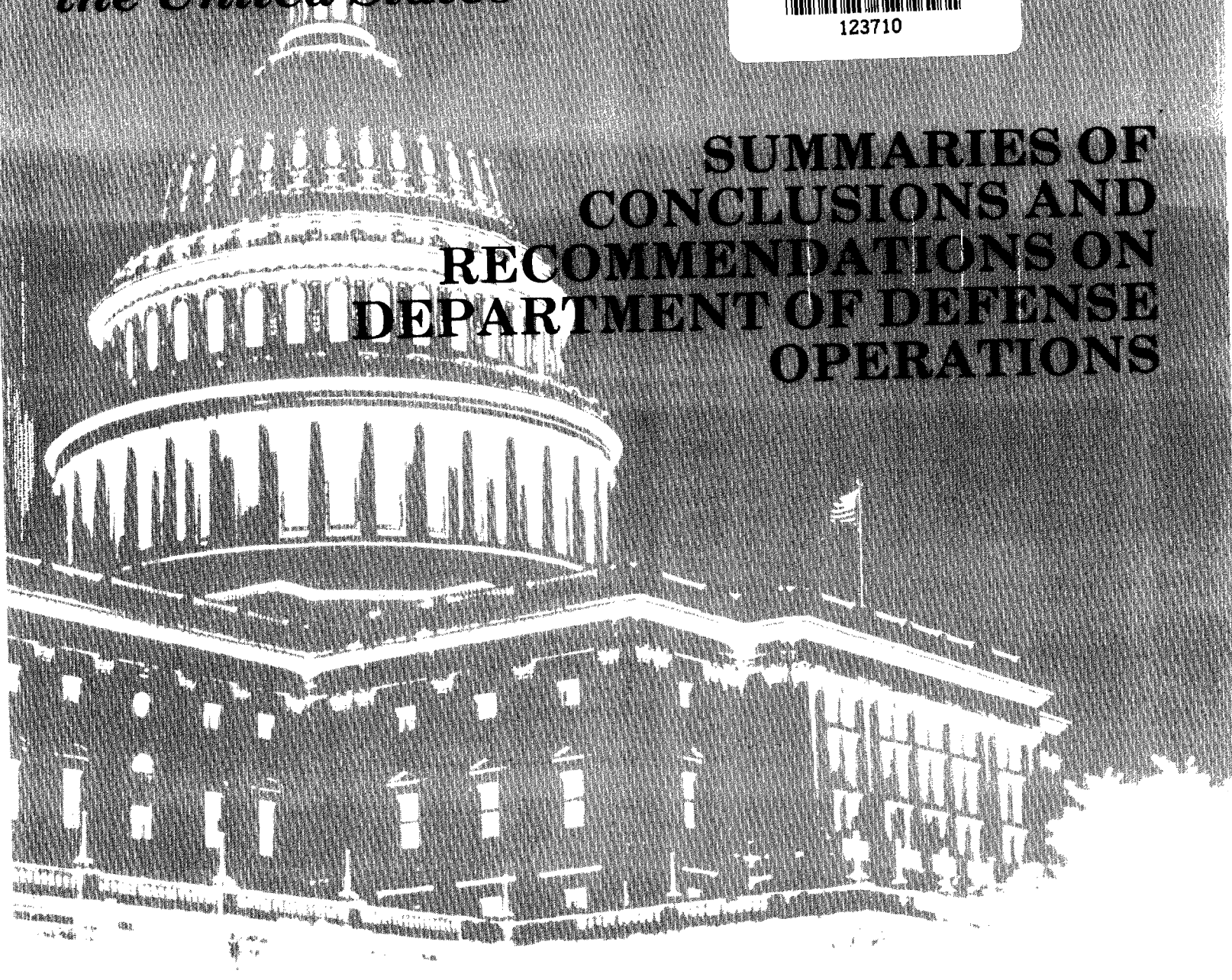


123710

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



123710



**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 on which satisfactory legislative or administrative actions have not been taken. These summaries are compiled to assist congressional committees in their review of budget requests for fiscal year 1985. Previous GAO reports brought these matters to the attention of the congressional and departmental officials.

**GAO/OADPS-84-2
March 20, 1984**

028346

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

B-205879

The Honorable Jamie L. Whitten
Chairman
Committee on Appropriations
House of Representatives

The Honorable Mark O. Hatfield
Chairman
Committee on Appropriations
United States Senate

This is our annual report of summaries of GAO conclusions and recommendations resulting from our audits and other review work in the Department of Defense on which satisfactory legislative or administrative actions have not been taken. To encourage prompt, responsive action on its audit findings and recommendations, GAO systematically follows up on these recommendations until some final disposition is reached. This report contains abstracts of GAO reports with recommendations open as of October 1, 1983. The status of these recommendations was recently updated.

Our reports have previously brought these matters to the attention of the Congress and departmental officials. However, the summaries will be of interest to your Committees in their review of budget requests for fiscal year 1985. We have not included suggested questions to be asked in appropriations hearings; however, please contact our Office of Congressional Relations if you wish us to suggest specific questions on the items summarized or if you need additional information about any of the specific reports.

To enhance its usefulness, in addition to a table of contents, this report contains three reference indexes. The Congressional index lists the titles of reports under the congressional appropriations, authorizing, or budget committees to which they are related. The Budget Function index lists the titles of reports under function categories by which federal funds are appropriated and identified in the Federal Budget. Finally, the Agency/Organization index lists the titles of reports which relate to the activities of a particular department, agency, bureau, or organization. The indexes also include page numbers where the reader may find summaries of the reports.

A report of conclusions and recommendations concerning the federal civil departments and agencies (GAO/OADPS-84-1) is being submitted separately.

We are sending copies of this report to the Department of Defense and the military departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriations hearings. Copies are also being provided to other interested congressional committees and members.

Charles A. Bowsher
Comptroller General
of the United States

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

U.S. General Accounting Office

Charles A. Bowsher

Comptroller General of the United States

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DEFENSE-RELATED ACTIVITIES

Budget Function Heading (Reports with other than a Defense Budget Function appear under the Heading "Non-Defense Budget Functions")

Title SECURITY ADMINISTRATION

Further Improvements Needed in Department of Defense Oversight of Special Access (Carve-Out) Contracts

Report Number/ (GGD-83-43, 2-18-83)

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

Agency/Organization Concerned

Budget Function Budget Function: National Defense: Defense-Related Activities (054.0)

Legislative Authority Legislative Authority: Freedom of Information Act. Executive Order 12036. Executive Order 12356. DIA Manual 50-3. DIA Manual 50-5. DOD Reg. 5200.1-R. DOD Directive 5400.7.

Abstract GAO completed a review of the security requirements and administration of Department of Defense (DOD) carve-out contracts as part of its continuing review of national security information. Carve-out contracts are those special access contracts for which the Defense Investigative Service (DIS) has been relieved of security inspection responsibility and the cognizant DOD component is responsible for security inspections and administration.

make DIA responsible for approving all industry facilities proposed for use as DOD SCIF's.

Status: Recommendation no longer valid/action not intended. DOD feels that an onsite threat analysis would be too expensive and proposed to amend the DIAM 50-3 instead. It also does not agree that DIA be made responsible for approving all industry facilities proposed for use as DOD SCIF's. It proposes that DIA be given oversight responsibility to ensure that minimum standards are maintained when other components approve new SCIF's in industry.

Recommendation Status Non-Action Text

Findings/Conclusions Findings/Conclusions: GAO found that an ever-increasing number of carve-out contracts has become a problem for contractor security administrators because the contracts result in a multiplicity of security requirements in addition to those prescribed by the DOD Industrial Security Manual. The exact number of carve-out contracts is unknown, but GAO estimated that there are probably several thousand such contracts; some contracts were given carve-out status for reasons other than security, and other carve-out contracts were not inspected by anyone.

The Secretary of Defense should make DIS responsible for: (1) inspecting all DOD sponsored contractor SCIF's; and (2) verifying accountability for all contract documents maintained in those SCIF's and in SCIF's sponsored by other agencies.

Status: Recommendation no longer valid/action not intended. DOD does not agree with the recommendation.

Recommendations to Agencies Recommendations to Agencies: The Secretary of Defense should revise the Information Security Program Regulation to require all components to annually: (1) inventory and report the status of all carve-out contracts to the Deputy Under Secretary of Defense for Policy; and (2) revalidate the need for renewed contracts or contracts that extend for more than 1 year. In addition, the Secretary should require the Office of the Deputy Under Secretary of Defense for Policy to make periodic inspections of components' central offices to evaluate compliance with the regulation. Status: Action in process.

The Secretary of Defense should: (1) issue instructions that will require advance DOD approval of contractors' requests for special access authorizations for employees who will be working on nonsensitive compartmented information special access contracts; (2) direct DIS to return to contractors any requests for special access authorizations that do not contain the advance approval of the cognizant DOD component; and (3) remind DOD components of their responsibility to review and approve, in a timely manner, contractor nominees for all special access authorizations. Status: Action in process.

The Secretary of Defense should: (1) direct the Defense Intelligence Agency (DIA) to revise its regulations to require that a threat analysis be made before a sensitive compartmented information facility (SCIF) is constructed or altered or an existing facility is approved for use as an SCIF; and (2)

Agency Comments/Action Agency Comments/Action

DOD generally concurred with the findings but disagreed with many of the corrective measures that GAO recommended.

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NATIONAL DEFENSE

MAINTENANCE, REPAIR AND OVERHAUL

The Fleet Modernization Program: Still Room for Improvement (PLRD-82-65, 6-14-82)

Departments of Defense and the Navy

Budget Function: National Defense (050.0)

In response to a congressional request, GAO evaluated the Navy's fleet modernization program.

Findings/Conclusions: The Navy often fails to follow its guidelines concerning the management of its fleet modernization program. As a result, many ship alterations are deferred and data for cost estimates are not available. In addition, the Navy does not always properly order material for the program, resulting in unnecessary procurements. GAO determined that the Navy deferred about 35 percent of its fiscal year 1980 congressionally budgeted alterations. Over half of these occurred because ship overhauls were rescheduled, and the rest were deferred because: funds were needed to perform unscheduled emergency alterations, onhand material was insufficient, and plans and drawings were late. Since program managers frequently did not follow the guidelines, critical milestones were missed, some alterations had to be deferred while still in the planning stage, and data for cost estimates were not always available. GAO believes that the Navy could improve its budget cost estimates if it would use the actual costs for previous alterations to assess the reasonableness of shipyards' cost estimates. The Navy is taking steps to improve the visibility of ship alteration material at the wholesale and shipyard levels. However, more could be done to improve the effectiveness of material management and to reduce material costs.

Recommendations to Agencies: The Secretary of the Navy should institute controls to ensure that program managers follow Naval instructions on alteration development milestones and program only those alterations which can be fully developed to support scheduled installations.

Status: Action in process.

The Secretary of the Navy should direct the Commander of the Naval Sea Systems Command to establish a system of exception reporting for alterations which do not meet development milestones.

Status: Action in process.

The Secretary of the Navy should more strictly enforce the requirement that both public and private shipyards submit

ship departure reports within the required 60 days after overhaul completion.

Status: Action in process.

The Secretary of the Navy should require that budget developers use actual cost information from previously completed alterations when developing alteration cost estimates.

Status: Action in process.

The Secretary of the Navy should direct shipyard commanders to: (1) emphasize the importance of using assigned planned requirement numbers because of the overstated requirements and unnecessary procurements that result; (2) instruct material managers not to order material before alteration plans and drawings are sufficiently developed to define material requirements; and (3) direct material managers to cancel requisitions on the supply system when they initiate commercial procurement actions.

Status: Action in process.

The Secretary of the Navy should direct shipyard managers to provide supply system managers with visibility over shipyard assets and direct the use of these assets to avoid expensive direct delivery procurements.

Status: Action in process.

The Secretary of the Navy should direct shipyard managers to release, for systemwide and immediate use, assets which will not be needed in the near future and which can readily be replaced.

Status: Action in process.

Agency Comments/Action

The Navy generally concurred with the recommendations. It indicated that it is currently taking action on some of the recommendations and is planning actions on others. GAO has been assured by Navy officials that they are considering action on each of the recommendations. As of February 1984, the final Navy position had not yet been coordinated.

DEPARTMENT OF DEFENSE - MILITARY

ACCOUNTING SYSTEMS

Weak Internal Controls Make Some Navy Activities Vulnerable to Fraud, Waste, and Abuse (AFMD-81-30, 4-3-81)

Department of the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Budget and Accounting Procedures Act of 1950. National Security Act Amendments of 1949. H.R. 350 (97th Cong.). H.R. 1526 (97th Cong.).

GAO reviewed the Naval Sea Systems Command (NAVSEA) including two shipyards and two other activities which provide support services to NAVSEA to determine whether the internal control systems of these activities adequately protect Federal funds and assets from fraud, waste, and abuse.

Findings/Conclusions: GAO found inadequate controls over several functions at NAVSEA, two shipyards, and two activities. Specific weaknesses included: (1) inadequate controls over payroll at the Navy Regional Finance Center (NRFC) and the Norfolk and Charleston shipyards; (2) inadequate controls over blank and negotiable U.S. Government checks at NRFC; (3) poor security over computer facilities and equipment at the Navy Regional Data Automation Center and at the two shipyards; (4) a circumvention of procurement regulations at NAVSEA; (5) insufficient review of payment requests and a lack of necessary checks of automated system disbursements at NRFC; (6) a 7-month, \$8 million backlog of accounts payable at the Charleston shipyard that had not been reconciled to supporting documentation to determine if only legitimate invoices were paid; (7) accounts receivable valued at about \$5.8 million at the Charleston shipyard written off the general ledger from fiscal year 1978 through fiscal year 1979 without adequate justification; and (8) a lack of basic controls at NAVSEA over approving and processing employee travel claims. GAO found that Navy internal controls do not always identify the underlying cause of audit findings and reasons for noncompliance with regulations, too few staff members are assigned to internal auditing and review functions to review all activities at recommended intervals, and internal audit personnel do not participate in automated data processing (ADP) planning. GAO believes that internal controls can be made more effective by strengthening existing laws.

Recommendations to Agencies: The Secretary of the Navy should direct the Naval Sea Systems Command to implement procedures for: (1) expediting the processing of requests for office equipment; (2) performing internal reviews of contract overhead charges to ensure that only authorized items are charged; (3) reviewing the contract and funding documents used in acquiring office equipment to ensure that other charges are proper and are accounted for; and (4) providing specific detailed guidelines on the use of funding documentation.

Status: Action in process.

The Secretary of the Navy should ensure that the Naval Regional Finance Center improves its review of payment re-

quests and automated system edits by thoroughly examining documentation supporting expenditures before making payments, and by ensuring that the more sophisticated computer system being designed requires an adequate number of matching invoice elements to preclude duplicate payments.

Status: Action in process.

The Secretary of the Navy should require the Charleston shipyard to match payments to supporting documentation and to properly classify accounts receivable so that they are collected promptly.

Status: Action in process.

The Secretary of the Navy should direct all installations to assign an ADP security officer, implement a security training program, and restrict access to computer equipment, computer tapes, and system documentation.

Status: Action in process.

The Secretary of the Navy should emphasize to all management levels the significance of good internal controls and the need for managers to make sure that tasks and functions for which they are responsible are adequately controlled to prevent, or at least reduce, the risk of intentional or accidental misuse or abuse of Federal funds.

Status: Recommendation no longer valid/action not intended. *Congress passed the Federal Managers Financial Integrity Act of 1982.*

The Secretary of the Navy should: (1) establish a central internal control officer to oversee the controls and ensure that each command and major location establish its own officer to see that improvements are made to correct the problems noted during the GAO review and that surveillance is constantly maintained to prevent recurrence of these problems; and (2) require proper segregation of payroll functions at the Naval Regional Finance Center so that no one person can handle all phases of a transaction.

Status: Action in process.

The Secretary of the Navy should improve other controls over payroll at the Naval Sea Systems Command headquarters and the shipyards, such as requiring: (1) control totals to be determined when source documents are prepared; (2) personnel offices to be informed by the payroll staff of actions processed to payroll files; and (3) a routine, periodic reconciliation of payroll and personnel files.

Status: Action in process.

The Secretary of the Navy should improve controls over travel at the Naval Sea Systems Command headquarters by: (1) requiring appropriate officials to approve travel; (2)

seeing that travel advances are liquidated promptly and that claims are properly reviewed; and (3) ensuring that managers receive reports containing information needed for controlling and planning travel expenditures.

Status: Action in process.

The Secretary of the Navy should require the Charleston shipyard to improve its control over travel by addressing the weaknesses that were identified in the travel processes at the Charleston shipyard.

Status: Action in process.

The Secretary of the Navy should make internal audits more effective by: (1) reassessing staffing priorities at all levels to adequately emphasize internal auditing in light of decreasing size and other factors which make Navy activities more vulnerable to fraud, waste, and abuse; (2) requiring internal audit participation in the design, development, and test phases of a new computer system to ensure that factors to enhance auditability, audit trails for security, and quality output are designed and developed into new systems; and (3) requiring internal auditors to identify underlying causes of problems uncovered so that action can be taken to prevent recurrence.

Status: Action in process.

Agency Comments/Action

The Navy agreed in principle with the recommendations. Although the Navy initially disagreed with the establishment of an internal control officer, in August 1981 it established the Navy Internal Review and Internal Control Officer as part of the Navy Office of the Comptroller. DOD has established a Review and Oversight Office which has as a major function to followup on audit reports, findings, and recommendations. The Office has set up a computerized system to monitor audit reports and recommendations. GAO was advised by the DOD Assistant Inspector General for Audit Followup Office that an auditor from the DOD/Inspector General is starting a followup on this report and that he will provide GAO with a copy of the agency actions and comments. The Department of the Navy is required to respond to the followup report by February 28, 1984.

DEPARTMENT OF DEFENSE - MILITARY

ACCOUNTING SYSTEMS

Management Control of the Department of Defense Overseas Dependents Schools Needs To Be Strengthened (HRD-83-3, 11-4-82)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Defense Dependents' Education Act of 1978 (20 U.S.C. 2701 et seq.). Department of Education Organization Act (20 U.S.C. 3401). Budget and Accounting Procedures Act of 1950. Antideficiency Act (31 U.S.C. 665). Federal Managers' Financial Integrity Act of 1982. 7 GAO 12.2. 1 Treasury Fiscal Requirements Manual 6-8030. DOD Manual 1342.6-M-1. DOD Accounting Guidance Handbook. Certifying Officers Act.

GAO reported on the need for strengthening management control of the Department of Defense Dependents Schools (DODDS) overseas.

Findings/Conclusions: GAO found that the financial management system of DODDS does not give managers the timely and accurate information necessary to plan for and control use of the school system's resources. DODDS has no accounting system; at present, accounting services are provided by four organizations. In addition, the school system has no adequate system of internal management controls to ensure, among other things, that receipts are properly accounted for and that goods and services paid for are received. Finally, GAO found that DODDS does not have authority to disburse funds. These conditions deprive management of information needed to ensure that the allotment of funds from DOD is not overexpended.

Recommendations to Agencies: The Secretary of Defense should: (1) develop accounting and internal management control systems in DODDS as required by the Budget and Accounting Procedures Act of 1950; (2) develop a uniform financial coding system applicable to DODDS activities worldwide; and (3) establish a streamlined procedure for recording disbursements of DODDS funds in the school system's accounting records.

Status: Action in process.

The Secretary of Defense should direct the Director of DODDS to: (1) return to the reimbursable concept in obtaining logistics support services; (2) revise DOD Manual 1342.6-M-1 to require monthly billing with prompt followup for recurring logistics support services; (3) ensure that all

Support Agreements are brought current and maintained in that status and that they contain specific details relating to the nature and cost of the support services to be provided; and (4) develop and implement a financial management training program for school principals so that they can fulfill their responsibilities in monitoring and controlling logistics support costs.

Status: Action in process.

Agency Comments/Action

DOD plans to: (1) develop a design plan for a DODDS accounting system as required by the Budget and Accounting Procedures Act of 1950; (2) implement a worldwide, uniform financial coding system to achieve consistency in budget and accounting classifications; (3) develop a proposal to establish more streamlined procedures for recording and reporting disbursements; (4) return to the reimbursable concept for all items except those which are mutually agreed upon by DODDS and the supporting activity to be more appropriately funded by direct cite; (5) issue a revised DOD Manual 1342.6-M-1 requiring monthly billing and prompt followup for recurring logistics support services; (6) publish a guide for DODDS Education Program administrators to specify responsibilities in negotiating interservice agreements and to conduct workshops for financial management training; and (7) conduct four workshops to provide financial management training for DODDS administrators from all regions.

DEPARTMENT OF DEFENSE - MILITARY

AUTOMATIC DATA PROCESSING

The Air Force Can Improve Its Maintenance Information Systems

(GGD-83-20, 1-25-83)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). OMB Circular A-121.

In response to a congressional request, GAO reviewed certain maintenance activities at the Air Force to identify where information technology can benefit agencies in terms of economy and efficiency. The review suggested ways to improve Air Force maintenance information management as well as the Air Force information management program.

Findings/Conclusions: GAO found that the Air Force spends millions of dollars on data collection and reporting systems which have questionable value. GAO also noted that recording errors have often resulted in inaccurate reports and figures from the Air Force's Maintenance Data Collection (MDC) system, and managers are often reluctant to use this system or the systems it supports because of the known inaccuracies. The data inaccuracies raise questions about the need for much of the maintenance data collected. The Air Force is testing an Automated Maintenance System (AMS) that has the potential to improve maintenance data collection and indications show that it will improve data accuracy and completeness. However, current plans by Air Force commands could result in unnecessary expenditures for separate AMS type computers. Despite these efforts, no significant improvements have been made to improve the maintenance data collection process. GAO concluded that the Paperwork Reduction Act of 1980 provides the framework for effectively managing information-related activities and, although the Air Force has begun to implement the act's objectives, more needs to be done.

Recommendations to Agencies: The Secretary of the Air Force, to improve maintenance information activities, should develop uniform and cost-effective systems for collecting and processing accurate maintenance information needed to meet identified requirements.

Status: Action in process.

The Secretary of the Air Force, to improve maintenance information activities, should identify the full costs and benefits of the AMS prototype and, if justified, develop automated maintenance information capabilities which would be compatible with standard Air Force base-level computer systems. This action would eliminate the need for stand alone maintenance computer systems beyond Altus, Dover, and Travis Air Force Bases.

Status: Action in process.

The Secretary of the Air Force, to improve maintenance information activities, should defer terminating the Maintenance Cost System until issues concerning data accuracy, productivity management, and Visibility and Management

of Operating and Support Costs II system requirements are resolved.

Status: Action in process.

The Secretary of Defense should reassess the requirements for an operating and support cost system and work with the Air Force to develop a system that will meet these requirements.

Status: Action in process.

The Secretary of the Air Force, to improve maintenance information activities, should determine maintenance information requirements for the different levels of command throughout the Air Force.

Status: Action in process.

The Secretary of the Air Force, to improve maintenance information activities, should determine whether a Phase IV compatible automated maintenance information system may eliminate the need for the F-16 Central Data System. This issue should be considered when deciding on future Central Data System support, expansion plans, and lease versus purchase of equipment.

Status: Action in process.

The Secretary of the Air Force, to improve maintenance information activities, should apply information resources management approaches to managing future information system development efforts.

Status: Action in process.

Agency Comments/Action

In its October 14, 1983, response to Congress, the Department of Defense (DOD) stated that the Air Force concurs with all of the report's findings, conclusions, and recommendations. A new Air Force-wide maintenance data collection system is to be implemented in September 1984. The system is expected to provide necessary improvements in the accuracy, timeliness, and availability of maintenance management data. At that time, the Air Force plans to modify its productivity measurement system. The Air Force will also measure the costs and benefits of its system changes. The DOD response stated that information management issues are receiving increased top management attention within the agency. A recently established office in the Air Force will ensure that information resources management concepts are properly applied to new systems development efforts.

DEPARTMENT OF DEFENSE - MILITARY

AUTOMATIC DATA PROCESSING

Navy Logistics Data-Base Problems Need Increased Management Attention (NSIAD-83-48, 8-19-83)

Department of the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO completed a review of Navy efforts to improve the accuracy of its logistics data base as a part of a project to acquire new computers and redesign the Uniform Inventory Control Point (UICP) system.

Findings/Conclusions: Over the years, the accuracy and reliability of logistics information in the UICP data base has been challenged in GAO and other audit reports. GAO has stated that incomplete inventory data in Navy computer records have resulted in understatement of stock on hand and overbuying. Logistics managers at the inventory control points are aware of the inaccuracies in the system and there are a number of ongoing efforts designed to improve data-base quality. However, GAO found that the plans which the Navy has developed to replace the computer and totally redesign the UICP system do not adequately address the data-base problems and that independent efforts to redesign the system are being made by different entities within the inventory control points.

Recommendations to Agencies: The Commander of the Naval Supply Systems Command should identify those segments of the UICP data base that are critical to the decisionmaking process.

Status: Action in process.

The Commander of the Naval Supply Systems Command

should determine the relative accuracy or inaccuracy of critical data elements within these segments.

Status: Action in process.

The Commander of the Naval Supply Systems Command should assign specific responsibilities to assure that all significant errors are identified and that correct data are entered into the files.

Status: Action in process.

The Commander of the Naval Supply Systems Command should assign management responsibilities for overseeing the entire effort.

Status: Action in process.

The Commander of the Naval Supply Systems Command should establish milestones for completing the project to correct the data base.

Status: Action in process.

The Commander of the Naval Supply Systems Command should make the necessary resources available to complete this project.

Status: Action in process.

Agency Comments/Action

As of February 14, 1984, comments from the agency had not been received.

DEPARTMENT OF DEFENSE - MILITARY

FACILITIES MANAGEMENT

DOD Can Increase Revenues Through Better Use of Natural Resources It Holds in Trust
(PLRD-82-9, 11-25-81)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Endangered Species Act of 1973. Land Policy and Management Act (43 U.S.C. 1701). H. Rept. 95-1398. BOB Circular A-25. 16 U.S.C. 670(a). 16 U.S.C. 670(c). 10 U.S.C. 2667.

Almost 25 million acres of land throughout the United States and its possessions have been set aside for the use of the Department of Defense (DOD). These lands, of which about two-thirds are undeveloped, contain vast natural resources helpful to the Nation's economy and quality of life. To ensure optimal use of its lands and their natural resources, DOD requires all military bases to manage these lands encompassing vast natural resources under the multiple-use principle. This means that bases must exercise a balanced, coordinated management of all resources, applying the best combination of developmental and protective land uses, consistent with the military mission. GAO thus undertook a review of the effectiveness and efficiency of the military bases in managing these lands to determine where revenues can be increased and how the multiple uses of the land can be improved.

Findings/Conclusions: In its review, GAO found that, in fiscal year 1980, military bases managed 2.3 million acres of forest and sold \$12.3 million worth of timber and related products. Although most of the forestry programs were well managed, several forestry plans lacked a system for monitoring program effectiveness, were outdated, and had not been properly reviewed and approved. In addition, inadequate coordination, poor planning, and general management apathy prevented timber sales and the bases' agricultural leasing programs from reaching and maintaining maximum benefits. GAO also found that the bases needed to improve their management of the lands' large areas of scenic wilderness, woodland, and waterways which are rich in wildlife and recreational resources. Although DOD has encouraged its bases to enter cooperative agreements with appropriate State and Federal agencies and to collect hunting and fishing fees to help support the bases' fish and wildlife programs and recreational areas, many bases have not done so and have failed to use available technical expertise when planning and managing these valuable resources. As a result, plans are often inadequate or nonexistent, and military managers can neither gauge program effectiveness nor identify potential recreational areas. GAO believes that, by improving its management practices, DOD could collect an additional \$3 million annually in revenue.

Recommendations to Agencies: The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to maintain updated forestry plans for bases with clearly stated objectives, priorities, and monitoring systems.
Status: Action completed.

The Secretary of Defense should direct the Secretaries of

the Army, Navy, and Air Force to prevent unnecessary restrictions on timber harvesting.

Status: Action completed.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to accelerate timber harvesting wherever possible.

Status: Action completed.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to aggressively pursue the market for forest byproducts as a source of additional income.

Status: Action completed.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to establish procedures to update and improve base soil and water conservation plans.

Status: Action completed.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to establish procedures to develop and implement a system to identify periodically all land available for leasing.

Status: Action completed.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to establish procedures to require the maximum leasing of agricultural land consistent with the military mission.

Status: Action completed.

The Secretary of Defense should determine the feasibility of operating the leasing program similar to the forestry program and seek legislative changes in the program if warranted.

Status: Action completed.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to require military bases to develop and update effective cooperative agreements and management plans for fish and wildlife and outdoor recreation programs.

Status: Action completed.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to assess more equitable user fees, where possible, for hunting and fishing to finance fish and wildlife programs.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to identify all opportunities for public outdoor recreation and implement feasible programs.

Status: Action completed.

Agency Comments/Action

DOD issued a policy memorandum dated March 15, 1982, to direct the efforts and measure the progress of the DOD natural resources program during the calendar year 1982. DOD stated the priority effort is to update and strengthen its programs so that each one becomes more self-sustaining and produces more revenues. Action is still in process regarding the need to reassess more equitable user fees for hunting and fishing.

DEPARTMENT OF DEFENSE - MILITARY

HOUSING

Military Family Housing (PLRD-83-19, 12-3-82)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: DOD Instruction 4270.21. A.F.R. 91-1. A.F.R. 178-1. A.R. 210-50. A.R. 420-70.

GAO surveyed major maintenance and repairs to military family housing units at five installations. Because the work disclosed a problem relating to wood floor replacement and maintenance, GAO concentrated its efforts in that area.

Findings/Conclusions: GAO found wood floors at four of the installations surveyed. Over a period of several years, one Air Force installation had replaced the original veneer floors with solid oak parquet in most of the units constructed in 1960. GAO estimated that the cost of replacing these floors was \$1.6 million. At three other installations, hardwood or parquet floors had been replaced with vinyl or vinyl asbestos tile in some of their housing units. The Department of Defense (DOD) has instructions on sanding and refinishing wood floors, but it does not have a policy on which materials to use when floors need to be replaced. GAO believes that economic analyses are essential to determine the most cost-effective materials when it is necessary to replace these floors. Neither DOD nor the services have records on the number of units with wood floors; therefore, the total number of units with the potential for floor replacement could not be determined. Because four of the five locations visited had wood floors in many units, the potential for savings could be significant. GAO also found that wood floors were being sanded or refinished more frequently than provided by DOD policy.

Recommendations to Agencies: The Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics should establish a policy which requires the services to perform economic analyses to identify the most economical materials for replacing wood floors in military family housing.

Status: Action in process.

The Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics should emphasize to the services the need to follow DOD procedures for maintaining wood floors and stress the need for all services to ensure that their procedures are consistent with the DOD policy for maintaining wood floors.

Status: Action completed.

Agency Comments/Action

DOD concurred with the findings, conclusions, and recommendations, and subsequently provided the service Secretaries with a list of specific corrective actions they should take to comply with DOD policy. The services are in the process of making necessary revisions to manuals and regulations to comply with DOD policy.

DEPARTMENT OF DEFENSE - MILITARY

HOUSING

Improved Dormitory Use at USAFE Bases Will Reduce Off-Base Housing Costs (PLRD-83-22, 12-20-82)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: 31 U.S.C. 720.

GAO assessed the United States Air Forces in Europe (USAFE) dormitory use at three bases in Germany and ways to reduce off-base housing costs.

Findings/Conclusions: GAO found that, contrary to Department of Defense (DOD) instructions and Air Force regulations, base commanders at two bases housed no more than two junior enlisted personnel in dormitory rooms that should house three. One base commander subsequently revised this practice so that newly assigned junior enlisted personnel were placed in available dormitory space. Further, GAO found that an estimated 800 assigned unaccompanied junior enlisted personnel at three bases were living off base and receiving monthly cash allowances when on-base dormitory space was available. GAO estimated that \$1.3 million could be saved annually at the three bases if their dormitory space were rated and used appropriately.

Recommendations to Agencies: The Secretary of the Air Force should rerate dormitory space at Hahn Air Force Base in accordance with DOD and Air Force criteria to accommodate the maximum number of junior enlisted personnel.

Status: Action completed.

The Secretary of the Air Force should insure that furniture on order to enable the assignment of three junior enlisted

personnel to rooms in dormitories at Hahn and Spangdahlem is expeditiously obtained and used for that purpose.

Status: Action in process.

The Secretary of the Air Force should instruct the Commander in Chief, USAFE, to direct the base commanders at Hahn, Bitburg, and Spangdahlem to assign personnel now living off base to the resulting available on-base dormitory spaces as soon as economically feasible.

Status: Action in process.

Agency Comments/Action

The Air Force concurred with the findings, conclusions, and recommendations in the final report. It continued to support its comments and agreed to corrective actions described in its November 23, 1982, response to the draft report. A memorandum from the Department of the Air Force dated January 4, 1983, has been sent to the Secretary of the Air Force listing specific corrective actions and requesting quarterly progress reports on the status of those actions. As of November 11, 1983, all dormitory space at Hahn Air Force Base has been rated for three persons to a room. Except for dormitory rooms at Hahn, all of the rooms at Spangdahlem and some at Hahn have been furnished for triple occupancy. The Hahn rooms are expected to be completed by March 1984.

DEPARTMENT OF DEFENSE - MILITARY

HOUSING

DOD's Unaccompanied Enlisted Personnel Housing--Better Living Conditions and Reduced Costs Possible (PLRD-82-59, 4-30-82)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: DOD Instruction 4165.47. H. Rept. 96-1097. H. Rept. 97-193.

In view of the large sums of money that the Department of Defense (DOD) is spending on housing its unaccompanied enlisted personnel, GAO evaluated the military services' efforts to provide adequate housing; efforts to control off-base housing costs; computations of personnel housing requirements; and personnel housing modernization policies, procedures, and practices.

Findings/Conclusions: GAO found opportunities for the military services to more efficiently use existing unaccompanied enlisted personnel housing assets, more accurately determine housing deficits, and control modernization costs. GAO believes that DOD can substantially reduce its off-base housing costs, as well as its construction and modernization costs, and at the same time provide better housing to its enlisted personnel. The services have not uniformly adopted or implemented the minimum standards of adequacy for housing and construction criteria which DOD has established. Seven of nine installations GAO visited provided service members accommodations that were below the DOD minimum standards of adequacy. Some installations could have provided adequate facilities through better management and efficient utilization of enlisted personnel housing facilities. These housing costs could be further reduced by requiring installations to use underutilized facilities at other nearby installations and by constructing new facilities before modernizing existing ones. Nine installations which GAO visited overstated deficits in existing housing. GAO believes that four construction projects could either be eliminated or reduced in scope and that the Army and the Air Force are unnecessarily modernizing some facilities.

Recommendations to Agencies: The Secretary of Defense should revise the DOD inventory, occupancy, and utilization reporting requirements so that program managers receive accurate information.

Status: Action in process.

The Secretary of Defense should require the services to implement the reporting requirements in a timely manner.

Status: Action completed.

The Secretary of Defense should redirect the services to uniformly adopt and implement the DOD minimum standards for adequacy of assigning personnel to existing adequate housing. In the case of the Air Force, it would mean lowering the standard for certain personnel to the DOD minimum standards, which would reduce off-base housing costs.

Status: Recommendation no longer valid/action not intended.

The Secretary of Defense should direct the services to explore the opportunities to use underutilized, unaccompanied enlisted personnel housing space of other services when appropriate and to cooperate with services seeking to use those assets.

Status: Action completed.

The Secretary of Defense should direct the services to closely review installations' programming of construction and modernization projects to identify and take advantage of opportunities to reduce off-base housing costs.

Status: Action completed.

The Secretary of Defense should redirect the services to discontinue use of unit integrity in making room assignments where such assignments are resulting in underutilized housing and eligible personnel are living off base at additional cost to the Government.

Status: Action completed.

The Secretary of Defense should direct the services to thoroughly review the unaccompanied enlisted personnel housing (UEPH) deficits for currently programed and funded, and/or planned UEPH construction projects and cancel, where economical to do so, unneeded projects, in particular, at Redstone Arsenal, Charleston Naval Station, Norfolk Naval Station, and Norfolk Naval Air Station.

Status: Action completed.

The Secretary of Defense should direct the services to defer programing additional UEPH facilities until an accurate UEPH inventory is established.

Status: Action completed.

The Secretary of Defense should direct the services to verify the personnel strengths upon which the unaccompanied enlisted personnel housing requirements are based.

Status: Action completed.

The Secretary of Defense should direct the services to measure the unaccompanied enlisted personnel housing assets based on maximum capacities under the DOD minimum standards of adequacy or new construction criteria as appropriate.

Status: Action in process.

The Secretary of Defense should direct the services to use underutilized space at nearby installations as a means of meeting unaccompanied enlisted personnel housing needs.

Status: Action in process.

The Secretary of Defense should direct the Navy to program unaccompanied enlisted personnel housing projects for only the portion of ships' crews who are not to be housed in berthing barges during overhauls.

Status: Recommendation no longer valid/action not intended.

The Secretary of Defense should direct the Navy to correct its system for determining unaccompanied enlisted personnel housing requirements by eliminating consideration of personnel living on ships.

Status: Action completed.

The Secretary of Defense should not approve Air Force UEPH modernization projects which add private or semiprivate bathrooms to UEPH facilities which already meet the minimum DOD standards of adequacy and modernization criteria.

Status: Recommendation no longer valid/action not intended.

The Secretary of Defense should require the services to consider the additional off-base housing costs associated with modernization projects.

Status: Action in process.

The Secretary of Defense should limit the unaccompanied enlisted personnel housing modernization projects to those facilities that will meet the DOD minimum standards of adequacy.

Status: Recommendation no longer valid/action not intended.

Agency Comments/Action

DOD disagreed with recommendations that: (1) the Navy consider berthing barges when computing requirements; (2) DOD not approve Air Force modernization of facilities that already meet DOD minimum standards of adequacy; and (3) DOD limit unaccompanied enlisted personnel housing modernization projects to those facilities that meet DOD minimum standards. Additionally, DOD felt that, since its standards are minimal, the Air Force standards were in compliance. DOD and service actions on a number of recommendations have been completed including revising regulations to consider assets of other services, minimizing the use of unit integrity in assigning spaces, and programing new construction ahead of modernization to minimize displacement of personnel and payment of quarters allowances. Action still in process includes contemplated changes to the inventory, occupancy, and utilization report.

DEPARTMENT OF DEFENSE - MILITARY

HOUSING

Greater Emphasis on Occupant Responsibilities Can Reduce Military Family Housing Costs

(PLRD-83-77, 6-6-83)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: Military Construction Authorization Act, 1981. P.L. 96-418.

GAO evaluated the Department of Defense's (DOD) effectiveness in identifying and assessing occupant damages to military family housing and its efficiency in operating self-help maintenance programs.

Findings/Conclusions: GAO found that, although recent congressional legislation has provided additional authority and incentive to collect for damages, DOD remains slow in identifying occupant liability and implementing collection activities. GAO noted that family housing maintenance costs amounted to over \$400 million in 1981. Without explicit guidance to identify repair liability, unidentified damages are often treated as routine maintenance, and repair costs are absorbed by the Government. GAO also found that while, self-help maintenance programs have significant potential to reduce maintenance costs, the current implementations of the self-help concept appear to be falling short of expectations, and some programs may cost more than they save. The programs are also handicapped by weak controls over funds, inventory, and issued materials. GAO concluded that, before potential benefits from the self-help programs can be fully realized, changes are needed to correct the problems it identified.

Recommendations to Agencies: The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to provide highly visible emphasis on an assertive damage assessment and collection program.

Status: No action initiated. Affected parties intend to act.

The Secretary of Defense, to enhance the potential benefits of the self-help programs and to increase their effectiveness if they have been determined to be cost beneficial, should require the Secretaries of the Army, Navy, and Air Force to determine the feasibility of making minor maintenance tasks mandatory for tenants and charging tenants if such maintenance is done at Government expense.

Status: No action initiated. Date action planned not known.

The Secretaries of the Army, Navy, and Air Force should require their installations to provide proper support and command emphasis on enforcing housing occupants' responsibilities.

Status: No action initiated. Affected parties intend to act.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to develop and issue clear, specific instructions for identifying and collecting tenant damages.

Status: No action initiated. Affected parties intend to act.

The Secretaries of the Army, Navy, and Air Force should require their installations to develop and implement pro-

cedures to ensure that maintenance personnel identify work necessitated by suspected tenant damages and that housing inspectors are notified in order to start collection actions.

Status: No action initiated. Affected parties intend to act.

The Secretary of Defense, to enhance the potential benefits of the self-help programs and to increase their effectiveness if they have been determined to be cost beneficial, should require the Secretaries of the Army, Navy, and Air Force to provide uniform, specific guidelines for the self-help programs that list: (1) those tasks which are to be tenant responsibilities; and (2) those items to be stocked in the self-help stores for tenant use in performing these tasks.

Status: No action initiated. Affected parties intend to act.

The Secretary of Defense, to deter occupant damage and reduce housing maintenance costs, should provide more explicit criteria as to what constitutes abuse and neglect and strongly emphasize the importance of ensuring that tenants pay for damages. In particular, the Secretary should direct the Secretaries of the Army, Navy, and Air Force to: (1) provide highly visible emphasis on an assertive damage assessment and collection program; (2) develop and issue clear, specific instructions for identifying and collecting for tenant damage. The service Secretaries should require their installations to: (1) provide proper support and command emphasis on enforcing housing occupants' responsibilities; and (2) develop and implement procedures to ensure that maintenance personnel identify work necessitated by suspended tenant damages and that housing inspectors are notified in order to start collection actions.

Status: No action initiated. Affected parties intend to act.

The Secretary of Defense should require the Secretaries of the Army, Navy, and Air Force to make a reassessment of their self-help programs. The reassessment should include a determination of the actual, where available, or the best estimated cost of the program and the savings being realized. These data should originate at the installation level.

Status: No action initiated. Affected parties intend to act.

The Secretary of Defense, to enhance the potential benefits of the self-help programs and to increase their effectiveness if they have been determined to be cost beneficial, should require the Secretaries of the Army, Navy, and Air Force to strengthen internal controls to ensure that housing money used for self-help is properly accounted for, that store inventories are properly controlled, and that store items are used in military family housing to make minor repairs.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

DOD concurred with most of the findings, conclusions and recommendations. DOD stated that it would develop criteria, within 180 days, to distinguish damages resulting from normal wear versus abuse and negligence and to ensure that guidance is implemented by the services. DOD will also direct service Secretaries to provide highly visible emphasis on an assertive damage assessment and collection program. Regarding self-help maintenance programs, DOD said that it will direct the services to make cost-benefit studies of their self-help programs and require each service to strengthen internal controls over self-help programs. In late March 1984, DOD will provide further information on the status of progress in addressing the recommendations.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Logistics Planning for the M1 Tank: Implications for Reduced Readiness and Increased Support Costs
(PLRD-81-33, 7-1-81)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Integrated logistics support (ILS) is the approach to weapons systems development which attempts to link development and production to deployment and operation. GAO examined the M1 tank ILS planning and strategies to: (1) identify options for improving the M1 ILS program, (2) determine whether the implementation of current planning strategies will provide adequate logistics support, and (3) evaluate alternative logistics strategies which could more economically provide effective logistics support. The review was undertaken in response to growing congressional concern over the support costs for weapon systems which have been drastically increasing while recently fielded systems are not achieving required operational readiness.

Findings/Conclusions: ILS has not been adequate or timely for the M1 tank program. Although recent planning efforts have improved, many supportability questions remain and opportunities exist to reduce M1 support costs. M1 program emphasis has been on achieving established design-to-cost objectives and fielding a tank within a 7-year development cycle. As a consequence of this program momentum, there was little early emphasis on logistical support and life-cycle cost issues. The ongoing DOD operational and developmental M1 testing is supposed to provide the data needed to answer questions on operational supportability. However, GAO believes that emerging results from current testing raise serious doubts that the M1 will be proven supportable before full production and fielding decisions are made. GAO is concerned that the past momentum of the M1 program will push the program forward even though many supportability issues remain. DOD believes that the M1 is supportable and that the current testing will provide adequate supportability information on which to base a sound full production and fielding decision in September 1981. GAO believes that improvements can be made in evaluating test data to measure supportability better and to provide better data on which to base upcoming production and fielding decisions. Also, information on the M1 supportability and the potential that insufficient data will be available to support the upcoming M1 program decisions should be made available to Congress.

Recommendations to Agencies: The Secretary of Defense should support the life-cycle cost reduction programs during future program and budget reviews.

Status: Action in process.

The Secretary of Defense should direct the various DOD components to implement effective life-cycle cost reduction programs.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should require the Secretary of

the Army to expedite the development of in-house depot level capability for the M1.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to conform M1 technical manuals to the skill performance aid standards and adequately validate them before fielding.

Status: Action completed.

The Secretary of Defense should direct the Secretary of the Army to reevaluate the number of training tanks used in the M60 program and projected for the M1 program or reallocate them to operational needs.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to increase support for the testing and evaluation of M1 test sets and technical manuals to develop them sufficiently to support maintenance activities in the field.

Status: Action completed.

The Secretary of Defense should direct the Secretary of the Army to determine if M1 training devices can be used more effectively by, for example, using them more than 40 hours a week and/or consolidating them in nearby areas.

Status: Action in process.

The Secretary of Defense should increase support for the M1 reliability and maintainability improvement programs, recognizing the potential to increase operational readiness and decrease future operational support costs through implementation of an effective life-cycle cost reduction program.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to quantify and evaluate the potential impact, in terms of increased support costs, retrofit costs, reduced operational readiness capability, etc., of producing and fielding the M1 with currently demonstrated levels of reliability, availability, maintainability, and durability.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Army to conform M1 test sets and manuals with M1 hardware configurations and develop maximum tank standardization to mitigate the support problems inherent in multiple M1 configurations.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Army to implement M1 equipment design and logistics support alternatives, which could support readiness goals and reduce life-cycle costs. Evaluation of alternatives should include wiring harnesses, alternators, and other

items discussed in this report.

Status: Action in process.

The Secretary of Defense should quantify (in terms of increased maintenance costs and reduced operational readiness) the effects of fielding the M1 system at its current level of maturity or delaying the program.

Status: Recommendation no longer valid/action not intended. *The M1 has already been fielded; events have overtaken this recommendation.*

The Secretary of Defense should provide information to key congressional committees on the M1's logistics burden.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should require the Secretary of the Army to provide sufficient program resources, including a prototype vehicle, if needed, and direct increased management attention to the development of technical manuals and test equipment during prototype development in future programs.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Army to make a configuration audit to identify incompatibilities between spares and tank production components and ensure that overhaul, retrofit, or other appropriate actions are taken, as needed, to provide conformance.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Army to establish additional criteria (at the system and subsystem levels) for evaluating tests that place greater emphasis on operational effectiveness measures and assessment of future support costs. This criteria should include goals and thresholds for logistics burden and operational availability.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to reevaluate current M1 program plans for increasing production capacity, monthly tank production goals, deployment to Europe, and acquisition of long lead production items and spare parts, considering the current level of design maturity of the tank and its support system, tank production, quality control problems, and other factors.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Army to direct that maintenance planning in future development programs be adequately done to minimize design-dictated maintenance, to ensure cost-effective field repair capability, and to provide timely transition from contractor depot support to in-house capability.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Army to increase support for the development, testing, and evaluation of M1 maintenance capability at all levels to identify deficiencies in the tank hardware or its support system which will result in increased maintenance cost or decreased operational readiness and initiate corrective action as required.

Status: Action in process.

The Secretary of Defense should require the Secretary of the Army to validate test set requirements to ensure that: (1)

sufficient numbers of units will be available to support initial deployment without adversely affecting training and testing; and (2) long-term test set requirements are based on realistic factors (maintenance, staff-hours, etc.) and sufficient test sets will be available to provide operational readiness.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Army to implement alternative procurement strategies, including phased provisioning, to ensure that future spare and repair parts are procured using the most cost-effective methods, consistent with the level of maturity of the tank and required technical data.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Army to update M1 technical documentation to the most recent production tank configuration, making appropriate adjustments in documentation to reflect configuration deviations, and direct that changes to technical documentation, reflecting future tank modifications, are processed promptly.

Status: Action completed.

The Secretary of Defense should require the Secretary of the Army to reevaluate M1 requirements for spare and repair parts and proposed delivery schedules based on a realistic assessment of current program data. The reevaluation should determine that sufficient, but not excessive, parts are provisioned in view of such factors as design maturity, the maintenance plan, failure rates of parts, and tank production schedules.

Status: Action completed.

Agency Comments/Action

Regarding the GAO recommendation that the Army establish additional criteria for evaluating operational effectiveness and assessing future support costs, the Army agreed to accomplish a detailed manpower and logistics analysis to measure the M1 against the M60 tank in order to assess the projected logistics burden and operational availability. However, the Army has now suspended action on this initiative. In response to the GAO recommendation to seek improved equipment design alternatives to reduce future M1 support costs, the Army has taken positive action. Over 35 design change candidates are being considered to improve the M1 readiness and reduce life-cycle costs. Regarding the general recommendation for the initiation of life-cycle cost reduction programs in the Department of Defense, DOD responded that DOD Directive 5000-40 directed the services to implement these programs. However, DOD provided no information to illustrate how this is being implemented.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Less Costly Ways To Budget and Provision Spares for New Weapon Systems Should Be Used (PLRD-81-60, 9-9-81)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: DOD Instruction 4140.42.

GAO reviewed the budgeting and provisioning procedures employed by the Army, Navy, and Air Force for spare parts for new weapon systems. GAO initiated the review of spare provisioning for new aircraft and helicopters in response to: (1) congressional concern about the low readiness rates of new aircraft being deployed because of a lack of spare parts; (2) previous GAO reviews which discussed both the excesses and shortages of aircraft spares; and (3) broad congressional interest in reducing the life cycle costs of major weapon systems.

Findings/Conclusions: While funding for the investment spares needed to initially support new aircraft and helicopters being fielded is requested by the weapon system, the majority of investment spares needed to support follow-on buys are consolidated and requested as replenishment spares. This split budgeting for similar items does not give Congress the visibility it should have on total aircraft or helicopter system costs. When the delivery time for a part is long, a contractor can order it in advance so that it will be available for the production line. However, Department of Defense (DOD) policy greatly inhibits the services from advance ordering the same part when it is to be used as a spare. Combined purchasing offers large potential savings from economies of scale, ensures that spares are delivered in the same configuration as those on the aircraft to be supported, and improves early support of new systems. The services buy spares based on engineering estimates. However, the underlying reason behind the amount purchased appears to be the amount of money available. While there may have been sound management reasons for the stock levels, the services need to better justify the stock levels to be used. In addition, the services need to comply with DOD policy to minimize the investment cost of initial spares. Advantages of high stock levels, in terms of increased support or possibly reduced costs, should be better justified, recognizing the potential consequences. The services could also reduce the range of spares by using phased provisioning more often, a technique that DOD encourages.

Recommendations to Agencies: The Secretary of Defense should direct the services to use the phased provisioning concept as was recommended by the Defense Audit Service.

Status: Action in process.

The Secretary of Defense should amend the DOD policy on the use of advanced funding and allow its use for spare parts to take advantage of combined purchases of spare

parts with production components.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should direct that other systems be evaluated for potential use of the combined purchasing concept and request the money needed to use the concept.

Status: Action in process.

The Secretary of Defense should require that the services better justify how their levels of initial provisioning of spares meet DOD policy on minimizing initial investment costs.

Status: Action in process.

The Secretary of Defense should redefine, for budget purposes, initial spares to include all spares needed to field a weapon system and provide a breakdown of the initial spares budget request in more descriptive categories, such as "investment spares" (peacetime and war reserve shown separately) and "spare engines."

Status: Action in process.

The Secretary of Defense should review and revise DOD guidance on using operational demand data to: (1) clarify language that could result in differing interpretations; and (2) require that the services establish demand development periods as early as possible and start using operational demand data after 6 months to adjust requirements computations.

Status: Action in process.

The Secretary of Defense should, in submitting budget requests for major weapon systems, show total spare needs by weapon system.

Status: Action in process.

Agency Comments/Action

DOD commented that the report should help improve the initial spare parts budgeting process and ongoing efforts to increase the visibility of the cost of fielding weapon systems. It generally agreed to act on most of the recommendations except for the one regarding the advanced funding restriction and use of operational demand data. As of October 12, 1983, DOD officials were still in the process of negotiating with the services and the Office of the Secretary of Defense/Comptroller on procedural changes to implement the report's recommendations. They indicated that it may take another 9 months or more to finalize the changes. Evaluations of the DOD changes should be included in the next review on spare parts.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Potential Reductions in Aircraft Operation and Maintenance Costs by Using Thrust Computing Support Equipment

(PLRD-82-4, 10-27-81)

Departments of Defense, the Navy, and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

In response to a congressional request, GAO evaluated the Department of Defense's efforts to save fuel and reduce maintenance costs on turbine jet engines through thrust and power management and studied the feasibility of using certain equipment which has the capability of measuring the thrust of engines while installed in aircraft.

Findings/Conclusions: The analyses showed that the accurate measurement and setting of thrust for installed jet engines is of vital importance, not only for aircraft readiness and safety, but also for operation and maintenance cost reductions. Although test results indicate that a system is available that can perform such measurements, the services have not been using it. The Air Force has conducted extensive tests of the thrust computing support equipment that will measure thrust for installed J85-5 engines. Although the Air Force has decided to implement the thrust computing system for its J85-5 engines, the system may not be implemented due to a lack of funding. If funds are not made available soon, the system may never be implemented. If this occurs, the Air Force will lose millions of dollars already invested in the program in addition to millions in projected savings. Furthermore, failure to implement the system may reduce aircraft readiness. The Navy has not performed any tests to determine whether its aircraft jet engines might benefit from such a system. According to the contractor, the system can offer similar significant benefits for Navy aircraft engines.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Air Force to ensure that adequate plans are prepared to monitor implementation of the thrust computing support equipment for the J85-5 engines at Laughlin Air Force Base and to verify and evaluate the benefits of the system.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Air Force to develop a plan to ensure that the system will be timely implemented on the J79 engines if the system functions as well as expected on the J85-5 engines.

Status: No action initiated. Affected parties intend to act.

The Secretary of Defense should direct the Secretaries of the Air Force and Navy to coordinate their efforts in evaluating the thrust computing system on variable nozzle afterburning jet aircraft engines. Such an exchange of information will prevent duplication of test and evaluation efforts between the services.

Status: Action in process.

Agency Comments/Action

Action has not been completed, and the Air Force's progress to install this system on the T-38 aircraft has been slow. The Air Force tested the system at Laughlin AFB to establish a J85-5 installed engine trim thrust line and to determine the manner in which thrust degrades in installed engines. Tests were also held at Edwards AFB in August 1983 to further define system accuracy. A problem with the design and location of a mounting bracket delayed kit production. The Air Force expected to check out the modified design in early 1984. If the problem is resolved, kits could be delivered and installation started during May 1984. The system will not be completely installed on J85-5 engines until fiscal year 1987. The Air Force will not develop a plan to implement the system on J-79 engines until benefits are verified through the T-38 test. The Navy does not plan to become actively involved in this program until the Air Force identifies expected cost savings for other engines, because it has only a few J-85 engines.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Mission Item Essentiality: An Important Management Tool for Making More Informed Logistics Decisions
(PLRD-82-25, 1-13-82)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

The military services could make more informed logistics decisions in determining peacetime and wartime requirements, allocating resources, and setting repair priorities by ensuring that the more essential items receive increased management attention and funding priorities. GAO previously reported on the need for considering essentiality in determining war reserve requirements and safety levels. In response, the Air Force advised that it had developed a coding system which linked item essentiality to mission essentiality. GAO made this review to determine the extent to which the system had been implemented, what benefits had resulted, and whether the system could be used by the other services.

Findings/Conclusions: The Air Force has taken the lead in developing an essentiality system, and the Department of Defense (DOD) issued a concept paper which generally adopted the Air Force's approach as a suggested model for the other services to follow. Although DOD is the prime mover behind the services developing an essentiality-based logistics system, it has allowed the services to proceed at their own pace and to use their own approach for developing such a system. As a result, the Army has done little to develop an essentiality-based logistics system, and the Navy has approached the system from the user level. The lack of a coordinated approach has resulted in each service approaching the objective from different directions and, based on the slow progress to date, it is questionable if the services will achieve the objective within the near future. GAO

believes that a fragmented approach such as this is not likely to result in a uniform item essentiality system that will play a meaningful role in the requirements determination process at the wholesale inventory level.

Recommendations to Agencies: The Secretary of Defense should orchestrate the efforts of the services in developing and implementing an essentiality-based logistics system.

Status: Action in process.

The Secretary of Defense should establish milestones for accomplishment of each of the tasks identified in the concept paper and monitor the services' progress in achieving these milestones.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Air Force to develop essentiality coding criteria which would make the coding system more responsive and would permit the logistics system to better meet user needs.

Status: Action completed.

The Secretary of Defense should direct the Secretary of the Air Force to regularly review the relationship between item essentiality and system essentiality to identify and reconcile inconsistencies in these relationships.

Status: Action completed.

Agency Comments/Action

DOD generally agreed with the GAO recommendations and enumerated the actions it planned to take to implement those recommendations.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Improving the Air Force Modification Process Will Benefit Management of Spare Parts in the Air Force and Defense Logistics Agency (PLRD-83-3, 10-15-82)

Departments of Defense and the Air Force, and Defense Logistics Agency

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Air Force Class IV and V modification programs are performed to correct deficiencies and improve capabilities of existing weapons systems and equipment. GAO reviewed the Air Force's modification coordination process to determine how effectively items affected by modification programs were managed.

Findings/Conclusions: GAO found that item managers are not routinely advised of modification programs that reduce or eliminate demand for their items. As a result, managers are spending millions of dollars purchasing and repairing unneeded items. Also Air Force managers are not effectively controlling critical items that could cause hazardous conditions if reinstalled on modified equipment. One of the principal reasons for the Air Force's longstanding problem in coordinating modification programs is the fragmented method by which the Air Force Logistics Command manages them. A number of different Command groups have responsibility for issuing policy on modification coordination, but no single group is responsible for ensuring that policies are consistent, complete, and implemented. This practice has brought the Command substantial criticism and has prevented Command-wide corrective actions. GAO also found that, in addition to affecting Air Force-managed items, Air Force modification programs frequently involve removing and replacing items managed by the Defense Logistics Agency (DLA). However, Air Force policies do not require that DLA be notified and Air Force personnel are not doing so. GAO believes that the key to achieving a workable modification coordination process in the Air Force is increased emphasis at a sufficiently high level to ensure its success.

Recommendations to Agencies: The Secretary of Defense should instruct the Secretary of the Air Force to direct the Air Force Logistics Command to give increased command emphasis to achieving a workable modification coordination process including establishment of a quality control procedure that will provide regular feedback to the Command focal point on how effectively the centers are implementing the Command's coordination process.

Status: Action completed.

The Secretary of Defense should instruct the Secretary of the Air Force to direct the Air Force Logistics Command to give increased Command emphasis to achieving a workable modification coordination process including establishment of a Command-wide training program on the process and provision of this course regularly to center item management personnel.

Status: Action completed.

The Secretary of Defense should emphasize the need for coordinating modification programs. The military services should be specifically required to routinely and systematically coordinate modification programs with DLA.

Status: Action completed.

The Secretary of Defense should instruct the Secretary of the Air Force to direct the Air Force Logistics Command to evaluate the special coding technique devised by the Warner Robins Air Logistics Center and, where appropriate, incorporate it into the Command's standard modification coordination process.

Status: Action in process.

The Secretary of Defense should require the Director of DLA to: (1) establish internal procedures for coordinating modification data with DLA item managers; and (2) insure that those procedures provide item managers with information concerning application of items they manage.

Status: Action completed.

The Secretary of Defense should instruct the Secretary of the Air Force to direct the Air Force Logistics Command to give increased Command emphasis to achieving a workable modification coordination process including establishment of a standard modification coordination procedure for all Air Logistics Centers to follow detailing specific responsibilities of center personnel, including responsibility for identifying and controlling consumable embedded items affected by modification programs.

Status: Action completed.

Agency Comments/Action

The Air Force concurred with the conclusions and recommendations. The Air Force advised GAO that it: (1) would revise its directives to improve coordination of modification between the various Air Force Logistics Command and other DOD activities to recognize the impact of modifications on its operations; (2) would make necessary training available to all Air Logistics Command Centers; and (3) would evaluate and, where appropriate, incorporate the special coding technique, used at one Center, into the Air Force Logistics Command standard modification coordination process. These actions, except the one concerning the special coding technique, have been completed. Action concerning coding is expected to be completed in 1984.

DEPARTMENT OF DEFENSE - MILITARY

LOGISTICS SUPPORT PLANNING

Opportunities To Improve the Effectiveness of the Army's Logistics Review Process (NSIAD-83-25, 8-5-83)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO examined the Army's independent review process of integrated logistics support (ILS) planning during its acquisition operations. The reviews are conducted by the Office of the Deputy Chief of Staff for Logistics (DCSLOG) and the Logistics Evaluation Agency (LEA).

Findings/Conclusions: GAO found that some evaluation shortcomings may adversely affect the efficiency of the process and that improvements should be made. GAO noted that problems usually occur because: (1) only cursory reviews are conducted on some Army systems which increases the probability that support problems will go undetected; (2) testing agencies do not always submit complete and timely data; (3) DCSLOG and LEA do not routinely identify the actions needed to correct support and logistics problems; and (4) the criteria for identifying problems tend to be too subjective and need to be more objectively related to operational readiness.

Recommendations to Agencies: The Army, to strengthen its independent logistics review process and ultimately better ensure the supportability and readiness of newly fielded systems, should examine ways to better ensure that Army systems receive a sufficient, independent review of the adequacy of their ILS planning. As part of this examination, the Army should reassess the adequacy of LEA personnel resources devoted to ILS reviews with a view toward bringing any mismatch between responsibilities and staffing more into line.

Status: Action in process.

The Army, to strengthen its independent logistics review

process and ultimately better ensure the supportability and readiness of newly fielded systems, should emphasize the need for participants in the acquisition process to provide LEA the timely and complete data which it needs to do its review. This should include the sharing of interim test results between LEA and Army testing agencies.

Status: Action in process.

The Army, to strengthen its independent logistics review process and ultimately better ensure the supportability and readiness of newly fielded systems, should require that the outcome of DCSLOG and LEA reviews includes specific written recommendations for corrective action and identifies the activities responsible for accomplishing them. Also, the Army should require DCSLOG and LEA to develop a more formal system for following up on the actions taken to correct the problems.

Status: Action in process.

The Army, to strengthen its independent logistics review process and ultimately better ensure the supportability and readiness of newly fielded systems, should more objectively define the significance of problems identified in terms of their potential impact on systems readiness.

Status: Action in process.

Agency Comments/Action

The Army concurred or partially concurred with all of the recommendations and is taking action on each, including changes to directives and the processes involved.

DEPARTMENT OF DEFENSE - MILITARY

MAINTENANCE, REPAIR AND OVERHAUL

M1 Tank Engine Depot Maintenance Plan Needs Clarification

(PLRD-83-57, 3-24-83)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Army's decision concerning where the M1 tank engine will be overhauled.

Findings/Conclusions: GAO found that there is a lack of coordination and control between the various Army organizations involved in planning and establishing the depot maintenance capability for the M1 turbine engine. This has resulted in a significant difference between the original plan proposed by the Army and endorsed by the Secretary of Defense and the action plan being followed by the depots to establish overhaul capability. Due to the differing interpretations of the Secretary of Defense's guidance and mandates, overhaul capability at the selected sites is being created which duplicates existing underutilized capability in the Department of Defense.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Army to establish effective coordination and control between the various Army organizations who plan and establish depot maintenance capability for the M1 turbine engine.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should direct the Secretary of the Army to reassign overhaul responsibility for the 19 items in enclosures I and II to Corpus Christi Army Depot.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should direct the Secretary of the Army to reassess the remaining engine items scheduled for overhaul at Anniston and Mainz to ensure assignment of items requiring depot level repair/overhaul to Corpus Christi, Texas.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should direct the Secretary of the Army to reassign overhaul responsibility for the M1 engine from Anniston and Mainz to Corpus Christi if the above assessment results in assignment of a high percentage of total overhaulable items to that facility.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

As of February 15, 1984, DOD and the Army could not agree on what to do about the issues in the report. DOD agrees with GAO, and the Army was fighting for its position to develop Anniston Army Depot as a turbine engine overhaul facility. No date for resolution of the issues has been established.

DEPARTMENT OF DEFENSE - MILITARY

MISSION ANALYSIS

Status of the CG-47 Cruiser and DDG-51 Destroyer Shipbuilding Programs (C-MASAD-83-11, 2-22-83)

Departments of Defense and the Navy

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

In response to a congressional request, GAO evaluated the status of the Navy's CG-47 cruiser and DDG-51 destroyer shipbuilding programs and commented on issues raised in prior GAO reports.

Findings/Conclusions: GAO found that: (1) operational testing of the CG-47 AEGIS combat system was not adequately completed before it was commissioned; (2) the Navy plans to install SPS-49 radar systems on the CG-47 class against congressional wishes and an earlier GAO recommendation; (3) the CG-47 displacement and center of gravity exceed design goals which could have an adverse effect on the ship's speed and stability; and (4) the estimated cost of the DDG-51 destroyer has increased to the point where the Chief of Naval Operations has said that it is not affordable and is no longer a cost alternative to the CG-47.

Recommendations to Agencies: The Secretary of Defense should closely monitor the Navy's February 1983 review of its proposal to fully test AEGIS. If the Secretary is convinced that the proposal will meet testing requirements, approval should be given to start development.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should direct the Navy to discontinue the acquisition of SPS-49 radars for future CG-47 ships.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should direct the Navy to determine, before adding lower priority systems to the CG-47, that the incremental improvement to mission capability

offsets the detrimental effects the increased weight will have on the ship's speed and stability.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should direct the Navy to reduce the cost of the DDG-51, as the Chief of Naval Operations has requested, to make the Navy's anti-air requirements affordable. Alternatively, if DDG-51 cost targets cannot be met or if significant reductions in combat capability are necessary to reduce costs, the Navy should consider buying an appropriate number of additional CG-47's. This issue should be resolved at the March 1983 meeting of the Defense Systems Acquisition Review Counsel.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The Navy reported on April 22, 1983, that it could not meet the 60-day requirement, but that a full reply would be sent as soon as completed. On June 22, 1983, a representative of the DOD/Inspector General Audit Followup Group said that the official response should be available in a couple of weeks. On October 13, 1983, the DOD/Inspector General's office said that it had had some problems with the reply, but that it should be released soon. On February 16, 1984, an official from the DOD/Inspector General's office said that the reply was either signed or would be signed shortly and would be forwarded to GAO as soon as possible.

DEPARTMENT OF DEFENSE - MILITARY

MISSION ANALYSIS

Potential for Reducing Costs by Using More JT3D Engines in the KC-135 Reengining Program (NSIAD-83-47, 9-23-83)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)
Legislative Authority: A.F.R. 178-1. DOD Instruction 7041.3.

GAO reviewed two Air Force KC-135 reengining programs to determine whether the Air Force selected the more cost effective mix of the programs which it undertook to fulfill its needs for additional aerial-refueling capability for KC-135 airplanes.

Findings/Conclusions: One KC-135 reengining program uses new, current-technology CFM56 engines to replace J57 engines on KC-135 airplanes while the other uses JT3D engines from used Boeing 707 series airplanes. GAO found that the Air Force did not use appropriate methodology to determine which engine was the more cost effective. By properly discounting costs for alternative mixes of JT3D- and CFM56-equipped KC-135's, GAO estimates that the Air Force would save about \$283 million of life-cycle costs totaling about \$28 billion. GAO suggests that the Air Force reengine more KC-135's with JT3D engines. GAO noted that a KC-135 fleet mix that includes 200 KC-135 reengined aircraft provides the same capability as the Air

Force's planned mix that includes 88 KC-135 reengined aircraft. While neither mix may meet the Air Force's forecasts of future tanker aircraft requirements, GAO believes that the uncertainties warrant expanding the JT3D program to achieve the life-cycle cost savings.

Recommendations to Agencies: The Secretary of the Air Force should expand the JT3D program--to the extent that the used Boeing 707's are available at reasonable prices--to cover reengining 200 KC-135's and make offsetting reductions in the CFM56 program.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The Department of Defense stated that the GAO report involves significant issues which must be addressed fully by Defense. As of February 14, 1984, the full response had not been received.

DEPARTMENT OF DEFENSE - MILITARY

MISSION BUDGETING

The Defense Budget: A Look at Budgetary Resources, Accomplishments, and Problems
(PLRD-83-62, 4-27-83)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)
Legislative Authority: P.L. 95-79.

GAO reviewed the Department of Defense (DOD) budget to determine how it is planned and how resources are expended.

Findings/Conclusions: GAO found that the growth of the defense budget continues at an unprecedented pace. The amount of money appropriated for fiscal year 1983 is 69 percent larger than the 1980 defense budget. GAO believes that the services are generally spending as they planned but that the budget can be improved by building in more accountability. GAO also found that some problems identified last year remain unresolved.

Recommendations to Congress: Congress should require DOD to develop a method of linking anticipated improvements in military capability to increased levels of funding.

Status: Action in process.

Pending implementation of a program to link increased funding and program performance expectations, Congress should query DOD on expected and measurable program outcomes during requests and should report on progress made toward attaining prior year expectations. Future budget requests should report on progress made toward attaining prior year expectations.

Status: No action initiated. Date action planned not known.

Congress should consider requiring the Office of Management and Budget to submit a special analysis of the DOD

requirement using the link indicators as a basis for the analysis.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of Defense should advise Congress when requirements change more than five percent of what is being requested while a budget is being debated so that decisions can be made with full program knowledge.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should ensure that, wherever program goals and/or objectives were used to justify any part of the budget, program achievements be reported to date when budgets are submitted, when they are amended, and when supplementals are requested.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

DOD responded on August 1, 1983. DOD believes that the recommendation that says that changes are needed in the planning, programing, and budgeting system overstates the case. It also believes that the recommendation that DOD needs to relate funding inputs to mission capability is premature, because DOD is not far enough along in its research to begin using such outputs in its budget products.

DEPARTMENT OF DEFENSE - MILITARY

PREPAREDNESS

Will There Be Enough Trained Medical Personnel in Case of War? (HRD-81-67, 6-24-81)

Departments of Defense, the Army, the Navy, the Air Force, and Health and Human Services, Federal Emergency Management Agency, and Selective Service System

Budget Function: Health: Health Care Services (551.0)

Legislative Authority: P.L. 96-342. 42 U.S.C. 215. 42 U.S.C. 217.

The military services medical departments have two missions: (1) to provide peacetime care to eligible beneficiaries, and (2) to maintain readiness to meet wartime contingencies. Pursuant to a congressional request, GAO reviewed the extent to which wartime military medical personnel shortages exist, what was being done or could be done to overcome the shortages, and how well available personnel were trained for wartime missions.

Findings/Conclusions: An analysis of Department of Defense (DOD) data shows that the number and types of medical personnel in the active duty and reserve forces fall far short of the total projected personnel requirements for the current, most demanding wartime scenarios. DOD projections show that shortages of physicians, nurses, and enlisted medical personnel would be most severe, reduce capacity to deliver wartime care, and begin to occur soon after mobilization. Shortages of surgical personnel would be especially critical. Some other enlisted specialty shortages would also be critical because no pretrained pool exists in the civilian sector. To plan effectively for wartime contingencies, DOD planners need data not only on total medical personnel requirements, but also on what portion of those requirements DOD can actually use in its own military hospitals. It has made little progress toward implementing plans and initiatives to increase its capabilities in these personnel shortage areas. DOD medical readiness planning has focused on long-range goals and objectives to address anticipated changes in threat, personnel, and other factors in future years. Federal mobilization planners believe that the civilian sector has enough medical personnel to augment most military mobilization needs. Selective Service System planners have not determined the rate at which medical personnel could be brought into the military if mobilization occurred. Other alternatives are available to DOD in planning to overcome shortages of medical personnel after mobilization.

Recommendations to Agencies: The Secretary of Defense should make prearrangements for interservice assignments.

Status: Action in process.

The Secretary of Defense should obtain advance agreements with civilian medical personnel to fill key hospital shortages.

Status: Action in process.

The Secretary of Defense should make arrangements to

use those PHS officers the Secretary of HHS determines could be committed to DOD.

Status: Action in process.

The Secretary of Defense should require the Army to provide needed clinical skills training programs to field personnel on loan to hospitals.

Status: Action in process.

The Secretary of Defense should direct the services to periodically report their requirements estimates to DOD medical mobilization planners for developing overall medical mobilization plans.

Status: Action in process.

The Secretary of Defense should identify and implement specific initiatives to recruit and retain nurses while continuing its initiatives to recruit and retain physicians.

Status: Action in process.

The Secretary of Defense should require the Army to establish firm criteria for the frequency and duration of in-hospital training to be given to field unit personnel.

Status: Action in process.

The Secretary of Defense should direct the services to develop a consistent and systematic method to estimate the rate at which reserve medical personnel can be expected to report for duty after mobilization.

Status: Action in process.

The Secretary of Defense should require the Army to increase in-hospital training programs for field unit personnel located within short distances of military hospitals.

Status: Action in process.

The Secretary of Defense should direct the services to develop consistent estimates of near-term medical personnel requirements based on total needs and needs as constrained by available military facilities. The estimates of constrained personnel requirements should be developed together with complete assessments of the availability of other medical resources, such as hospital beds, equipment, and logistic support.

Status: Action in process.

The Secretary of Defense should develop specific plans to meet the early postmobilization requirements of DOD for (1) surgeons and other surgical personnel in-theater; and (2) medical personnel in military-unique specialties.

Status: Action in process.

The Secretary of Defense should require the Army to structure in-hospital training programs to provide exposure to the full range of needed skills.

Status: Action in process.

The Secretary of Defense should plan for near term contingencies by evaluating alternatives for overcoming post-mobilization medical personnel shortages which would occur before Selective Service inductees report and are trained for military duty.

Status: Action in process.

The Secretary of Defense should require the Army to develop a system for monitoring both clinical and combat related training to insure that they are given a high priority and are effectively accomplished.

Status: Action in process.

The Secretary of Defense should require the Army to provide guidance to unit and hospital commanders giving increased priority to medical readiness training.

Status: Action in process.

The Secretary of Defense should ascertain the extent to which courses, such as the recently developed triservice Combat Casualty Care Course, should be expanded to provide training to medical personnel not now eligible and assure that such training is provided to all appropriate categories of military medical personnel.

Status: Action in process.

The Secretary of Defense and the Director of the Selective Service System should submit a proposal for a postmobilization draft of medical personnel to Congress as soon as possible.

Status: Recommendation no longer valid/action not intended. *This recommendation is virtually identical to another recommendation in this report.*

The Secretary of Defense should evaluate the applicability of the GAO recommendations regarding the Army's medical personnel training programs to the programs of the other services and, where appropriate, assure that the other services take steps to implement them.

Status: Action in process.

The Secretary of Defense and the Director of the Selective Service System should jointly develop provisions to be included in a standby legislative proposal for a postmobilization draft of medical personnel.

Status: Action in process.

The Secretary of HHS should ascertain the extent to which (1) civilian medical personnel will be required and available in the civilian sector during mobilization; and (2) DOD can rely on civilian medical personnel as it plans its mobilization efforts.

Status: Action in process.

Agency Comments/Action

DOD agrees with and supports the report's conclusions and recommendations.

DEPARTMENT OF DEFENSE - MILITARY

REPORTING SYSTEMS

Verifying Eligibility for Military Health Care: Some Progress Has Been Made, but Reliability Problems Remain (HRD-83-1, 12-1-82)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Defense Enrollment Eligibility Reporting System (DEERS) to determine whether it would improve the eligibility determination process and provide accurate data on beneficiaries for use in military health resource planning. The DEERS was initiated specifically to accumulate accurate and timely data on all active duty and retired military sponsors, survivors, and dependents relating to their eligibility for health care benefits. This report discusses the problems experienced in the DEERS under the Uniformed Services Health Care System.

Findings/Conclusions: GAO learned that the DEERS will have an estimated beneficiary population of 11.5 million when the system is completed in 1985. When fully implemented, the estimated cost of this computer-based system is about \$33 million, with an annual operating cost of \$6 million. In its review GAO noted that the system contains many errors, which cause inaccurate replies to users' eligibility queries, and result in a lack of confidence in the system's reliability. Although the Department of Defense has made progress, needed improvements include: (1) obtaining more complete and accurate beneficiary enrollment data; (2) entering more accurately beneficiary information into the system; and (3) prompt reporting of beneficiary changes to the system.

Recommendations to Agencies: The Secretary of Defense should direct the military services to improve the accuracy and completeness of sponsor information submitted to the DEERS.

Status: Action in process.

The Secretary of Defense should direct the military services to emphasize the implementation of procedures for identifying and enrolling dependents who have not been entered in the DEERS.

Status: Action in process.

The Secretary of Defense should direct the military services to implement and monitor the application of more stringent verification procedures when determining the eligibility of children age 21 and over.

Status: Action in process.

The Secretary of Defense should direct the military services to aggressively research the eligibility of dependents whose sponsor cannot be found in the DEERS.

Status: Action in process.

The Secretary of Defense should direct the military services to more closely review the enrollment documents submitted to DEERS to assure their legibility and accuracy.

Status: Action in process.

The Secretary of Defense should direct the DEERS Steering Group to monitor the DEERS Support Office efforts to promptly investigate and resolve erroneous information identified by system users.

Status: Action in process.

The Secretary of Defense should direct the DEERS Steering Group to develop a comprehensive quality assurance program for assessing, on a systematic basis, the quality of DEERS information and the actions needed to improve it.

Status: Action in process.

The Secretary of Defense should direct the DEERS Steering Group to delay enrollment of dependents outside the United States until the enrollment problems discussed in the chapter are resolved.

Status: Action in process.

The Secretary of Defense should direct the services to develop programs to educate sponsors on the need for reporting changes in dependent status when they occur.

Status: Action in process.

The Secretary of Defense should direct the services to require that sponsors comply with DEERS update procedures when processing dependent status changes in finance or emergency records.

Status: Action in process.

The Secretary of Defense should direct the DEERS Steering Group to establish standards on how quickly status changes must be updated in the DEERS and the degree of accuracy that the system must achieve in order for it to be considered effective. These standards should be used in assessing the system's overall reliability and cost effectiveness.

Status: Action in process.

Agency Comments/Action

Agency officials have delegated responsibility to specific persons and offices for resolving each recommendation. Timeframes have not been firmly established.

DEPARTMENT OF DEFENSE - MILITARY

REPORTING SYSTEMS

Improvements in the Data Submitted to the Congress To Justify Transportation Funding Requirements (PLRD-83-44, 2-14-83)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed data which the Army, the Navy, and the Air Force submit to Congress each year to justify their budget estimates for operation and maintenance transportation funding.

Findings/Conclusions: GAO found that the data the military services provided to Congress: (1) lack uniformity in inter-service descriptions of requirement categories and in how those categories are quantified; (2) give an incomplete picture of the total number of transportation units for which funding is being requested because all requirements are not shown in common terms; and (3) omit most explanations as to why the requested funding level is needed. In the opinion of GAO, the data submitted to Congress make it difficult to assess the reasonableness of the funding levels the military services are requesting. To facilitate the review of each service's request, GAO believes that Department of Defense, as a matter of policy, should ensure that each service uses the same terms to describe its transportation program and the same types of units for like categories of detail. GAO also believes that the budget detail categories ought to be related to reasons for the funding request. Requirements should be linked to a flying hour program, a force modernization objective, a type of procurement, a post exchange sales of units, or similar program, and be identified both in terms of units and dollars needed.

Recommendations to Agencies: To facilitate the review of each service's request, the Department of Defense should ensure that each service uses the same terms to describe its transportation program and the same types of units for like categories of detail.

Status: No action initiated. Affected parties intend to act. The Department of Defense should ensure that the budget detail categories out be related to reasons for the funding request.

Status: No action initiated. Affected parties intend to act. The Department of Defense should ensure that all the transportation requirements, to the extent they relate to the movement of materiel over some distance, ought to be stated in common terms.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

The Assistant Secretary of Defense (Comptroller) said that there are areas in the current transportation justification material that can be improved. He indicated that his office would work with the military departments to develop better, more consistent data and would incorporate those improvements into the fiscal year 1985 budget justification material sent to Congress.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

The Army Should Increase Its Efforts To Provide Government-Furnished Material to Contractors
(LCD-80-94, 8-11-80)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: DOD Instruction 4140.41. DARCOM Reg. 700-42.

GAO reviewed operations at the five Army commands which function as inventory control points. Four of the five Army inventory control points are not doing enough to use the material in their long supply inventories as Government-furnished material on major end-item contracts. Often, onhand quantities of secondary items, including parts, components, and assemblies, exceed the estimated amount of material needed to support U.S. and allied forces during peacetime and from the beginning of a war until industry can produce the material at a rate equal to expected wartime usage. This material is classified as being in long supply and, to the extent it does not exceed authorized retention levels, is retained for possible future use. Department of Defense regulations require that this material be screened and furnished, when practicable, as Government-furnished material to contractors for use on major systems and equipment production contracts, thereby reducing the amounts paid to contractors. This should be done whenever substantial net savings are attainable with acceptable risks. Each of the five Army control points are required to implement these procedures and have substantial amounts of long supply material on hand which have potential use as Government-furnished material. Only one control point had instituted a required screening procedure to ensure that material was provided to contractors when practicable. They had devised a computer program for use with each impending end-item procurement, which produces a list of long supply items which are part of the end items to be procured. Contractor representatives inspect and approve the material to avoid the problem of the contractor not being satisfied with the quality or condition of the Government-furnished material.

Findings/Conclusions: Officials, interviewed at the four commands which do not implement a screening procedure for long supply material as required, felt that the current potential for using long supply material as Government-furnished material was limited and the results of such procedures, if implemented, would not justify their efforts. They did not have a computer software program to identify items in long supply which might be used in end item contracts. They felt that the manual performance of this identification process would be too time consuming to be practical and

advanced other reasons for not attempting to institute the screening procedure, all of which GAO found to be unacceptable reasons for not implementing the required procedures. By not screening long supply inventories for possible use as Government-furnished material on production contracts, these control points may be losing the opportunity to achieve significant savings or may lose such opportunities in the future. Such screening has been used by one Army control point with beneficial results. DARCOM officials have not adequately exercised their oversight responsibility to ensure compliance with this policy.

Recommendations to Agencies: The Secretary of the Army should: (1) establish reasonable time frames for DARCOM to develop and implement the procedures; and (2) monitor the progress of DARCOM to avoid further delay.

Status: Action in process.

The Secretary of the Army should direct the Commanding General, DARCOM, to take prompt action to develop procedures to ensure that all Army inventory control points make maximum and economical use of long supply inventories as Government-furnished material on production contracts.

Status: Action completed.

Agency Comments/Action

DOD and the Army agree with the conclusions and recommendations. In response to the recommendations, the Army modified its automated supply system to ensure effective screening and economical utilization of long supply assets. Although a standard system was developed and is available, its use is not mandatory. Use has been left to the discretion of the inventory control points. The Office of the Secretary of Defense's (OSD) review and oversight followup suggests that the Army is not fully committed to an effective Government-furnished material screening process. Failure to actively implement the process leads to unnecessary expenditures. To indicate the degree of concern of OSD, MRA&L reduced the Army Stock Fund Obligational Authority by \$26 million in fiscal year 1983 and by \$26 million in fiscal year 1984.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

DOD Can Save Millions by Using Less Expensive Packaging for Small Arms Training Ammunition (PLRD-81-53, 8-18-81)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Department of Defense's (DOD) packaging of small arms training ammunition to determine whether such packaging costs could be reduced.

Findings/Conclusions: GAO found that, although DOD policy requires the use of the most cost-effective packaging, small arms training ammunition is bought with material that is not needed and used only occasionally for training purposes. Cost of this ammunition could be reduced by not including equipment such as metal stripper clips, loading adaptors, and bandoliers. While these items are crucial for combat, they are rarely used for training purposes. GAO believes that packaging ammunition without this equipment would permit savings without adversely affecting training. GAO also found that the wirebound wooden crates and metal containers provide training ammunition with packaging designed to last 10 years in outside storage. While combat stocks may require this level of protection, training ammunition does not. Furthermore, the wooden crates used to pack ammunition are treated with PCP, an environmentally hazardous chemical. GAO stated that the use of fiberboard for containers is more economical and would eliminate the health hazard associated with the chemically treated wooden crates. GAO concluded that, by repackaging small arms training ammunition without the combat extras, DOD could save \$33 million.

Recommendations to Agencies: The Secretary of Defense should: (1) instruct the Army to use the available 5.56 mm. training pack; and (2) require the other services to requisition the training pack stock number.

Status: Action in process.

The Secretary of Defense should require the Army to have other types of training ammunition packaged in fiberboard containers without bandoliers, stripper clips, and magazine feeders.

Status: Action in process.

Agency Comments/Action

DOD partially concurred with the recommendations. It stated that it will have DARCOM perform a study to determine if: (1) the less expensive packaging will afford adequate protection for the ammunition; and (2) certain costs not addressed by GAO will outweigh projected savings. DARCOM completed the study and said that potential savings (FY 1982-1986) would be less than \$1 million rather than the \$33.6 million projected. It also recommended that the decision to convert to a fiberboard pack be delayed until FY 1985 or until the new family of containers is available. The Department of the Army has formulated a proposal; projected savings will be greater than the DARCOM projections. The Army's position is that all blank ammunition and about 75 percent of the live ammunition for CONUS training can be packaged in "less than combat" fiberboard containers. When developed, the outer crate will be weatherproof; inner containers will be moisture proof.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Improvements Needed in DOD System for Controlling Material Shipments to DLA Depots and Customers (PLRD-82-81, 6-10-82)

Department of Defense

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Department of Defense's (DOD) practices and procedures for controlling material shipments to Defense Logistics Agency (DLA) depots and shipments from DLA distribution activities and vendors to military customers. GAO was primarily interested in whether: (1) DOD customers were receiving proper shipments of requisitioned material; and (2) the Government received what it paid for when fast payment procedures were used.

Findings/Conclusions: GAO found that policies and procedures followed at some supply centers do not ensure the receipt of materials requisitioned by the military services from DLA and those purchased by DLA from vendors and contractors. This condition has resulted in instances where: (1) the Government was not receiving material for which it had paid and had forfeited its recovery rights; (2) customers were being charged for material they did not receive; and (3) overdue material shipments costing millions of dollars were either written off as inventory losses or remained on the books as items due in for a considerable period of time.

Recommendations to Agencies: The Secretary of Defense should require the Director of DLA to emphasize the impor-

tance of controlling material shipments and ensuring that the Government receives what it pays for by: (1) strengthening processing controls; and (2) following up on reported deficiencies and assessing problem areas.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to emphasize to the DLA military customers the need to consistently follow established procedures for identifying, processing, and reporting shipping discrepancies, including container material shortages and overdue shipments.

Status: Action in process.

Agency Comments/Action

DOD concurred with both of the recommendations. DLA has taken or is planning to take several actions to: (1) strengthen its controls over receipt of material shipments; and (2) improve its material discrepancy reporting/followup system and fast pay procedures.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Continued Improvements Needed in Air Force Procedures and Practices (PLRD-83-36, 2-7-83)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO completed a followup review of the effectiveness of actions taken by the Air Force to improve its procedures and practices for identifying and canceling excess on-order stocks of system support stock fund items.

Findings/Conclusions: In response to an earlier GAO report, the Air Force made a policy change which increased the potential for canceling excess on-order stocks by \$39 million or more. A followup review showed that the Air Force can further correct identified weaknesses and increase its potential for cancellation of such stocks by \$58 million or more. In computing requirements and termination levels for on-order stocks, the Air Force is still using excessive buffers of stock above item requirements. This practice precludes timely identification and cancellation of on-order stocks which exceed requirements. In addition, GAO found that the Air Force still does not have an effective system to monitor the performance of air logistics centers in canceling excess on-order stocks. The Air Force could further increase its dollar potential for canceling excess on-order stocks by excluding unfunded war reserve requirements from computation of termination levels for on-order stocks. Improvements in Air Force procedures and practices for maximum reduction of on-order stock excesses are especially appropriate now because of current and anticipated shortfalls in the Air Force's fiscal year 1982 and 1983 stock fund obligational authority.

Recommendations to Agencies: The Secretary of the Air Force should direct the Commander of the Air Force Logistics Command to revise its on-order stock termination policy and D062 requirement computation system for system support stock fund items to provide for: (1) a 3-month reduction in the on-order stock termination level buffer for items with annual dollar demands of more than \$500; (2) elimination of the 12-month stock buffer used to compute

termination levels for items with annual dollar demands of \$500 or less; and (3) elimination of the use of unfunded war reserve requirements in computing on-order termination levels for all items.

Status: Action in process.

The Secretary of the Air Force should direct the Commander of the Air Force Logistics Command to require the air logistics centers to establish uniform information systems which will enable management to evaluate the performance of the centers in making maximum reductions in excess on-order stocks. At a minimum, the centers should develop and accumulate statistics showing the number of: (1) termination notices for on-order stocks on purchase requests and their value; (2) termination notices for on-order stocks on contract and their value; and (3) cancellations and terminations resulting from these notices and their value broken out by purchase request and by contract.

Status: Action completed.

Agency Comments/Action

DOD and the Air Force only partially agreed with the report's conclusions and recommendations. They agreed that improvements are needed but believe that some buffer stocks will continue to be required. DOD advised GAO that the subject of buffer stocks should be addressed DOD-wide. It will develop a plan which will outline actions to develop a standard policy for determining when to reduce on-order procurement quantities. The Air Force has established a management information system to enable the Air Force Logistics Command to monitor logistics centers' performance in making maximum reductions in on-order stocks exceeding requirements.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Air Force Uses Inaccurate Production Leadtime To Compute Spare Parts Requirements (PLRD-83-85, 6-16-83)

Department of the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: A.F. Logistics Command Reg. 84-4.

GAO analyzed a random sample of items being managed at two Air Force logistics centers to determine whether the Air Force is using current and accurate production leadtimes to compute requirements for consumable items and whether long leadtimes can be reduced.

Findings/Conclusions: GAO found that the two logistics centers have overstated their requirements for many consumable parts by an estimated \$137.5 million and have understated requirements for others by about \$12 million. In addition, they were unnecessarily stocking an estimated \$16.7 million worth of parts with annual holding costs of \$2.9 million. GAO believes that the primary reason for invalid requirements determinations are the use of outdated leadtime data in computing the requirements. The centers are not using up-to-date leadtimes because: (1) regulations do not require them to periodically obtain timely leadtime data from contractors; and (2) management practices encourage the use of long leadtimes as a buffer to avoid shortages. Although the centers recognize that long leadtimes can result in additional inventory investment and readiness problems, only limited efforts have been made to reduce leadtimes. Furthermore, GAO found that several contractors provided the Air Force with inaccurate data by: (1) including in their proposed leadtimes inappropriate standards and contingency factors; and (2) not recognizing that many raw materials were already on hand or on order. GAO does not believe that the Air Force has made sufficient use of Government representatives who are familiar with contractor operations and conditions which affect production leadtimes.

Recommendations to Agencies: The Secretary of the Air Force should direct the Commander of the Air Force Logistics Center to implement improved procedures and controls to ensure that appropriate production leadtimes are maintained at the air logistics centers. Such procedures and controls should ensure that center personnel limit the use of historical data to forecast leadtimes for items when current updates cannot be obtained from contractors.

Status: Action in process.

The Secretary of the Air Force should direct the Commander of the Air Force Logistics Center to implement improved procedures and controls to ensure that appropriate production leadtimes are maintained at the air logistics centers. Such procedures and controls should ensure that center personnel stress the importance of up-to-date and accurate leadtimes and monitor logistics center progress in correcting outdated and inaccurate data.

Status: Action in process.

The Secretary of the Air Force should direct the Commander of the Air Force Logistics Center to implement improved procedures and controls to ensure that appropriate production leadtimes are maintained at the air logistics centers. Such procedures and controls should ensure that center personnel frequently and periodically obtain and use leadtime updates from contractors on items with long production leadtimes and high annual demands.

Status: Action in process.

The Secretary of the Air Force should direct the Commander of the Air Force Logistics Center to require the air logistics centers to work more closely with contractors to identify and resolve conditions such as contingency factors and administrative leadtime standards that result in excessive leadtimes being used in requirements computations.

Status: Action in process.

The Secretary of the Air Force should direct the Commander of the Air Force Logistics Center to require the air logistics centers to coordinate with Air Force plant representatives and Defense Contract Administration Services Management area offices in working with contractors to reduce long production leadtimes in the requirements computation when possible.

Status: Action in process.

The Secretary of the Air Force should direct the Commander of the Air Force Logistics Center to require the air logistics centers to accept advance deliveries only when advantageous to the Air Force.

Status: Action in process.

Agency Comments/Action

The Department of Defense (DOD) and the Air Force concurred with all of the recommendations. In its response to the final report, DOD stated that the Air Force agreed with the need to stress the importance of up-to-date and accurate leadtimes. DOD noted that the Air Force is working on improvements to the annual leadtime survey that will provide the capability to update leadtimes on a more frequent and responsive basis. These improvements are expected to be implemented in September 1984. The Air Force agreed with the need to work more closely with contractors and DOD representatives at contractors' plants, noting that the relationship existing between contractors and DOD representatives at the plants should provide the most responsive and reliable mechanism to obtain leadtime data.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

Improved Processes Can Reduce Requirements for Air Force War Reserve Spare Parts (PLRD-83-81, 7-8-83)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Air Force processes for determining requirements for war reserve spare parts.

Findings/Conclusions: At the only air logistics center reviewed, GAO found that war reserve requirements on 20 of the 32 sample items used on the F-15 radar system were overstated by \$12.6 million. Requirements were inaccurate and unrealistic because computations were not adjusted to reflect changes in item failure rates or configuration changes in aircraft components. GAO found that the air logistics center had initiated purchase action on 10 items having planned procurements valued at \$10.1 million, but \$6.7 million was for unneeded parts. GAO requested the center to review these and certain other radar items to determine if additional stock was needed. The Air Force terminated the planned purchase of 13 items, totaling about \$2.6 million, of which \$942,000 related to two items in the GAO sample.

Recommendations to Agencies: The Secretary of the Air Force should direct the Commander, Air Force Logistics Command, to: (1) devise a technique which identifies significant variations in failure-rate data recorded in the DO-29 and DO-41 systems; (2) require item managers to review the propriety of war reserve requirements from the latest

failure-rate data available, coordinate the data with system managers and using commands, and make adjustments in requirements computations; and (3) strengthen existing quality controls to ensure that requirements are properly adjusted and that purchases for items in excess of requirements are terminated.

Status: Action in process.

The Secretary of the Air Force should direct the Commander, Air Force Logistics Command, to determine the extent to which the configuration change problem exists on other F-15 avionics items and other aircraft weapons systems, such as the E-3 and F-16, and develop the means to compute realistic war reserve parts requirements.

Status: Action in process.

Agency Comments/Action

DOD generally agreed with the GAO recommendations and outlined some of the actions planned to improve the processes for determining war reserve spare parts requirements. The steps which the Air Force plans to take meet the intent of these recommendations.

DEPARTMENT OF DEFENSE - MILITARY

SUPPLY MANAGEMENT

The Air Force Equipment Management System Still Does Not Assure Control of Nonexpendable Equipment (NSIAD-83-20, 7-28-83)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed how the Air Force Equipment Management System (AFEMS) accounts for nonexpendable equipment valued at over \$15 billion.

Findings/Conclusions: Substantial amounts of proposed equipment purchases in the Air Force budget depend on AFEMS accuracy. To determine net requirements for its budget, the Air Force identifies gross requirements and subtracts equipment on hand. However, problems in accounting for that equipment hinder the Air Force's ability to accurately compute quantities of equipment to include in its budget. GAO concluded that, although the Air Force modernized the AFEMS and tried to establish inventory baseline data for all assets, system weaknesses still limit assurances that requirements are based on accurate and complete information. Based on its review, GAO suggested that the Air Force may need to reconcile data and establish baselines for one equipment category at a time.

Recommendations to Agencies: The Secretary of the Air Force should bring to bear the necessary management attention and resources to reestablish control over Air Force equipment on hand to help ensure accurate computation of future equipment requirements.

Status: Action in process.

The Secretary of the Air Force should direct the Air Force Logistics Command to establish system controls to reconcile equipment inventories from one period to the next and to report variances.

Status: Action in process.

The Secretary of the Air Force should direct the Air Force Logistics Command to validate field-reported data through use of control files.

Status: Action in process.

The Secretary of the Air Force should direct the Air Force Logistics Command to provide guidance and procedures to

item managers for accounting for equipment under the new automated system; as a minimum, the guidance should identify the documents needed for manual reconciliations, define acceptance levels of accuracy, and prescribe how variances should be corrected.

Status: Action in process.

The Secretary of the Air Force should direct the Air Force Logistics Command and the major commands to improve the accuracy of data reported to AFEMS by analyzing and correcting variances in specific problem areas, such as in-transit equipment, onboard aircraft equipment, condemned equipment, and equipment procured outside of the Command.

Status: Action in process.

The Secretary of the Air Force should restate Air Force policy on the need for, and frequency of, physical inventories and should direct that base commanders perform physical inventories and make timely adjustments to reported data.

Status: Action in process.

Agency Comments/Action

In commenting on the draft of the report, the Department of Defense fully concurred with the conclusions and recommendations. These comments, incorporated in the final report, described the Air Force initiatives to address equipment management system weaknesses, including: (1) interim guidance to item managers; (2) tests of the Air Force data bank linkages to identify specific causes of errors; (3) development of a variance reporting system; and (4) a long-term project to restructure the Air Force's equipment data base. The Department of Defense has not provided a response to the final GAO report.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

Potential Joint Civil and Military Use of Military Airfields

(RCED-83-98, 3-1-83)

Departments of Defense and Transportation

Budget Function: Transportation: Air Transportation (402.0)

Legislative Authority: Airport and Airways Development Act of 1970 (P.L. 91-258). Airport and Airway Improvement Act of 1982 (P.L. 97-248). Federal Airport Act (P.L. 79-377).

In response to a congressional directive, GAO evaluated the feasibility of making domestic military airports and airport facilities available for joint civilian and military use to the maximum extent compatible with national defense requirements.

Findings/Conclusions: GAO found that 23 domestic military airfields now operate under the joint-use concept. Seven of these airfields authorize unrestricted use by all civilian aircraft, while the remaining facilities restrict use to selected types of aircraft or operations. The mix of civilian and military aircraft operating from joint-use airfields ranged from those with very similar characteristics to those with widely differing characteristics. Problems which GAO found in the program included: (1) military concerns that civilian use of the airfield will interfere with military missions, operations, or security; (2) lack of available land on or adjacent to the military airfield to house civilian operations; and (3) lack of civilian sponsors resulting from either community opposition due to concerns over potential increases in noise, safety risks, and other environmental factors, or the lack of a real need for joint use of the airfield. When these problems can be overcome, GAO found that joint use can be viewed as a feasible option. GAO was not able to determine the cost and development requirements for making military airfields available for future joint use because the data needed to perform the analysis were either not available or were not current. However, GAO identified factors that must be included in making such an assessment. While GAO concurs that the potential exists for considerable savings, it questions the reliability of the Federal Aviation Administration's \$1.5 billion figure.

Recommendations to Agencies: The Secretaries of Defense and Transportation should, in performing the required study to evaluate military airfields for potential joint use, establish that a valid need exists for civilian use of a military airfield, taking into account such matters as capacity constraints, airspace congestion, and safety in the area where joint use is proposed.

Status: Action in process.

The Secretaries of Defense and Transportation should, in performing the required study to evaluate military airfields for potential joint use, identify and assess any adverse impact on military mission, operations, and security.

Status: Action in process.

The Secretaries of Defense and Transportation should, in performing the required study to evaluate military airfields

for potential joint use, determine if land is available to house civilian operations.

Status: Action in process.

The Secretaries of Defense and Transportation should, for cases where these issues have been dealt with and joint use is considered operationally feasible, determine whether community opposition exists in cooperation with the civilian sponsor and, if so, attempt to resolve it.

Status: Action in process.

The Secretaries of Defense and Transportation should, in evaluating military airfields for potential joint use, estimate cost and development requirements by, at a minimum, identifying, developing, and analyzing the following factors: (1) number and type of civilian and military aircraft proposed to use the airfield; (2) number of operations proposed; (3) services to be provided (maintenance, fuel); (4) structures to be built (hangars, canopies, terminals); (5) land to be acquired; (6) parking area needed (aircraft, automobile); (7) access roads to be constructed; (8) ramps, taxiways, and aprons required; and (9) security measures required (fences, guards).

Status: Action in process.

The Secretaries of Defense and Transportation should, after analyzing the above factors and identifying military airfields that are operationally feasible for joint use, prepare a detailed cost-benefit analysis to determine whether developing each airfield for joint use would be cost effective.

Status: Action in process.

Agency Comments/Action

Both the Departments of Defense and Transportation concur with the GAO conclusions and recommendations. The approach described by GAO, when considering military airfields for joint civil and military use, is currently being pursued by the two departments in conjunction with preparation of their plan for such military airfields. As of February 17, 1984, the final plan had not been signed by both Secretaries. A detailed cost-benefit analysis for each location selected will be performed at a later date. The analysis will be done on a location-by-location basis prior to issuance of Airport Improvement Program grants to local sponsors for developing needed facilities at potential joint use military airfields.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

More Effective Use of Contract Airlift Could Reduce DOD Transportation Costs (PLRD-83-55, 4-22-83)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)
Legislative Authority: DOD Directive 4500.9, 2 J.T.R. para. C2001-4.

GAO reported on the Department of Defense's (DOD) use of aircraft under contract from commercial air carriers.

Findings/Conclusions: GAO found that DOD is losing millions of dollars annually because of empty seats on aircraft under contract from commercial carriers. The Military Airlift Command (MAC) spent \$228 million in fiscal year (FY) 1981 and about \$250 million in FY 1982 to airlift military and civilian personnel on contracted international flights. GAO found that a significant number of empty seats existed on these flights. There are two major reasons for these empty seats: (1) passengers did not show up for flights as scheduled; and (2) the services apparently did not generate the volume of passengers anticipated at the time their requirements were submitted to MAC. In FY 1981, the no-show rate was 13.5 percent. In FY 1982, the no-show rate climbed to 14.7 percent. GAO estimated that empty seats caused by no-shows cost \$13.5 million annually. This estimate of savings was reduced to give consideration to over-bookings and passengers who walk in and actually use seats that were intended for use by no-shows. In addition, GAO estimated that underutilization of seating capacity for reasons other than no-shows cost DOD another \$13.0 million annually. At present, if authorizing orders are issued, military personnel have the option of buying tickets with their own funds with subsequent reimbursement not to

exceed the MAC tariff rate, which leaves empty seats on MAC flights.

Recommendations to Agencies: The Army, Navy, and Air Force should place greater emphasis on managing the use of MAC-provided international airlift.

Status: No action initiated. Date action planned not known. DOD should consider penalty billing each military service for empty seats caused by their no-shows.

Status: No action initiated. Date action planned not known. DOD should revise DOD Directive 4500.9 to require that the military services use MAC airlift where appropriate and that order-issuing authorities be given guidance in revised travel regulations as to specific conditions under which authorized orders can be issued. In addition, DOD should consider revising the JTR provision governing civilian travelers to require them, like their military counterparts, to use MAC-provided airlift.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

As of February 14, 1984, the DOD response had not been received.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

Federal Actions Needed To Retain Essential Defense Rail Service (PLRD-83-73, 5-20-83)

Departments of Defense and Transportation

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Legislative Authority: P.L. 96-418.

GAO examined the Department of Defense's (DOD) and the Department of Transportation's (DOT) efforts to maintain minimum levels of rail service at defense installations and to identify and correct rail deficiencies.

Findings/Conclusions: Despite the conclusions of a DOD study which determined that the condition of network and branch rail lines was satisfactory for national defense, GAO found that the number of military installations confronted with the potential loss of rail service is growing and that there may be a need for congressional action to ensure that minimum essential rail service is retained for mobilization needs. Although DOD is spending millions of dollars to improve rail capabilities at its installations, DOD cannot be assured that the rail network will move the required defense materiel and equipment during mobilization. GAO believes that the case-by-case basis by which DOD presently solves its maintenance service problems on branch lines could prove costly and ineffective in the long run. GAO believes that DOD must determine the minimum amount of rail capability needed and routinely explore the alternatives and their costs with DOT. GAO found that the data on transportation movement capability reported by installations contained conflicting information; that some planned projects, if funded, would result in capabilities beyond what the services estimate would be needed during mobilization; and that a DOD concept of using motor convoys as a method of moving equipment has not been subject to extensive analysis and testing. Consequently, its feasibility and practicality for long distance transportation during mobilization are uncertain.

Recommendations to Agencies: The Secretary of Defense should explore the options for retaining the minimum essential rail service to defense installations with mobilization missions and develop a comprehensive policy to ensure such service is retained. This policy should address issues such as: (1) alternatives and their costs to meet defense mobilization movement needs; (2) minimal essential rail service needs; (3) the amount of funding required to ensure this minimal level; and (4) the need for any legislative changes to ensure that essential rail services to installations

are retained. The Secretary should establish milestones for these actions and alert the appropriate congressional committees if existing statutes or policies would adversely affect completion of these actions.

Status: Action in process.

The Secretary of Transportation should explore the options for retaining the minimum essential rail service to defense installations with mobilization missions and develop a comprehensive policy to ensure such service is retained. This policy should address issues such as: (1) alternatives and their costs to meet defense mobilization movement needs; (2) minimal essential rail needs; (3) amount of funding required to ensure this minimal level; and (4) need for any legislative changes to ensure essential rail services to installations are retained. The Secretary should establish milestones for these actions and alert the appropriate congressional committees if existing statutes or policies would adversely affect completion of these actions.

Status: Action in process.

The Secretary of Defense should: (1) modify DOD reporting requirements to ensure that defense installations accurately report their outloading and receiving capabilities to meet peacetime and mobilization movement needs and identify the key constraining factors; (2) establish procedures to ensure rail maintenance projects are appropriately justified and cost effective; and (3) reevaluate the feasibility and practicality of DOD movement criteria to include road marching vehicles for distances up to 800 miles.

Status: Action in process.

Agency Comments/Action

The Assistant Secretary of Defense (MRA&L) stated that comments to the draft report continue to reflect the DOD position. GAO has accepted the DOD suggested changes to the recommendation concerning a joint DOD/DOT review of options for retaining essential rail service. DOD has begun a review of options and procedures with DOT and will review the results of these efforts at a liaison meeting in Fall 1984. They will determine the need for action by Congress at that time.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

Questionable Practices in the Selection of Transportation Services for Small Lots of Hazardous or Sensitive Cargo

(PLRD-83-70, 5-31-83)

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

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

Pursuant to a congressional request, GAO reviewed Department of Defense (DOD) policies and practices for procuring commercial transportation services for small lots of hazardous or sensitive cargo.

Findings/Conclusions: GAO found a number of problem areas in the management of small-lot shipments of hazardous and sensitive cargo that resulted in excess transportation costs and lost opportunities to use the best possible transportation services. Specifically, GAO found that: (1) most of the cargo had been routed to truck companies, although air taxi rates and services were competitive with truck rates and services; (2) a specific air taxi operator received a greater portion of the traffic than another operator who was in a position to compete effectively; (3) military routing officials had not followed DOD policies and criteria on routing; and (4) overall and specific DOD cargo shipping requirements, such as the location of the traffic and its pick-up and transit needs, were not being adequately transmitted to companies wishing to compete for DOD business.

Recommendations to Agencies: The Military Traffic Management Command (MTMC) should compile, maintain, and use information related to installation shipping and receiving capability and to carrier performance that will en-

sure equitable consideration of both air taxi and truck carrier services in the routing of small lots of hazardous or sensitive cargo.

Status: Action in process.

MTMC should routinely make cost and other types of comparative analyses of both air taxi and truck service when routing small lots of hazardous or sensitive cargo.

Status: Action completed.

MTMC should enhance competition between air taxi operators and truck carriers by regularly disclosing to them the opportunities for them to participate in the business.

Status: Action in process.

MTMC should ensure sufficient records are maintained to demonstrate to interested parties, such as carriers, that equitable cargo distribution policies are being followed.

Status: Action completed.

Agency Comments/Action

While DOD generally concurs with the four fundamental recommendations and has initiated certain actions, it does not totally agree that the findings as stated in the report are correct.

DEPARTMENT OF DEFENSE - MILITARY

SUPPORT FUNCTIONS

Unused Cargo Space on Military Aircraft Returning to the United States

(NSIAD-83-19, 8-9-83)

Departments of Defense and the Air Force

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO evaluated the Military Airlift Command's (MAC) air freight service TP-4 program to determine to what extent military shippers were utilizing cargo space on military flights returning to the United States from overseas.

Findings/Conclusions: GAO found that, although a significant volume of cargo was transported by the MAC system, MAC aircraft were still returning with unused space. Meanwhile, the Department of Defense (DOD) was paying commercial ocean carriers to move its cargo from countries served by MAC. GAO estimated that DOD could have reduced its ocean transportation costs by about \$3.4 million from October 1980 through March 1982. GAO concluded that constraints on use of MAC aircraft could be overcome with more effective program management.

Recommendations to Agencies: The Secretary of Defense should instruct the services to place a sufficient amount of

their general cargo and household goods shipments into the MAC system to use MAC airlift to the maximum extent possible.

Status: Action in process.

The Secretary of Defense should direct MAC to provide the services with sufficient and timely notice of available space.

Status: Action in process.

Agency Comments/Action

On December 29, 1983, DOD responded to the GAO report. It agreed that effective management of MAC airlift is essential and cited actions taken by MAC and the military services to optimize use of MAC capabilities.

DEPARTMENT OF DEFENSE - MILITARY

TRAINING

The Army Needs To Reevaluate Its Extended Basic Training Program (FPCD-82-11, 3-3-82)

Department of the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

In October 1981, the Army extended basic training from 7 to 8 weeks for all recruits entering the service to improve recruit performance in basic soldiering tasks. GAO assessed: (1) how the Army developed the program; (2) what the Army has done to assure decisionmakers that program goals could be accomplished in the most effective manner; and (3) whether the Army had the qualified trainers necessary to implement the program fully beginning October 1, 1981.

Findings/Conclusions: The Army has not adequately identified, isolated, or analyzed the cause of performance problems. Therefore, the Army cannot be certain whether additional training time is necessary or whether restructuring the existing program could improve training. To justify the new program, the Army used survey information from operational and training units. However, the survey did not define the causes of training problems and was hampered by technical deficiencies, such as shortcomings in sampling strategy. The Army has yet to demonstrate that the new program is effective. Without such effort, GAO believes that the Army has little assurance about the amount of basic training necessary to field a well trained force. Recent Army efforts to begin collecting data on the benefits of the program raised more concern about program validation, because controlled testing procedures are not being used and the results may not be very useful in evaluating program effectiveness. Historically, the Army has operated its basic training program with less than the authorized number of trainers and has recently relied on using less experienced trainers who may be inadequately trained in the tasks they are assigned to teach. Neither the Army nor GAO knows how well the extended basic training program is providing soldiers with the skills needed to perform effectively. Although the Army is taking actions to determine program

effectiveness and to improve the training of instructors, GAO believes that these efforts will not answer critical questions.

Recommendations to Agencies: The Secretary of the Army should: (1) evaluate the basic training program to determine the most effective and efficient length of training; and (2) resolve trainer quantity and quality problems. Comprehensive plans for accomplishing these actions should include: how to demonstrate the effectiveness of the new program and measure improvements; how to demonstrate the skills and abilities needed for trainers to meet the basic training requirement; specific actions and timetables for providing the qualified trainers; identifying organizational responsibility for program evaluation components; specific resources, personnel and funds, required to accomplish this analysis; and milestones for completing various steps. Priorities should be established to assure continued authorization and assignment of the quantity and quality of trainers needed for basic training. Initial results of these actions should be presented to Congress in its FY 1984 budget.

Status: Action in process.

Agency Comments/Action

The House Committee on Appropriations directed the Army to submit detailed justifications to demonstrate that the issues raised by GAO have been appropriately addressed and resolved. The Army has developed a plan to assess the content of the basic training program to determine what is required to meet the Army training objectives, but it has yet to complete an evaluation clearly demonstrating what should be taught in basic training and for how long.

DEPARTMENT OF DEFENSE - MILITARY

TRAINING

Poor Design and Management Hamper Army's Basic Skills Education Program (FPCD-83-19, 6-20-83)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)

GAO reviewed the Army's basic skills education program to evaluate whether the program: (1) was properly designed to determine the basic skills needed to do Army jobs; and (2) is being effectively implemented at initial entry training bases and permanent duty stations.

Findings/Conclusions: GAO found that, after 4 years and \$160 million in expenditures, a small percentage of soldiers has achieved the Army's prescribed goals. GAO found examples of program abuse, including ineligible soldiers' participating in the program and allowing soldiers to obtain high school equivalency certificates during on-duty hours. When designing the program, the Army did not identify the basic skills required for each military job. Implementation problems also have hampered the program. Course hours, duration, and cost differ widely. The Army has also not evaluated the overall effectiveness of its program. Army regulations assigned evaluation responsibilities to the Army Adjutant General's Office and directed that installation commanders keep data on program quality and effectiveness. In the fall of 1979, the Army established an evaluation and services division in its Education Directorate to monitor and evaluate the basic skills education program. Studies show that short-term remedial programs do not provide the competency needed to master highly technical material in many Army jobs and that substantial resources would be required to bridge the literacy gap.

Recommendations to Agencies: The Secretary of the Army should defer renewals of all contracts for basic skills education at installations until the program is revised.

Status: Recommendation no longer valid/action not intended. *DOD recognizes the need for revision of the general literacy curriculum, but it also recognizes that the Army has been carrying out a number of efforts to change the program into a job-related, competency-based curriculum.*

The Secretary of the Army should, where feasible, offer basic skills education being given under current contracts only during off-duty hours.

Status: Recommendation no longer valid/action not intended. *DOD believes that it should not insist that required, job-related training should be given during off-duty hours.*

The Secretary of the Army should clearly define the specific basic skills required to do each military job.

Status: Action in process.

The Secretary of the Army should determine whether the desired skills are attainable, given expected time and resource constraints and the expected reading and math skills of future Army recruits.

Status: Action in process.

The Secretary of the Army should develop a program which raises soldiers' basic levels to meet job needs.

Status: Action in process.

The Secretary of the Army should centralize management so that all installations are operating the program in the same manner.

Status: Recommendation no longer valid/action not intended. *It is the DOD position that the commanders at each installation must retain the flexibility to determine course entry procedures, instructional methodology, scheduling to fit mission requirements, and other details of program micromangement.*

The Secretary of the Army should require and provide training only for those who need basic skills education to perform Army jobs.

Status: Action in process.

The Secretary of the Army should establish a monitoring system to track, measure, and report program effectiveness.

Status: Action in process.

Agency Comments/Action

Although DOD agrees with many of the GAO findings, conclusions, and recommendations, it does not concur with the GAO recommendation that renewal of all current contracts be deferred until the Army-wide system is in place in fiscal year 1986. DOD is satisfied that the Army has been making good progress in the direction of changing from a general literacy, basic skills education program to a job-related one. As an alternative, the Army is accelerating its schedule for distributing a new statement of work and for field testing the materials produced by a baseline skills analysis and a job-related basic skills curriculum development effort. This acceleration should help redirect basic skills education.

DEFENSE-RELATED ACTIVITIES

FOREIGN MILITARY SALES

Air Force Does Not Recover All Required Costs of Modification Kits Sold to Foreign Governments (PLRD-82-111, 8-27-82)

Department of the Air Force

Budget Function: National Defense: Defense-Related Activities (054.0)

Legislative Authority: A.F.R. 170-3. A.F.R. 400-3. DOD Instruction 2140.1. DOD Instruction 2140.2.

GAO conducted a review to determine whether Air Force procedures and practices ensure recovery of the costs of modification kits sold under the foreign military sales program and, if not, to identify those costs which are not being recovered.

Findings/Conclusions: GAO found that Department of Defense (DOD) pricing policies, which were designed to eliminate subsidies in the foreign military sales program, have not been effectively implemented by the Air Force. Some Air Force regulations and guidelines on pricing are ambiguous and confusing. As a result, many costs incurred in providing modification kits have not been charged to foreign governments. One Air Force regulation classifies certain costs as nonrecurring, while another regulation classifies those same costs as recurring. Air logistics centers do not have procedures to validate or update prices for modification kits that are installed on foreign-owned equipment undergoing overhaul at Air Force facilities. The Air Force does not have procedures to identify and accumulate costs incurred when modification kits are assembled in-house by Air Force personnel. As a result, the costs for direct labor, transportation, packing, crating, and the use of Government-owned facilities are not being recovered. GAO concluded that ambiguous guidance, inadequate procedures, and the resultant undercharges are due in large part to fragmented management within the Air Force Logistics Command. GAO also found that the San Antonio Air Logistics Center in particular did not charge hundreds of thousands of dollars to foreign governments even when clear and concise pricing procedures were provided. GAO believes that significant costs have not been recovered and that these undercharges will continue in future sales unless the regulations and procedures for pricing these items are revised.

Recommendations to Agencies: The Secretary of the Air Force should revise and, to the extent practical, consolidate the various Air Force regulations and guidelines to bring them in line with the DOD pricing policy of full recovery of costs.

Status: Action completed.

The Secretary of the Air Force should specifically fix responsibility within the Air Force Logistics Command to ensure effective implementation of this policy.

Status: Recommendation no longer valid/action not intended. *The Office of the Assistant Secretary of Defense's position is that the responsibility is and has been fixed at the Air Force Logistics Command/AC (Comptroller organization).*

The Secretary of the Air Force should effectively implement

established procedures at the air logistics centers that will: (1) capture and accumulate direct cost data for in-house efforts so that administrative charges can be applied properly; and (2) ensure proper pricing for modification kits assembled for installation on foreign-owned equipment being overhauled at Air Force facilities.

Status: Action completed.

The Secretary of the Air Force should direct the Air Force Logistics Command to provide the air logistics centers with proper identification of the various recurring costs that should be charged directly or appropriately allocated to foreign governments.

Status: Action completed.

The Secretary of the Air Force should direct the Air Force Logistics Command to require air logistics centers to review their current operational procedures to ensure that they are in line with the full recovery policy and to identify and bill foreign governments for any undercharges. Specific areas that should be reviewed by all logistics centers are modification cases under which kits were: (1) installed on foreign-owned items being overhauled; and (2) assembled at Air Force facilities by Air Force personnel.

Status: Action in process.

The Secretary of the Air Force should direct the Air Force Logistics Command to require the San Antonio Air Logistics Center to specifically review all modification shipments made to foreign governments since October 1, 1978, and determine how much each foreign government was charged for technical publications. In cases where prices charged deviated from DOD pricing policies, revised billings should be submitted to the foreign governments.

Status: Action in process.

The Secretary of the Air Force should direct the Air Force Logistics Command to require the San Antonio Air Logistics Center to specifically review all modification sales to foreign governments made since October 1, 1978, and apply the pricing criteria contained in the Air Force Logistics Command quality control program. In cases where pricing deviations are found, corrective billings should be promptly submitted.

Status: Action in process.

Agency Comments/Action

The Office of the Secretary of Defense/Inspector General asked the Air Force to follow up on the GAO report recommendations. On February 23, 1983, the Air Force Deputy Assistant Secretary (Accounting and Internal Audit) concurred with \$717,382 of the \$828,086 in undercharges that

GAO identified in the report. The Inspector General's office told GAO that, as of January 13, 1984, no billing action has been reported. The Air Force was supposed to give the Inspector General a response on this matter by February 25, 1984.

DEFENSE-RELATED ACTIVITIES

MATERIAL MANAGEMENT

Management Improvements Needed in Coast Guard Supply System (PLRD-81-37, 7-2-81)

Department of Transportation and United States Coast Guard

Budget Function: National Defense: Defense-Related Activities (054.0)

GAO reviewed Coast Guard efforts to establish a more viable supply system by eliminating wholesale inventories of items which are also stocked and managed by other Federal agencies and reducing the number of inventory control points (ICP).

Findings/Conclusions: GAO found that some progress had been made in resolving these problems. However, GAO determined that: (1) the Coast Guard could save millions of dollars annually by obtaining supplies and spare parts from other Government agencies when needed, instead of maintaining inventories; (2) the Coast Guard stocks thousands of inactive line items at levels above Coast Guard needs, although many of these items are needed and are being procured by other Federal agencies; (3) ship inventory records were inaccurate, and item managers do not know what repair parts and components are available to them; (4) duplicate filings of aeronautical requisitions result in air stations receiving supplies in excess of the amount authorized; (5) inventory discrepancies are not adequately corrected, and records do not accurately reflect available stock levels; and (6) improvements are needed in controls over project material by the inventory control point and headquarters' offices. The Coast Guard needs to purge its system of other Government agency-managed items. Stockage of parts managed by these agencies contributes to unnecessary storage, handling, and transportation costs. The Coast Guard has a large amount of inactive inventory that could be redistributed to other Government agencies. Periodic physical inventories at Coast Guard control points have not been taken as required and, when taken, discrepancies between onhand stocks and stock records have not been properly reconciled nor adequately researched to prevent similar occurrences.

Recommendations to Agencies: The Secretary of Transportation should require the Commandant of the Coast Guard to direct the ICP's to adopt requisitioning procedures that would permit shipments directly to the users.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should require the Commandant of the Coast Guard to direct the ICP's to: (1) eliminate wholesale levels of stock available from other Govern-

ment supply sources; and (2) report to the Commandant on the progress made.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Commandant of the Coast Guard to implement a Coast Guard-wide inactive item program similar to the Aviation ICP program. This program would ensure that unneeded items are purged regularly from the supply system and made available to other Government agencies.

Status: Action in process.

The Secretary of Transportation should direct the Commandant of the Coast Guard to monitor the ICP supply management practices to ensure that: (1) periodic physical inventories are systematically taken to identify items in excess of needs and those not needed for other projects; (2) stock discrepancies are reconciled properly and stock records are adjusted properly to reflect onhand stocks; (3) discrepancies are researched adequately to determine and correct the causes; and (4) units assign the appropriate designators to their requisitions.

Status: Action in process.

Agency Comments/Action

Coast Guard headquarters did a limited followup on actions taken by its ICP's on the recommendations. Although the Coast Guard's position has been that it agrees conceptually with the recommendations, it appears that little progress has been made in eliminating wholesale levels of stock centrally managed by other Government agencies (OGA). The Coast Guard has made limited progress on the recommendation that it implement an inactive item program similar to its Aviation ICP program. To date, the Ships ICP eliminated 681 OGA items from inventory, and the Electronics and General Supplies ICP deleted 2,975 items. Coast Guard headquarters did not obtain the dollar value of the items purged by either of the ICP's. It said that new ADP hardware should significantly improve inventory management capability. The Aviation ICP continued to make sizable deletions from its inactive inventory.

DEFENSE-RELATED ACTIVITIES

MATERIAL MANAGEMENT

National Defense-Related Silver Needs Should Be Reevaluated and Alternative Disposal Methods Explored (EMD-82-24, 1-11-82)

Departments of Defense and the Interior, Federal Emergency Management Agency, and General Services Administration

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)

Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Department of Defense Appropriations Act, 1982. Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.). Bank Holding Company Act (84 Stat. 1768). National Materials and Minerals Policy, Research and Development Act of 1980 (30 U.S.C. 1604). Coinage Act of 1965 (P.L. 89-81). P.L. 90-29. P.L. 96-41. S. 1230 (94th Cong.). H.R. 3484 (94th Cong.).

GAO was requested to evaluate the consequences of a sale of silver from the National Defense Stockpile, a supply of materials retained to prevent costly dependence upon foreign supply sources during national emergencies. Specifically, GAO was asked to address all aspects of the sale, including changes which have occurred since the sale was last justified and alternatives to disposing of any excess silver.

Findings/Conclusions: The Federal Emergency Management Agency determined that the supply of silver from domestic production and reliable imports exceeded the estimated quantity required to sustain the United States for periods of not less than 3 years in the event of a national emergency. Subsequent legislation has suspended a proposed disposal pending a redetermination that the silver to be disposed of is in excess of stockpile requirements. Several factors used to establish stockpile goals for all strategic materials, including a zero silver goal, have changed. These changes have (1) increased projected defense-related demand for silver during national emergencies; and (2) reduced the availability of silver from existing domestic mines and processors. Additionally, three major foreign suppliers have protested the disposal, alleging that a sale will depress the market price, resulting in decreased employment and foreign exchange earnings. To dispose of the silver, the General Services Administration held weekly auctions, but the sale did not assure that the disposal would be for domestic consumption nor did it assure that the short-term market price of silver would not be depressed relative to what it had been. GAO explored disposal alternatives, including coinage programs, small silver bars, transferring or selling the silver to the U.S. Treasury, and leaving the silver in the National Defense Stockpile. The bullion coinage program appears to be the most attractive alternative that should be considered.

Recommendations to Agencies: The Director of the Federal Emergency Management Agency, in evaluating various factors and information, should specifically consider: (1) the most recent war scenario hypothesized in terms of participants, war fronts, type of military action, and warning time; (2) defense-related uses of silver during past national emergencies; (3) reduced expansion from existing mines during wartime; (4) decreasing domestic smelting capacity; (5) the cost of silver from recycling, domestic stocks, and foreign suppliers; (6) the impact that selling the silver at auction may have on relations between the United States and its major foreign suppliers; and (7) long-term uncertainties relating to projected increased U.S. dependency on foreign silver sources and the possibility that a silver stockpile goal could be reestablished at some future date.

Status: Action in process.

Agency Comments/Action

The administration has established a Federal task force, the Interagency Silver Commodity Committee, to reevaluate the need for the stockpile silver sales and to explore alternative disposal methods. On June 29, 1982, the Secretary of the Interior informed Congress that the stockpile silver sales have been postponed indefinitely and that the recommended disposal method, silver bullion coins, is being given serious consideration. On November 15, 1982, Interior informed GAO that the administration was preparing the report to Congress, tentatively scheduled to be released during spring 1983. However, as of January 11, 1984, the report had not yet been released.

DEFENSE-RELATED ACTIVITIES

MATERIAL MANAGEMENT

Management of DOD's Shelf-Life Program--Better, but Still in Need of Improvement (PLRD-82-84, 5-25-82)

Department of Defense

Budget Function: National Defense: Defense-Related Activities (054.0)

GAO reviewed the management of the Department of Defense (DOD) Shelf-Life Program which covers supply items with inventories valued at about \$1 billion.

Findings/Conclusions: Since the last review, DOD has appointed an Administrator with overall responsibility for the Shelf-Life Program, and DOD has taken other initiatives to improve program management. GAO found that the ability of the Administrator and other interested parties to evaluate the program's effectiveness is hampered because a critically needed management reporting system has not been implemented. Such a critically needed management reporting system intended to overcome this problem has been allowed to slip far beyond its originally anticipated completion date. This reporting system would significantly enhance the Shelf-Life Program Administrator's capability to fulfill his responsibilities. One of the primary goals of the DOD Shelf-Life Program is to minimize the risk of shelf-life expiration before issuance, that is to keep disposal of shelf-life material to a minimum. Inconsistent and ineffective management practices continue to impair the shelf-life program. Other continuing problems exist because: (1) inventory control points (ICP) make many errors when designating items for inclusion in the program; (2) the Air Force storage activities do not apply shelf-life management controls to many items designated for shelf-life management by non-Air Force ICP's; (3) military storage activities have not corrected longstanding deficient shelf-life management practices, although these deficiencies have been reported many times.

Recommendations to Agencies: The Secretary of Defense should direct the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) to make sure the

shelf-life management reporting system is implemented without further delay.

Status: Action completed.

The Secretary of Defense should direct the Secretary of the Air Force and the Administrator of the Shelf-Life Program to jointly evaluate the costs and benefits the Air Force's policy of not employing intensive management procedures for many items designated as shelf-life items by various ICP's. If the Air Force policy is cost effective, it should be adopted DOD-wide; if not, the Air Force should abandon the policy.

Status: Action in process.

To improve the accuracy of shelf-life designations assigned by ICP's, the Secretaries of the military services and the Director of the Defense Logistics Agency should require their ICP's to implement formal programs to: (1) thoroughly review contractor recommendations regarding the shelf life of items entering the supply system; and (2) periodically reevaluate assigned shelf-life designations of items in the supply systems to validate the need for continued shelf-life controls.

Status: Action in process.

Agency Comments/Action

DOD concurred with the recommendations and is taking action to implement them. In a followup discussion with the Office of the Secretary of Defense on January 19, 1983, GAO was informed that one of the recommendations in the report was implemented as of December 31, 1982. The dates for implementing the other two recommendations have slipped. DOD now anticipates implementing these two recommendations in 1984.

DEFENSE-RELATED ACTIVITIES

MATERIAL MANAGEMENT

Unresolved Issues Concerning the Disposal of Stockpile Silver (RCED-83-7, 2-18-83)

Departments of Defense and the Interior, and Federal Emergency Management Agency

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)

Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Department of Defense Appropriation Act, 1982 (P.L. 97-114). Strategic and Critical Materials Stock Piling Revision Act of 1979 (P.L. 96-41).

Comments by the Department of Defense (DOD) and the Federal Emergency Management Agency (FEMA) on an earlier GAO report have raised new issues concerning the disposal of stockpile silver. GAO evaluated the DOD and FEMA positions to determine whether they warranted revising any of the conclusions and recommendations of the earlier report and identified new issues that must be addressed and resolved in reevaluating the need for the stockpile silver.

Findings/Conclusions: The Department of Defense Appropriation Act of 1982 suspended the weekly auctions of silver stockpiles pending a redetermination that the silver intended for disposal is excess to stockpile requirements and congressional approval of any proposed disposal method. However, GAO believes that other unresolved disposal issues remain, including: (1) the lack of consideration of defense-related monetary uses of silver; (2) inadequacies in the decisionmaking data base relating to legislatively mandated supply factors; (3) the lack of consideration of the estimated cost of alternative sources of silver and the impact of proposed disposal methods on foreign relations; and (4) the viability of various alternative disposal methods, such as bullion coins and convertible bonds backed by silver.

Recommendations to Agencies: The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to make clear the demand factors considered in redetermining the need for the stockpile silver and provide justification for excluding any of the defense-related monetary uses required by the fiscal year 1982 Defense Appropriations Act.

Status: Action in process.

The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to appropriately qualify those legislatively mandated supply factors that are based on incomplete data.

Status: Action in process.

The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to consider, as required by law: (1) the estimated cost of silver from recycling, domestic stocks, and foreign suppliers during a national emergency; and (2) the impact that any proposed disposal method may have on relations between the United States and its major foreign suppliers.

Status: Action in process.

The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to provide a benefit-cost analysis of the various alternatives to disposing of the stockpile silver, including bullion coins and convertible bonds backed by silver, in support of a recommended disposal method.

Status: Action in process.

Agency Comments/Action

In a May 11, 1983, letter, the Under Secretary of the Interior stated that the administration generally concurred with the recommendations and will direct the Interagency Silver Commodity Committee to consider the recommendations in its silver stockpile disposal report, which is still in preparation. It would like to defer additional comments on the GAO report until that study is completed. Although the study has been completed, as of January 11, 1984, it has not yet been released.

DEFENSE-RELATED ACTIVITIES

MEDICAL SERVICES

Military Medicine Is in Trouble: Complete Reassessment Needed

(HRD-79-107, 8-16-79)

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

Budget Function: National Defense: Defense-Related Activities (054.0)

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, 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 (DOD) 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 to Congress: Congress should clarify and formally recognize policies regarding: (1) whom the military's direct medical care system will serve in peacetime; and (2) how and to what extent beneficiaries in the direct care system as a result of the policies adopted would receive the assistance needed to obtain medical care from other sources. Congress should reevaluate the role and structure of the military medical care system and direct DOD to establish a structure that will improve its ability to serve beneficiaries in peacetime. Congress should also consider other alternatives discussed in this report as well as others that may be presented from other sources.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of Defense should improve the environment in which military physicians practice medicine to the extent practicable by: (1) reducing or eliminating emergency room duties for specialists, particularly those who do not have routine exposure to general medical practices; (2) reducing physicians' nonmedical duties; and (3) increasing the length of physicians' assignments at specific hospitals.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

DOD agreed with the basic findings but believed that some recommendations would diminish wartime contingency capability.

DEFENSE-RELATED ACTIVITIES

MEDICAL SERVICES

The Congress Should Mandate Formation of a Military-VA-Civilian Contingency Hospital System (HRD-80-76, 6-26-80)

Departments of Defense, the Army, the Navy, the Air Force, and Health and Human Services, Federal Emergency Management Agency, and Veterans Administration

Budget Function: Health: Health Planning and Construction (551.3)

In response to a request, GAO reviewed the Department of Defense's (DOD) plans to use nonmilitary hospitals to treat battlefield casualties in the event of war or conflict. The need for developing a contingency hospital system consisting of DOD, the Veterans Administration (VA), and civilian medical resources is discussed. The primary emphasis is that the VA role should be greater than currently planned by DOD. The extent of support VA will provide DOD in treating returning battlefield casualties is the most important issue in developing a civilian-military contingency hospital system for medical treatment of wartime casualties. DOD has looked primarily to civilian medical resources to meet anticipated shortfalls should the United States become involved in war. Only recently has specific consideration been given to VA medical capability. DOD officials said that civilian resources would still be needed to treat battlefield casualties even if DOD and VA resources were fully used for that purpose.

Findings/Conclusions: DOD recently revised several aspects of its original system. Major changes appear to be: (1) elimination of a new, possibly duplicative administrative structure as originally proposed; and (2) reliance on the military services for patient administration responsibilities. GAO agreed with these revisions. DOD revised plans are still unclear about how civilian beds and staff would be made available. Available beds and staff should be identified assuming patients are discharged early whenever possible and nonemergency admissions are restricted during the war surge period. Failure to resolve issues regarding civilian physician and hospital reimbursement and liability could limit implementation of the planned system. VA should be much more involved in planning and caring for battlefield casualties than it would be in caring only for those who will not return to duty. Just how much VA can participate is questionable. DOD has not told VA what its needs are, nor has VA told DOD what its capabilities are. GAO believes that the Nation should prepare for a possible conflict by planning to appropriately use Federal medical resources before calling on civilian resources. A strong peacetime medical resources sharing program could provide a more effective relationship between VA and DOD that could prove invaluable in war.

Recommendations to Congress: Congress should enact legislation which provides that both DOD and VA fully participate in Federal medical planning for and care of returning wartime casualties. Such legislation should: (1) give VA the mission of providing direct medical support to DOD for treating battlefield casualties; (2) place battlefield casualties

above veterans with non-service-connected, nonemergency conditions in priority for care; and (3) remove numerous obstacles to interagency sharing, as GAO previously recommended, so that VA and DOD may establish a strong peacetime medical resources sharing program to serve as an effective foundation for a military-VA-civilian contingency hospital system.

Status: Action completed.

Recommendations to Agencies: The Secretary of Defense and the Administrator of Veterans Affairs should develop and establish the framework for a military-VA-civilian contingency hospital system. As part of this development, a mechanism should be established for obtaining civilian medical care capability that: (1) recognizes the responsibilities of the Federal Emergency Management Administration, the Department of Health and Human Services, and other Federal agencies during war or conflict; and (2) adequately considers other unresolved issues, such as physician reimbursement and liability, and ground transportation availability.

Status: Action in process.

The Administrator of Veterans Affairs should ascertain the extent to which VA affiliated hospitals would be able to assist VA in treating battlefield casualties.

Status: Recommendation no longer valid/action not intended. *The agency considered the recommendation and decided that, to keep the wartime nonmilitary hospital system simple, affiliated hospitals should enroll in the civilian-military contingency hospital system directly rather than through VA*

The Secretary of Defense should determine the optimal number and placement of U.S. aeromedical staging facilities with emphasis on locations near concentrations of military and VA medical resources.

Status: Action in process.

The Secretary of Defense and the Administrator of Veterans Affairs should identify Federal and civilian capability that could be provided assuming that: (1) patients are discharged early whenever possible; and (2) nonemergency admissions are restricted during the war surge period.

Status: Action in process.

The Secretary of Defense and the Administrator of Veterans Affairs should analyze DOD and VA medical care resources to determine the Federal patient treatment capability on a time-phased basis. This analysis should be made first near existing DOD aeromedical staging facilities, but should also

include other locations where there are large concentrations of DOD and VA medical resources.

Status: Action in process.

The Secretary of Defense should compare the medical care requirements calculated under various wartime scenarios with available Federal medical resources to determine how much and what type of civilian medical care capability would be needed to augment Federal capability.

Status: Action in process.

The Secretary of Defense, in concert with other agencies having contingency planning responsibilities, should assume overall coordinating responsibility for plans jointly developed by DOD and VA using Federal medical resources and necessary civilian medical capability under the military-VA-civilian contingency hospital system.

Status: Action completed.

The Administrator of Veterans Affairs should provide estimates to DOD concerning its potential capabilities, in terms of both facilities and staffing, to treat returning battlefield casualties regardless of whether those casualties would be expected to return to duty. Such estimates should be based on the assumptions that patients would be discharged early whenever possible and nonemergency admissions would be restricted during the war surge period. These estimates should be developed through the joint DOD-VA planning effort to establish a military-VA-civilian contingency hospital system.

Status: Action in process.

Agency Comments/Action

The agencies are in general agreement with the recommendations in the report. As the result of a follow-up report issued June 14, 1983 (HRD-83-59), and continued monitoring, GAO found that although DOD and VA have made progress in developing wartime support linkages with each other and civilian hospitals, some issues have not yet been fully resolved. For the most part, DOD and/or VA are aware of these issues and are attempting to resolve them.

Congress passed legislation providing that DOD and VA participate in the planning for and care of returning wartime casualties (P.L. 97-174).

DEFENSE-RELATED ACTIVITIES

MEDICAL SERVICES

Better Planning and Funding Approach Needed for Military Medical Facilities Construction and Modernization Projects in Germany (HRD-82-130, 9-30-82)

Departments of Defense, the Army, and the Air Force

Budget Function: Health: Health Planning and Construction (551.3)

GAO reported on the condition of military medical facilities in Europe as well as plans for their renovation and replacement.

Findings/Conclusions: GAO believes that the recent emphasis placed on European construction projects, together with significantly higher funding provide the Army with an opportunity to correct deficiencies, eliminate past inadequacies in facility geographic distribution, and consider construction alternatives. GAO found that consolidation of facilities in some military communities appears to be a cost-effective way to improve the quality of care. To justify and plan proposed projects, the Army needs information on the condition of existing facilities and guidance as to the optimum size and location of medical facilities. GAO also found that improvements are needed in the ways related maintenance and repair costs are estimated and total project costs are funded. Maintenance and repair estimates associated with the project are not always based on a detailed analysis of all deficiencies, with the result that Congress is not provided with complete cost information.

Recommendations to Agencies: The Secretary of Defense should direct the Secretaries of the Army and the Air Force to coordinate medical construction programs for Germany with a view toward joint utilization of facilities where possible.

Status: Action in process.

The Secretary of the Army should develop: (1) a method to

more accurately estimate the amount of maintenance and repair costs to ensure that Congress is made aware of the total project funding requirements; and (2) a funding approach for future medical facility modernization projects which will assure that required operations and maintenance funding will be available throughout the project.

Status: Action in process.

The Secretary of the Army should give high priority to completion of the Resource Distribution Study so that it can be used in the 7th Military Command's Health Facility Modernization Program. The Secretary should insure that the study: (1) examines ways to compile detailed data on the condition of Army medical facilities in Europe; (2) develops an evaluation criterion for proposed projects which considers the medical needs of the community, the conditions of facilities, and efficient distribution of Command resources; and (3) evaluates consolidation opportunities for clinics discussed in this report and other clinics located near each other or hospitals.

Status: Action in process.

Agency Comments/Action

DOD concurs with all of the recommendations in the report and is in the process of taking or plans to take appropriate measures to implement them.

DEFENSE-RELATED ACTIVITIES

PERSONNEL SUPPORT SERVICES

Opportunities Exist To Reduce Operating Costs of the Department of Defense Overseas Dependents Schools (HRD-82-86, 8-26-82)

Department of Defense

Budget Function: National Defense: Defense-Related Activities (054.0)

Legislative Authority: Defense Department Overseas Teachers Pay and Personnel Practices Act (20 U.S.C. 901), Defense Dependents' Education Act of 1978 (20 U.S.C. 2701 et seq.), Department of Education Organization Act (20 U.S.C. 3401), Annual and Sick Leave Act of 1951 (P.L. 82-233), District of Columbia Teachers' Leave Act of 1949 (P.L. 90-212; 10 U.S.C. 1430(d); 10 U.S.C. 1430(f)), DOD Directive 1400.13, H.R. 2802 (97th Cong.), S. 1474 (97th Cong.), DOD Manual 1342.6-M-1.

GAO reviewed the opportunities for savings in the teacher substitution and pupil transportation programs in the Department of Defense Dependents Schools (DODDS) system.

Findings/Conclusions: Department of Defense (DOD) policy states that teachers who reside in the United States should be hired only if vacancies cannot be filled by transferring currently employed teachers or by hiring locally. However, a large number of substitute teachers are needed and local applicants constitute the only source to meet demand. As a result, some principals are reluctant to hire local applicants as full-time teachers. The high demand for substitutes is attributable primarily to the tightly structured rules covering accumulated leave-time among teachers which causes them to take their maximum earned leave-time to avoid forfeiting it. Hiring teachers in the United States is substantially more costly than hiring teachers locally; therefore, restructuring the leave-time regulations would lead to a decline in the need for substitutes so that more local applicants could be available for hire as full-time teachers. DODDS has budgeted approximately \$37 million for pupil transportation in fiscal year 1982. GAO found that military installation commanders, who are responsible for providing pupil transportation, have not made cost comparisons and other analyses to ensure that the most economical busing services are used. GAO believes that until the military services undertake these cost-effective analyses, cost savings in busing services will not be realized. GAO concluded that savings to DODDS could be achieved by reducing the demand for substitute teachers and identifying the most economical mode of pupil transportation.

Recommendations to Agencies: The Secretary of Defense

should require the Director of DODDS to establish and maintain a data base on the numbers of: (1) available and qualified local applicants who are dependents of DOD military and U.S. Government civilian personnel; and (2) teacher vacancies filled by local applicants who are dependents of DOD military and U.S. Government civilian personnel overseas.

Status: Action in process.

The Secretary of Defense should: (1) ensure that busing cost comparisons and other analyses are performed in all overseas communities where students are bused to DODDS and that military communities forward the results of the analysis to DODDS regions along with explanations, if the lowest cost alternative is not selected; (2) instruct the military departments to consider structuring contracts for pupil transportation services to allow competition by smaller companies and using multiyear contracting where it promises to reduce the cost of busing to the U.S. Government; and (3) ensure that military communities providing pupil transportation services submit complete and accurate quarterly cost reports to DODDS as required by the DOD Manual.

Status: Action in process.

The Secretary of Defense should require the Director of DODDS to ensure that regional offices develop an information base and commit the resources necessary to: (1) review cost comparison and other studies and coordinate with the military communities to resolve differences in approach or methodology; and (2) analyze and compare cost data from communities to identify unusually high contract or in-house costs per mile, per bus, or per student.

Status: Action in process.

DEFENSE-RELATED ACTIVITIES

SECURITY ADMINISTRATION

Further Improvements Needed in Department of Defense Oversight of Special Access (Carve-Out) Contracts (GGD-83-43, 2-18-83)

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

Budget Function: National Defense: Defense-Related Activities (054.0)

Legislative Authority: Freedom of Information Act. Executive Order 12036. Executive Order 12333. Executive Order 12356. DIA Manual 50-3. DIA Manual 50-5. DOD Reg. 5200.1-R. DOD Directive 5400.7.

GAO completed a review of the security requirements and administration of Department of Defense (DOD) carve-out contracts as part of its continuing review of national security information. Carve-out contracts are those special access contracts for which the Defense Investigative Service (DIS) has been relieved of security inspection responsibility and the cognizant DOD component is responsible for security inspections and administration.

Findings/Conclusions: GAO found that an ever-increasing number of carve-out contracts has become a problem for contractor security administrators because the contracts result in a multiplicity of security requirements in addition to those prescribed by the DOD Industrial Security Manual. The exact number of carve-out contracts is unknown, but GAO estimated that there are probably several thousand such contracts; some contracts were given carve-out status for reasons other than security, and other carve-out contracts were not inspected by anyone.

Recommendations to Agencies: The Secretary of Defense should revise the Information Security Program Regulation to require all components to annually: (1) inventory and report the status of all carve-out contracts to the Deputy Under Secretary of Defense for Policy; and (2) revalidate the need for renewed contracts or contracts that extend for more than 1 year. In addition, the Secretary should require the Office of the Deputy Under Secretary of Defense for Policy to make periodic inspections of components' central offices to evaluate compliance with the regulation.

Status: Action in process.

The Secretary of Defense should: (1) direct the Defense Intelligence Agency (DIA) to revise its regulations to require that a threat analysis be made before a sensitive compartmented information facility (SCIF) is constructed or altered or an existing facility is approved for use as an SCIF; and (2)

make DIA responsible for approving all industry facilities proposed for use as DOD SCIF's.

Status: Recommendation no longer valid/action not intended. *DOD feels that an onsite threat analysis would be too expensive and proposed to amend the DIAM 50-3 instead. It also does not agree that DIA be made responsible for approving all industry facilities proposed for use as DOD SCIF's. It proposes that DIA be given oversight responsibility to ensure that minimum standards are maintained when other components approve new SCIF's in industry.*

The Secretary of Defense should make DIS responsible for: (1) inspecting all DOD sponsored contractor SCIF's; and (2) verifying accountability for all contract documents maintained in those SCIF's and in SCIF's sponsored by other agencies.

Status: Recommendation no longer valid/action not intended. *DOD does not agree with the recommendation.*

The Secretary of Defense should: (1) issue instructions that will require advance DOD approval of contractors' requests for special access authorizations for employees who will be working on nonsensitive compartmented information special access contracts; (2) direct DIS to return to contractors any requests for special access authorizations that do not contain the advance approval of the cognizant DOD component; and (3) remind DOD components of their responsibility to review and approve, in a timely manner, contractor nominees for all special access authorizations.

Status: Action in process.

Agency Comments/Action

DOD generally concurred with the findings but disagreed with many of the corrective measures that GAO recommended.

DEFENSE-RELATED ACTIVITIES

SECURITY ADMINISTRATION

Need for Central Adjudication Facility for Security Clearances for Navy Personnel (GGD-83-66, 5-18-83)

Departments of Defense and the Navy

Budget Function: National Defense: Defense-Related Activities (054.0)

Legislative Authority: DOD Reg. 5200.2-R. Navy Security Managers Handbook.

GAO evaluated the Department of Defense's (DOD) Personnel Security Program, focusing on the Navy's adjudication process of security clearances for military and civilian personnel.

Findings/Conclusions: GAO found that, although the Navy has maintained a centralized adjudication facility for many years, about 3,000 commands have been authorized to adjudicate the security clearances for military personnel. The commands reviewed by GAO experienced some problems, because the range in rank or grade level of the individuals adjudicating cases varied widely, formal training and security experience were lacking, and the clearance review verification procedures were inconsistent. GAO noted that, until a uniform adjudicating system is adopted, procedural discrepancies may negatively affect the efficiency of the process.

Recommendations to Agencies: The Secretary of the Navy should establish a central adjudication facility for civilian and military personnel, in accordance with the requirement of DOD Regulation 5200.2-R, "Personnel Security Program."

Status: No action initiated. Date action planned not known.

The Secretary of the Navy should require revisions to existing instructions to provide specific criteria on the procedures to be followed in determining individual eligibility for access to classified information.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The Navy has not formally commented on this report.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Teleprocessing Services Contracts for the Support of Army and Navy Recruitment Should Be Recompleted (AFMD-82-51, 3-24-82)

Departments of the Army and the Navy, and General Services Administration

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: OMB Circular A-121.

In response to a congressional request, GAO investigated the conditions that led to the award of teleprocessing services contracts to support the Army and Navy recruiting efforts and determined whether these contracts should be immediately recompleted.

Findings/Conclusions: Both services acquired the teleprocessing services from the same contractor efforts and both are experiencing high cost overruns. The Army's initial cost projection of \$8.5 million for the life of the contract currently projects a cost of about \$120 million, and the Navy's initial cost projection of \$524,000 now projects a cost of about \$13 million. Both services used benchmarks to evaluate the proposals, and neither benchmark adequately represented the actual workload subsequently placed on the system. As a result, the benchmarks were a poor indication of system life costs. Computer resources used by both the services greatly exceeded the amount anticipated. Because the contractor submitted an unbalanced proposal in which commercial rates were charged for teleprocessing services beyond the projected level, both services incurred costs beyond those expected. Further, the lack of appropriate management controls has contributed to the problem of excessive costs. The Army's workload projection did not include the support of some recruiting and reenlistment activities outside the United States, an increased number of users accessing the system at the same time, and a planned addition to the system. Although the number of Army enlistments decreased by 18 percent, the cost for teleprocessing services almost tripled. The Navy underestimated the number of users accessing the system at the same time and used a benchmark that did not represent the system's programs and transactions. While Navy enlistments have increased by 3 percent, the cost for teleprocessing services had doubled.

Recommendations to Agencies: The Secretary of the Army should direct the program managers to expeditiously reduce costs by eliminating nonpriority usage and improving operational efficiency.

Status: Action completed.

The Secretary of the Navy should take steps to immediately

recompete, including the development of a new benchmark, for the teleprocessing services now provided by the Boeing Computer Services Company.

Status: Action in process.

The Secretary of the Navy should direct the program managers to expeditiously reduce costs by eliminating nonpriority usage and improving operational efficiency.

Status: No action initiated. Date action planned not known.

The Secretary of the Navy should institute appropriate management controls over the usage of the computer systems through the operating expense budgets of the users by distributing the costs of teleprocessing according to the service received.

Status: No action initiated. Date action planned not known.

The Secretary of the Army should take steps to immediately recomplete, including the development of a new benchmark, for the teleprocessing services now provided by the Boeing Computer Services Company.

Status: Action in process.

The Secretary of the Army should institute appropriate management controls over the usage of the computer systems through the operating expense budgets of the users by distributing the costs of teleprocessing according to the service received.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The Department of Defense agreed to a recompetition of the contracts and to institute management controls. The Navy issued a request for proposals (RFP) on October 13, 1982, and planned to award a new contract for teleprocessing services by August 1983. As of February 1984, the Navy is still in the process of evaluating proposals; no award has been made. The Army issued an RFP on January 27, 1983, and planned to award a new contract for teleprocessing services by October 1983. That schedule has also slipped; the Army is still in the procurement process.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Award of a Navy Contract To Overhaul the U.S.S. Henry B. Wilson (DDG-7) (PLRD-83-41, 3-10-83)

Department of the Navy

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

In response to a congressional request, GAO reviewed the Navy's contract decision to repair the San Diego-based U.S.S. Henry B. Wilson (DDG-7) in Portland, Oregon.

Findings/Conclusions: GAO found that the Navy decided that evaluation criteria other than cost were more important in assessing a potential contractor's ability to successfully perform this particular overhaul. The Navy was especially concerned with timely completion of the complex ship overhaul to ensure that fleet operating schedules were maintained. The Navy decided to accept a higher cost proposal because it was technically superior and more realistic cost-wise than other proposals. GAO found nothing to show that the Navy exceeded its available discretions in this matter. The Navy chose a cost-plus-fixed-fee type contract because of the cost uncertainties associated with the procurement. Further, the Navy's decision to relocate the scheduled overhaul of four ships, one of which was the Wilson, to the private sector was responsible for the Navy's not following its policy of home port repair. Navy officials stated that, because of insufficient shipyard capacity, an average of only 46 percent of overhauls have been accomplished in

home ports. A recent policy change could, in the opinion of GAO, significantly alter the home port repair situation and result in a greater geographic dispersion of some of the overhaul work. Finally, the GAO review disclosed that personnel and dependent relocation costs, foreseeable costs, crew morale, and retention were not considered in the proposal evaluation process.

Recommendations to Agencies: The Secretary of the Navy should direct the Chief of Naval Material to promulgate instructions and guidelines for contracting activities governing the consideration of foreseeable and relocation costs in the source selection process.

Status: Action in process.

Agency Comments/Action

The Navy's review of the necessity for issuing guidelines and instructions on consideration of foreseeable and relocation costs in the source selection process is still in progress.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Contracting for Computer Teleprocessing Services Can Be Improved

(AFMD-83-60, 6-20-83)

General Services Administration

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). F.P.R. 1-3.8, F.P.R. 1-4.1103-1, F.P.R. 1-4.1203(f), F.P.R. 1-4.1206, F.P.R. 1-4.1206.6, P.L. 96-83, OMB Circular A-121. GSA Teleprocessing Services Program Handbook, B-204225 (1982).

In response to a congressional request, GAO reviewed 28 of the larger Government teleprocessing services contracts representing a broad range of agencies, vendors, and contract types to determine whether there is a Government-wide cost-overrun problem and, if so, what actions could be taken to remedy the situation.

Findings/Conclusions: GAO found that cost overruns are a common occurrence in its sample of contracts. Cost overruns were not measurable in the eight sole-source contracts in the sample; however, sole-source contracts are generally not as cost effective as competitive contracts, and replacing them with competitive awards could reduce costs. Agencies underestimate costs for teleprocessing services because of unrepresentative benchmark tests and unbalanced pricing. The combination of an inaccurate workload estimate and unbalanced pricing results in the highest cost overruns. In 1982, the General Services Administration (GSA) incorporated pricing clauses as part of its standard contract provisions to ensure that costs do not increase disproportionately. However, agencies need assistance from GSA in interpreting vendor cost proposals. In over half of the contracts which GAO reviewed, management had not controlled cost by establishing procedures to account for and allocate all costs of data processing to the end users according to the service received. Management also tended to renew contracts through the system life and beyond, even when costs were significantly higher than original evaluations. GAO also found that, if all users paid a small percentage of their monthly invoices into the Automatic Data Processing Revolving Fund, GSA could provide more service in that procurement area.

Recommendations to Agencies: The Administrator of General Services should assist agency management in reducing teleprocessing services costs by changing FPR 1-4.1203(f) to read: "Increased requirements beyond 25 percent of those specified in the base year or each option year individually in the contract shall be deemed requirements outside the scope of this paragraph and shall require a new APR submission."

Status: Action completed.

Heads of Federal agencies should improve benchmark tests by maintaining monthly usage statistics for ongoing contracts to build a foundation for accurate workload estimates.

Status: Action in process.

Heads of Federal agencies should seek consultation with GSA during cost evaluation to avoid unbalanced pricing.

Status: Action in process.

Heads of Federal agencies should seek to replace sole-source contracts through competitive procurement in all possible cases.

Status: No action initiated. Date action planned not known.

Heads of Federal agencies should take appropriate and timely action when cost overruns occur and evaluate cost versus marketplace at each option point to comply with FPR 1-4.1206.

Status: No action initiated. Date action planned not known.

Heads of Federal agencies should adopt cost accounting and chargeback according to Office of Management and Budget Circular A-121 to ensure that costs for service are passed back to users.

Status: Action in process.

Agency Comments/Action

GSA responded to this report with a letter to the Comptroller General dated September 29, 1983. GSA is taking action with respect to three of the report recommendations. One action, Amendment 5 to the Teleprocessing Services Program, is intended to improve the economy and efficiency of teleprocessing services acquisition. Another action, Temporary Regulation 1-4.1209(E), scheduled for issuance in April 1984, addresses management control of costs for service. The regulation incorporates many of the GAO recommendations in that area, such as allocation of costs to end users and reporting of costs over 25 percent of contract estimates to the requiring and senior officials.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

CONTRACTS

Contract Overpriced Because of Duplicate Labor Hours and Excessive Material Pricing Rates (PLRD-83-93, 7-7-83)

Department of the Army

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: P.L. 87-653.

GAO reviewed the pricing of a contract awarded by the Army Missile Research and Development Command.

Findings/Conclusions: GAO found that the contract target price was overstated by \$472,000 because: (1) the contractor submitted cost data resulting in the Government's accepting duplicate fabrication and assembly hours for a number of major assemblies; and (2) the contracting officer did not rely on the most recent contractor cost data available in negotiating material attrition and line flow material rates. The overstatement in the target price resulted in increased costs to the Government totaling \$265,000.

Recommendations to Agencies: The Commander, U.S. Army Missile Command, should determine the extent to which the Government is entitled to price adjustment for the duplicate card cage labor hours.

Status: Action in process.

The Commander, U.S. Army Missile Command, should determine what action is needed to preclude future accept-

ance or negotiation of material attribution and line flow material rates higher than indicated by the contractor's most recent costs data.

Status: No action initiated. Date action planned not known.

Agency Comments/Action:

Army officials said that, effective July 27, 1983, the contracting officer was unilaterally reducing the price of contract-0042 by \$77,000. This is less than one-third of the amount of defective pricing identified during the GAO review. The contractor's counsel advised GAO on October 28, 1983, that the company filed an appeal with the Armed Services Board of Contract Appeals. To date, no decision has been made on the appeal. In February 1984, the Department of Defense informed GAO that it was not satisfied with the Army's response and that it is currently waiting to obtain more information which it believes would be more responsive to the GAO report.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Consolidated Space Operations Center Lacks Adequate DOD Planning (MASAD-82-14, 1-29-82)

Departments of Defense and the Air Force, General Services Administration, and National Aeronautics and Space Administration

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: Aeronautics and Space Act (P.L. 85-568). Department of Defense Reorganization Act of 1958 (P.L. 85-599). P.L. 96-226. DOD Directive 5160.32. DOD Directive 7920.1. DOD Directive 7920.2. Presidential Directive 37. Presidential Directive 42. OMB Circular A-109.

GAO was requested to evaluate the planning and development approach for the Department of Defense (DOD) Consolidated Space Operations Center (CSOC). Specifically, GAO provided information on the: (1) evolution of evaluation criteria and inconsistencies in their application; (2) unique operational and organizational factors bearing on final site selection; (3) possible legal ramifications of the manner in which State of Colorado land is being procured for CSOC use; (4) viable alternatives to the currently planned site construction, including a recommendation of the most cost-effective alternative; and (5) other potential cost savings related to this project which might be available to the Air Force.

Findings/Conclusions: Although GAO found weaknesses that would make the site selection methodology questionable, GAO believes that the site finally selected is technologically acceptable and has no recommendation for a better alternative location. DOD, while given the overall responsibility for military operations in space, has failed to designate a single manager who would provide clear and authoritative guidance. Instead, DOD has delegated authority and responsibility in such a manner that a large number of organizations now have operational planning and control of individual space programs. This could result in future duplication of assets and operational conflicts. The Air Force has the responsibility only for the development of CSOC. GAO found that it is following vague policy guidance and a developmental approach hastily implemented to achieve only short-term objectives. Further, GAO found that the Air Force deviated from standard development and procurement procedures. CSOC planning is in its formative stages, lacks order and direction, and is being done by several organizations. This may result in cost overruns, schedule slippages, and ultimately in less than the required capability. Because of its hastily developed implementation plan, the

Air Force has not adequately explored cost savings alternatives. The inclusion of other satellite control facilities, by functionally integrating them into CSOC, could effect substantial savings. In addition, GAO believes that significant cost savings are available by incorporating the Space Defense Operations Center into CSOC.

Recommendations to Agencies: The Secretary of Defense should take immediate action to designate a single manager for the management of military space development and operation.

Status: No action initiated. Affected parties intend to act. The Secretary of Defense should take immediate action to direct that the manager prepare an overall plan for the military exploitation of space. Included in this plan should be consideration of an interim Satellite Operations Complex in Colorado Springs, with a follow-on CSOC at such time as adequate planning is completed for a fully functional integrated system. Also, the CSOC implementation plan should be supported by an adequate cost-benefit analysis.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action:

Although the specific recommendations have not been implemented, DOD is taking action that is in the spirit of the GAO recommendations. For example, in November 1983, the Joint Chiefs of Staff recommended that a Joint or Unified Command be established for military operations in space. Subsequently, in February 1984, an Air Force general was selected to be chief of the joint planning staff for space which was being established by the Joint Chiefs. This should lead to the type of improved space planning described in the GAO report.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Agency Implementation of Cost Accounting Standards: Generally Good but More Training Needed (PLRD-82-51, 3-24-82)

Departments of Defense and Energy, and National Aeronautics and Space Administration

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: 4 C.F.R. 3. P.L. 91-379. D.A.R. App. O. DOD Instruction 5126.45.

GAO examined how certain agencies are implementing cost accounting standards which must be observed in both existing and future negotiated national defense contracts.

Findings/Conclusions: The Departments of Defense and Energy and the National Aeronautics and Space Administration (NASA) have developed generally adequate internal organizations to implement the standards. In addition, interagency organizations have been established to ensure the necessary cooperation among the agencies in implementing the standards. While new standards are no longer being promulgated, continuing implementation problems require that some organizational structure be retained to resolve these problems, to provide guidance in the area of cost measurement, and to ensure a uniform approach toward the standards and cost measurement in general. Agencies have generally made the standards, rules, and regulations available to their field offices in a timely manner. However, GAO found much duplication in the distribution and reproduction of this material which could be eliminated by using a single page reference to the Code of Federal Regulations to publish the cost accounting standards requirements. Some agencies involved in the procurement process should improve their cost accounting standards training process. This training should be required of all procurement personnel who will be involved with national defense contracts, and advanced training should be made available to personnel designated as experts. The formal recognition of experts and the prescription of appropriate training programs are matters needing further attention. The quality of information in the Federal procurement data bank needs improvement since it contains errors regarding cost accounting standards clauses.

Recommendations to Agencies: The Secretaries of Defense and Energy and the Administrator of NASA should eliminate appendix O of the Defense Acquisition Regulations or comparable agency procurement regulation appendixes and insert one page citing Title 4, Chapter III of the Code of Federal Regulations as a source of reference for the cost

accounting standards. The need to reprint all of the standards in the relevant procurement regulations could thus be avoided.

Status: Recommendation no longer valid/action not intended. *DOE states that it is in compliance with the recommendation. DOD does not agree with the recommendation. NASA will follow the DOD lead.*

The Secretaries of Defense and Energy and the Administrator of NASA should require cost accounting standards training as part of the entry-level training for all series GS 1102 contract management and procurement personnel who will be involved with national defense contracts.

Status: Action in process.

The Secretaries of Defense and Energy and the Administrator of NASA should provide advanced training, such as a 2-week training course in cost accounting standards, to administrative contracting officers charged with the responsibility of dealing with cost accounting standards issues.

Status: Action in process.

The Secretaries of Defense and Energy and the Administrator of NASA should strengthen their internal controls to increase the accuracy and reliability of contract data recorded on forms currently sent to the Federal Procurement Data Center.

Status: Action in process.

Agency Comments/Action

The agencies concur overall and have initiated actions to comply with the recommendations. These actions are of a continuous nature with no completion date as such. They include: (1) reactivation of the DOD Working Group; (2) a proposal to establish a DOD/Cost Accounting Standards (CAS) Board; (3) revision of the basic NASA procurement course to include a section on CAS laws and regulations; (4) establishment of a new procurement assistance data system at the Department of Energy (DOE) to reduce procurement reporting errors; and (5) giving contracting officers priority in attending an advanced CAS course (DOE).

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Establishing Goals for and Subcontracting With Small and Disadvantaged Businesses Under Public Law 95-507 (PLRD-82-95, 6-30-82)

Department of Defense, General Services Administration, Office of Federal Procurement Policy, and Small Business Administration

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: P.L. 95-507.

In response to a congressional request, GAO reviewed the small and disadvantaged business subcontracting program under Public Law 95-507, which essentially requires that all Government contracts in excess of \$500,000, or \$1 million for construction contracts, contain a contractor's plan for subcontracting with small and disadvantaged businesses. In addition, GAO reviewed agency procedures for establishing small business prime contracting and subcontracting goals.

Findings/Conclusions: GAO found that contracting officers are generally obtaining subcontracting plans. However, Department of Defense (DOD) contracting officers did not require 18 prime contractors to submit such plans. Of these, two contractors were granted exemptions because of longstanding contractual relationships with their suppliers. This exemption is allowed by Defense Acquisition Regulations (DAR). Small Business Administration (SBA) determinations that subcontracting plans were not acceptable were questionable for 23 of the 161 cases reviewed. In addition, cases which SBA considered unacceptable are acceptable when reviewed using DAR guidance. SBA determinations that some prime contractors did not comply with subcontracting plans were valid. However, SBA did not always send contract administrators its determination reports. Because SBA did not attribute contractors' failure to achieve plans to a lack of good faith, contracting officers took no adverse actions against the contractors. DOD and the General Services Administration (GSA) used sound estimating procedures and methodology in establishing small business prime contracting goals. Likewise, the DOD small and disadvantaged business subcontracting goals were soundly based. However, because of unclear guidance, the GSA small and disadvantaged business subcontracting goals for fiscal years 1981 and 1982 did not consider subcontracting opportunities for prime contractors under \$500,000.

Recommendations to Agencies: The Administrator of OFPP and the Secretary of Defense should resolve the differences between OFPP policy and the DAR on prime contractors' responsibilities when subcontractors are required to submit plans for contracting with small and disadvantaged businesses.

Status: Action completed.

The Administrator, SBA, should clarify guidelines on the dollar value of prime contracts that should be included in establishing small and disadvantaged business subcontracting goals.

Status: Action completed.

The Administrator of OFPP and the Secretary of Defense should resolve the differences between OFPP policy and the DAR on whether contractors can be exempted from submitting plans when they have longstanding contractual relationships with their suppliers.

Status: Action in process.

The Administrator, SBA, should make certain that final non-compliance reports are sent to contract administration officers.

Status: Action completed.

The Secretary of Defense and the Administrator of the Office of Federal Procurement Policy (OFPP) should resolve the differences between OFPP policy and the DAR on prime contractors' responsibilities when subcontractors are required to submit plans for contracting with small and disadvantaged businesses.

Status: Recommendation no longer valid/action not intended. *DOD states that: (1) there is no statutory requirement for subcontractors to submit their subcontracting plans for a prime contractor's approval nor for the prime contractor to approve the subcontractor's subcontracting plans; and (2) both the DAR and law require that the prime contractor must give assurances that the subcontractor will adopt a plan.*

The Secretary of Defense and the Administrator of OFPP should resolve the differences between OFPP and the DAR on whether contractors can be exempted from submitting plans when they have longstanding contractual relationships with their suppliers.

Status: No action initiated. Date action planned not known.

Agency Comments/Action:

SBA now requires that notification of findings of compliance be forwarded to the administrative contracting officer of the agency that awarded the contract(s) concerned. OFPP requested that DOD delete DAR 1-707.3(d) which stipulates that the existence of subcontracting possibilities may be affected by potential contractors' longstanding contractual relationship with suppliers. OFPP stated that P.L. 95-507 and OFPP Policy Letter 80-2 do not address this exemption. However, in the final FAR this language has been incorporated for not only DOD, but also for all

Federal procurement activities to practice this form of exemption policy. DOD does not intend to take action and, as of February 16, 1984, had not responded to OFPP to resolve this issue.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Proposals for Minimizing the Impact of the 8(a) Program on Defense Procurement (PLRD-83-4, 10-12-82)

Departments of Defense and the Army, and Small Business Administration

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: Small Business Act (15 U.S.C. 637(a)). P.L. 95-507. D.A.R. 1-705.5(c)(1). D.A.R. 1-705.5.

GAO evaluated the impact of the Small Business Administration (SBA) 8(a) program on the Department of Defense (DOD), which is the program's largest participant, to: (1) determine whether procurement activities received fair market prices, acceptable quality, and timely delivery of goods and services procured through the 8(a) program; (2) identify any negative impacts and their causes; and (3) develop program improvements which would minimize negative impacts while allowing SBA to accomplish the program's mission.

Findings/Conclusions: GAO found that adequate information was not available to determine the full cost of the 8(a) program, because of the difficulty that procurement activities face in arriving at fair market prices in the absence of competition and a well-documented procurement history. Because of impediments to matching agency requirements with appropriate contractors, some participants fail to meet delivery schedules or to perform required work. Although GAO could not measure the full impact of the 8(a) program on DOD procurement, GAO found that it can result in higher contract prices, lost progress payments, unproductive use of supply center procurement funds, supply shortages, and/or extensive administrative efforts.

Recommendations to Congress: Congress should consider a modified 8(a) set-aside program to introduce the competitive bidding process missing from the present 8(a) program.

Status: Action in process.

Congress should consider altering the 8(a) program to permit a direct contracting approach between DOD and the 8(a) firm.

Status: Action in process.

Congress should consider providing authority to the executive branch, permitting the President to designate one or more agencies (including at least one service branch of DOD), to implement the option(s) of competitive set-asides and direct contracting on a trial basis.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Administrator of SBA should revise Standard Operating Procedure 80-05 to require that SBA: (1) commit itself to providing necessary assistance before it enters into a contract with DOD; and (2), if adequate assistance cannot be located expeditiously, immediately return the requirement to the procurement activity.

Status: Action completed.

The Secretary of Defense should revise Defense Acquisition Regulation (DAR) 1-705.5 to state that fair market price

determinations, properly computed, are the responsibility of the procurement activity and are not to be negotiated with SBA.

Status: Action in process.

The Secretary of Defense should revise DAR 1-705.5 to state that, when a fair market price cannot be determined, the contracting officer will document the circumstances which prevent such a determination. The contracting officer will then perform a cost analysis of the contractor's proposal, identifying any excessive costs which should be reimbursed by SBA.

Status: Action in process.

The Secretary of Defense should revise DAR 1-705.5 to state that, in determining a fair market price, a contracting officer may consider the lowest price received on previous procurements, unsolicited proposals, and competitive bids.

Status: Action in process.

The Secretary of Defense should revise the DOD regulations on preawards so they are stated in positive terms; that is, if a contracting officer believes a preaward survey is desirable, he/she should request one.

Status: Action in process.

The Secretary of Defense should instruct procurement officials not to rely on the SBA competency certification for 8(a) contracts as evidence of a contractor's suitability to perform. Procurement activities should evaluate prospective 8(a) firms to ensure that all parties are aware of any contractor deficiencies and corrective actions are taken by SBA prior to award.

Status: Action completed.

The Secretary of Defense should revise DAR 1-707.5 to specify the steps and timeframes that DOD contracting officers should follow in resolving performance problems.

Status: Action in process.

Agency Comments/Action

On January 13, 1983, DOD reiterated its concurrence with the report's recommendations. It provided GAO with a copy of a report sent to the DAR council containing three revisions to paragraph 1-705-5 of the DAR: (1) clarification of instructions for determining fair market prices; (2) the need for preaward evaluations of nominated 8(a) contractors; and (3) guidance concerning timely resolution of postaward problems on 8(a) contracts. On July 1, 1983, DOD informed GAO that there are pressures to

change the fair market price criteria to a fair and reasonable price, effectively negating three of the recommendations. However, on February 15, 1984, DOD said that the DOD/IG wants to incorporate the three recommendations on fair market price in the DOD supplement to the FAR. The supplement, which will be issued shortly, may also address the GAO recommendation on resolving performance problems. The GAO recommendation on preaward surveys has been incorporated in the final FAR. Congressional consideration remains open as SBA considers ways to revamp the program. SBA concurs with the recommendation made to it and is incorporating this change in the revised SBA SOP-80-05 which was confirmed on September 22, 1983.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Poor Procurement Practices Resulted in Unnecessary Costs in Procuring M1 Tank Spares (PLRD-83-21, 1-18-83)

Departments of Defense and the Army

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

GAO examined sole-source negotiated procurements for M1 tank spare components.

Findings/Conclusions: GAO found that, in its procurement of M1 tank spares, the Government incurred unnecessary costs because the contracting officer: (1) accepted ceiling prices for spares negotiated on a sole-source basis before obtaining cost or pricing data and then failed to change the ceiling prices once the cost data were received; (2) combined the sole-source spare ceiling prices with the one competitively established in the original contract; and (3) permitted inappropriate transfers of spares to other contracts. The last two actions resulted in decreasing the contractor's risk of exceeding the ceiling on the original contract price and in allowing the contractor an opportunity to recoup \$5.6 million in costs to which it was not otherwise entitled. In addition, the contracting officer did not prepare and maintain memorandum records of negotiations as required by the Defense Acquisition Regulations (DAR).

Recommendations to Agencies: The Secretary of Defense should direct the Director, Defense Acquisition Regulatory Council, to strengthen Defense guidance on fixed-price incentive contracts by identifying circumstances which preclude combining ceiling prices under an existing contract

with those established under modifications to those contracts, especially when the contract costs will exceed, or are expected to exceed, the target prices.

Status: No action initiated. Affected parties intend to act.

The Secretary of Defense should direct the Secretary of the Army to instruct M1 contracting officers of the importance of complying with the requirement in the DAR to prepare and maintain adequate memorandum records of the negotiations which demonstrate that the negotiated prices were fair and reasonable.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

DOD provided GAO with an interim response on March 16, 1983. It stated that, because of the seriousness of the charges, it would need additional time to look into the matter and prepare a detailed response. On February 16, 1984, DOD advised that a response would be issued shortly.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Assessment of Admiral Rickover's Recommendations To Improve Defense Procurement (PLRD-83-37, 1-27-83)

Department of Defense

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: Armed Services Procurement Act. Contract Disputes Act of 1978. P.L. 85-804. P.L. 97-219. S. Rept. 95-1118.

Pursuant to a congressional request, GAO reviewed recommendations by Admiral Hyman G. Rickover, USN retired, to improve Department of Defense (DOD) operations.

Findings/Conclusions: Admiral Rickover's recommendations are in three areas: (1) the utilization of resources; (2) the conduct of procurements; and (3) the resolution of contractual conflicts. His recommendations for resource utilization cover three topics: avoiding hasty labor buildups in shipyards; restarting nuclear ship construction in a Navy-owned yard; and withdrawing financial support for industry-initiated research and development. The admiral believes that labor buildups in private shipyards were a cause of the large shipbuilding claims of the past decade. DOD agrees with the admiral's assessment and plans to contract only with those firms that have sufficient skilled labor. GAO stated that this approach was unreliable for two reasons: (1) disagreement over shipbuilding capacity; and (2) a frequent lack of alternative sources. GAO also disagreed with the admiral's conclusions regarding in-house construction and industry-initiated research and development. The principal theme in Admiral Rickover's recommendations for improving the conduct of procurement was that the Government should use more leverage and business judgment and be a more demanding customer in its dealings with contractors. GAO agreed with the thrust of the admiral's recommendations regarding procurement and stated that performance should be emphasized in awarding new contract work. With regard to contractual conflicts, GAO agreed with the admiral's assertion that a time limit on claims submission is necessary and that steps should be taken to facilitate prosecution of contractors when fraud is suspected.

Recommendations to Congress: The House Committee on Appropriations, Subcommittee on Defense, should require DOD, as part of its annual report, to include an assessment of: (1) the extent of future buildup problems; and (2) the actions needed to best utilize existing nuclear industrial base capacity.

Status: No action initiated. Date action planned not known.

The House Committee on Appropriations, Subcommittee on Defense, should require the Secretary of Defense to develop a policy addressing work stoppage and related Government financing in situations where the present policy of termination and reprocurement is not feasible, and submit legislation if necessary.

Status: No action initiated. Date action planned not known.

The House Committee on Appropriations, Subcommittee on Defense, should require the Secretary of Defense to develop a policy limiting the use of special incentive provisions

by specifying the conditions under which they may be appropriate.

Status: No action initiated. Date action planned not known.

The House Committee on Appropriations, Subcommittee on Defense, should encourage the Secretary of Defense to: (1) have high level DOD officials hold discussions with contractor officials prior to budget submission on important unresolved business issues relating to expected sole-source contracts for critical defense programs; and (2) specifically address important unresolved issues, especially on major shipbuilding contracts, as part of DOD prepared statements in testifying on the budget or in other communications with congressional committees when the Secretary deems appropriate.

Status: No action initiated. Date action planned not known.

The House Committee on Appropriations, Subcommittee on Defense, should: (1) closely monitor the Navy's revised program and have an outside panel of experts later on independently assess overall DOD program effectiveness; and (2) include in DOD agreements which support contractor-initiated research and development activities a provision giving the Government free use of any inventions derived.

Status: No action initiated. Date action planned not known.

The House Committee on Appropriations, Subcommittee on Defense, should monitor the effects of the current buildup through: (1) annual DOD assessments of existing nuclear industrial base capacity; and (2) actions needed to relieve the demand on and preserve the use of existing private yard capacity.

Status: No action initiated. Date action planned not known.

The House Committee on Appropriations, Subcommittee on Defense, should either propose legislation amending the Armed Services Procurement Act or ask the Secretary of Defense to modify the Defense Acquisition Regulation authorizing the award of contracts to other than the low offeror when, in the judgment of the department head, these conditions exist: (1) the Government does not have adequate assurance that it can prevent the contractor suspected of underbidding from recovering at the Government's expense through contract changes or noncompetitive followon contracts; and (2) acceptance of another offer is more likely to result in a lower cost to the Government. If legislation is enacted, the department head should be required to justify any use of this authority through certification to Congress.

Status: No action initiated. Date action planned not known.

The House Committee on Appropriations, Subcommittee on Defense, should obtain additional views on the appropri-

ate time period and propose legislation which would: (1) prohibit payment of public funds for claims not submitted, documented, and certified within a specified time; and (2) require contractors to notify the Government promptly of actions or inactions which they feel constitute a change to the contract as well as provide a release from claims at prescribed intervals.

Status: Action in process.

The House Committee on Appropriations, Subcommittee on Defense, should require the Secretary of Defense to report to the appropriate congressional committees on the specific DOD changes which occur as a result of the recent efforts to increase use of prior performance in awarding contracts. The report should assess the effectiveness of those changes.

Status: No action initiated. Date action planned not known.

Congress should consider requiring DOD to establish, in consultation with the Department of Justice, claims handling procedures and standards for the future that discourage false claims, make evaluation easier, and facilitate prosecution where fraud is suspected.

Status: No action initiated. Date action planned not known.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Congress Should Consider Repeal of the Service Contract Act (HRD-83-4, 1-31-83)

Departments of Defense and Labor, General Services Administration, Office of Federal Procurement Policy, Office of Management and Budget, and National Aeronautics and Space Administration

Budget Function: Education, Training, Employment, and Social Services: Other Labor Services (505.0)

Legislative Authority: Service Contract Act of 1965 (41 U.S.C. 351 et seq.). Davis-Bacon Act (Wage Rates). Fair Labor Standards Act of 1938 (29 U.S.C. 201 et seq.). Walsh-Healey Act (Government Contracts). 29 C.F.R. 4. 29 C.F.R. 4.163. Executive Order 12291. P.L. 92-473. H.R. 10238 (89th Cong.). *Descomp Inc. v. Sampson*, 377 F. Supp. 254 (D. Del. 1974).

GAO reported on the problems and impacts of the Service Contract Act of 1965, as amended, and its implementing regulations and procedures as administered and enforced by the Department of Labor.

Findings/Conclusions: GAO found that Labor has been unable to administer the Service Contract Act efficiently and effectively because: (1) inherent problems exist in its administration; (2) wage rates and fringe benefits set under the act are generally inflationary; (3) accurate determinations of prevailing wage rates and fringe benefits cannot be made using existing data sources and the data needed to accurately determine prevailing wage rates and fringe benefits would be very costly to develop; and (4) the Fair Labor Standards Act and administrative procedures implemented through the Federal procurement process could provide a measure of wage and benefit protection the act now covers. Pending proposed regulations would limit Labor's application of the act while leaving unresolved the major underlying problems in accurately developing prevailing wage rates and fringe benefits. In addition, ambiguities in the language of the act have hampered Labor's ability to develop accurate wage rates and fringe benefits for employees. Amendments to the act further complicated Labor's task by requiring Labor to issue collectively bargained wages and benefits in specific successor contractor situations and give due consideration to Federal employee wages and benefits in making determinations of the prevailing wages and benefits in a locality.

Recommendations to Congress: Congress should consider repealing the Service Contract Act of 1965.

Status: No action initiated. Date action planned not known.

Congress should consider amending section 6(e) of the Fair Labor Standards Act to ensure continued Federal minimum wage coverage for all employees of employers providing contract services to the United States or the District of Columbia.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Administrator for Federal Procurement Policy should, if the Service Contract Act is repealed, encourage Federal agencies to include provisions in their procurement regulations and service contracts, similar to those already required for professional employees, to discourage wage busting of all service employees on Federal service contracts. The Administrator should monitor the impact of the repeal on service contract employees. If he determines that repeal of the Service Contract Act has an adverse impact on the employees, the Administrator should develop administrative policies or legislative recommendations to deal with the problem.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

No action has been taken as of February 17, 1984, on the recommendations to the Administrator of Federal Procurement Policy because implementation is dependent upon repeal of the Service Contract Act. According to the Office of the Inspector General, the Department of Labor chose not to respond to the report because none of the recommendations were directed to the Secretary of Labor. Nevertheless, Labor in October 1983 issued revised Service Contract Act regulations which were to take effect December 27, 1983. But on December 2, the AFL-CIO filed suit to prohibit Labor from implementing the regulations, and Labor postponed the effective date of the regulations to January 27, 1984. On January 27, a district court upheld Labor's proposed changes, but the AFL-CIO immediately appealed the decision. As of February 17, 1984, the U.S. Court of Appeals had not ruled on the appeal, and Labor has not issued the revised regulations. Although Labor's proposed changes are far short of repeal, the first option of GAO, they correct or alleviate some of the contract coverage and certain program administration problems GAO identified and, if properly implemented, result in significant savings.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Army Actions To Resolve Issues Affecting Procurements of Automated Calibration Equipment (PLRD-83-35, 2-11-83)

Department of the Army

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: A.R. 15-6.

In response to a congressional request, GAO provided a followup report on allegations of improper Army procurements for automated calibration equipment by Julie Research Laboratories, Incorporated (JRL).

Findings/Conclusions: Since the first report, the Army has performed a number of investigations, studies, and tests to evaluate its calibration and repair program. Two separate Army investigations confirmed the need for accurate workload data and disclosed management problems affecting calibration equipment procurements to such an extent that JRL was misled or adversely affected. Technical teams evaluated the JRL system in a laboratory-type environment, but these evaluations were inconclusive concerning whether the JRL system satisfied field Army needs. After a November 1981 congressional hearing, the Army acknowledged that JRL had not received fair treatment. The Army promised to correct this and conduct a fair and objective test to evaluate various automated calibration systems. To fulfill this promise, the Army asked interested contractors for proposals on a two-step procurement of automatic meter calibration equipment. In the first step, the Army was to buy and test off-the-shelf commercial equipment. In the second step, the Army was to purchase larger quantities of automatic meter calibrators. The Army limited the first solicitation to low accuracy meters only. JRL did not partici-

pate in this solicitation because it continues to believe the Army is doing every thing possible to avoid purchasing its automated calibration system.

Recommendations to Agencies: The Secretary of the Army should cancel the second step of the so-called "buy one and test" two-step procurement of automated meter calibration systems until the issue of whether or not automated calibration equipment to be used in the field Army is economical and effective has been resolved.

Status: Action in process.

Agency Comments/Action

On April 11, 1983, DOD advised GAO that its response was being actively worked on but would not be completed in time to meet the 60-day requirement. DOD told GAO that it would issue a comprehensive reply as soon as it is completed. The DOD response was still not available as of June 9, 1983, when the Senate Committee on Governmental Affairs held an oversight hearing on the Army's Test, Measurement and Diagnostic Equipment Program. On February 14, 1984, DOD advised GAO that its response is in final processing and should be issued shortly.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Improved Energy Management in the Facility Design Process Should Reduce Operating Costs for DOD (PLRD-83-46, 4-8-83)

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

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: Executive Order 12003. P.L. 92-582.

GAO reported on the Department of Defense (DOD) effort to design energy-efficient buildings for military use and the need for improved procedures in this regard.

Findings/Conclusions: GAO found that energy management methods used by DOD in the design process do not ensure that the most economical, energy-efficient, new buildings are being built for military use. While DOD has developed energy guidelines, set energy usage objectives, and required energy analyses of designs to reduce energy usage in facilities, these actions are not ensuring that energy reduction goals are being met. GAO found that: (1) energy budgets do not provide a means for determining whether design goals have been met; (2) energy guidelines are inconsistent among the services, and the Army and the Navy implement conservation requirements differently; (3) energy analyses are not always submitted by the architect-engineer, those received are not being adequately reviewed, and the Army and Navy construction agencies are not ensuring that errors in them are corrected; and (4) the Army and the Navy are not always ensuring that firms hired have the expertise needed to design energy-efficient facilities.

Recommendations to Agencies: The Secretary of Defense should require that the Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics develop and issue new DOD energy budgets for the various building types and climatic zones and rescind the interim budgets.

Status: Action in process.

The Secretary of Defense should require that the Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics issue guidance to the services clearly describing all the factors and assumptions used to calculate budgets and how they are to be used.

Status: Action in process.

The Secretary of Defense should require that the Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics require the services to perform additional energy analyses to take into account local environmental conditions, operations, and special project characteristics not considered in the budgets which might significantly affect energy usage.

Status: Action in process.

The Secretary of Defense should require that the Assistant Secretary of Defense for Manpower, Reserve Affairs, and

Logistics give the services technical assistance in implementing energy budgets.

Status: Action in process.

The Secretary of Defense should require that the Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics require services to report to the Deputy Assistant Secretary of Defense for Installation and justify instances when the estimated energy usage for a design deviates from its energy budget by 15 percent.

Status: Action in process.

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to consolidate, for easy reference, all the energy conservation requirements applicable to facility designs.

Status: Action in process.

The Secretaries of the Army and the Navy should direct the Chief of Engineers, Army, and the Commander, Naval Facilities Engineering Command (NAVFAC), to establish controls to ensure that required energy analyses are submitted.

Status: Action in process.

The Secretaries of the Army and the Navy should direct the Chief of Engineers, Army, and the Commander, NAVFAC, to establish quality assurance procedures over energy analyses to ensure that all are properly reviewed for completeness and reasonableness and that design firms correct all significant errors and omissions in them.

Status: Action in process.

The Secretaries of the Army and the Navy should direct the Chief of Engineers, Army, and the Commander, NAVFAC, to state, when appropriate, that energy conservation expertise is a significant factor in the selection process and require that such expertise be evaluated during the selection process when the contract requires an energy analysis.

Status: Action in process.

The Secretaries of the Army and the Navy should direct the Chief of Engineers, Army, and the Commander, NAVFAC, to identify training needs of staff in energy analyses training.

Status: Action in process.

Agency Comments/Action

DOD has reported that action is being taken to implement all of the GAO recommendations. The estimated date of completion of all action and the implementation of new instructions has slipped from October 1983 to April 1984.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Air Force Breakout Efforts Are Ineffective (PLRD-83-82, 6-1-83)

Department of the Air Force

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

Legislative Authority: A.F.R. 57-6.

GAO reviewed the effectiveness of efforts at the Oklahoma City Air Logistics Center (OC-ALC) to implement the Air Force High Dollar Spare Parts Breakout Program.

Findings/Conclusions: GAO believes that the Air Force is not breaking out, for maximum practicable competition or direct purchase, the high dollar value spare parts supplied by a large prime contractor. GAO stated that breakout efforts have been limited because of lack of information regarding the actual manufacturers of the parts and uncertainty about the Government's rights to use technical data prepared by a prime contractor. Further, GAO believes that if the Air Force would develop better ways of identifying actual manufacturers, it could purchase directly from them. Specifically, GAO found that, although aircraft engine replenishment spare parts account for about 7.5 percent of the spare parts that OC-ALC buys from a prime contractor, they represent about 76.6 percent of the procurement dollars. Thus, by avoiding the prime contractor's markup and reducing production leadtime by direct purchase of a portion of these relatively few parts, OC-ALC could maximize savings.

Recommendations to Agencies: The Secretary of the Air Force should improve the effectiveness of the High Dollar Spare Parts Breakout Program by directing all appropriate Air Force units to rescreen all spare parts with procurement method codes of 3, 4, and 5, initially concentrating on procurements due to occur in the near future that come under the definition of the high dollar value replenishment spare parts in the breakout regulation, and establish procedures for identifying actual manufacturers of such parts scheduled for sole-source procurement from the prime contractor. Actual manufacturers, other than prime the contractor, should be contacted and a determination made as to their capabilities for supplying the parts direct to the Air Force.

Status: Action in process.

The Secretary of the Air Force should improve the effectiveness of the High Dollar Spare Parts Breakout Program by directing all appropriate Air Force units to include in all future aircraft engine contracts or contracts for major components where high dollar value spare parts are likely to be purchased a clause that requires: (1) the identification of part manufacturers and suppliers at the time of the initial

acquisition; (2) notification of changes in manufacturers and suppliers during the life of the contract; and (3) if the prime contractor fails to make a good faith effort to meet these requirements, any limited rights markings on technical data related to the parts may be canceled or ignored by the contracting officer.

Status: Action in process.

The Secretary of the Air Force should improve the effectiveness of the High Dollar Spare Parts Breakout Program by directing the Commanding Officer of OC-ALC to establish the identity of the actual manufacturer of an engineering critical high dollar value replenishment spare part. If there is doubt as to the propriety of the "engineering critical" designation, the Commanding Officer should ask the prime contractor to justify the designation. If the prime contractor refuses or fails to substantiate the claim, the Commanding Officer should initiate action to remove the restrictive markings.

Status: Action in process.

Agency Comments/Action

The Under Secretary of Defense for Research and Engineering sent a letter to GAO on September 15, 1983, stating that it is DOD policy to reduce the cost of spare parts through breakout, but efforts have been impeded by data rights problems, an inability to identify contractors, and a shortage of personnel. In November 1983, the Air Force Management Analysis Group (AFMAG) on spare parts procurement reported that: (1) the Air Force is vulnerable to overpricing on \$300 million; (2) thousands of people would be needed to determine the extent of overpricing; (3) economical prices result from competition; and (4) the status of data was unknown on 39 percent of parts assigned to parts management centers, missing on 16 percent, and proprietary on 8 percent. AFMAG recommended that each item be screened for price reasonableness and breakout potential. The Air Force has established a fiscal year 1984 goal to break out 30 percent of the value of vendor-produced items from the prime. The award in February 1984 of 75 percent of the new aircraft engine buy to General Electric was partially based on General Electric's making data available for competitive procurement.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

Contract Pricing in the Meals-Ready-To-Eat Program (NSIAD-83-29, 8-8-83)

Defense Logistics Agency

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

GAO examined the pricing of a contract for the assembly of individual combat meal packages awarded by the Defense Personnel Support Center (DPSC).

Findings/Conclusions: The contract was the first in a series of contracts awarded to the same firm for the assembly of the meal packages, called Meals-Ready-To-Eat (MRE). GAO found evidence that the DPSC did not follow sound procurement practices in negotiating the contract. For example, it awarded a fixed-price contract even though the contractor was a newly formed division with no production history. DPSC deviated from the Government's usual practice by agreeing to directly reimburse the contractor for leasehold improvements to a production facility, and it did not try to increase competition for the program by telling other contractors in the request for proposals that it was willing to directly reimburse for investments in facilities. In addition, DPSC did not follow all of the requirements of Defense Acquisition Regulations in preparing memorandum records of negotiations; the memorandums did not adequately demonstrate the reasonableness of the negotiated prices, the appropriateness of demands and concessions made in negotiations, or the extent to which the Government's interests were protected. DPSC obtained a waiver from following the weighted profit guidelines, but the data supporting the basis for the waiver were incomplete. GAO believes that these poor procurement practices, coupled with audit data that should have been considered, led to acceptance of significantly overstated costs, an allowance of greater profit rate than permitted by the weighted guidelines, and direct payment to the contractor for leasehold improvements to an assembly building.

Recommendations to Agencies: The Director, Defense Logistics Agency, should direct DPSC to: determine the extent to which the Government is entitled to a price adjustment on this contract; request that an audit be made to review the pricing of the other MRE program contracts to identify any overpricing or defective pricing and obtain appropriate price adjustments where indicated; ensure that its proposed pricing data evaluation on future MRE contracts includes an analysis of the acceptability of the contractors' estimated costs, which should eliminate overpricing and defective pricing such as discussed in this report or identified in the recommended review; and ensure that the contracting officer prepares and maintains accurate and complete records of negotiations as required by the Defense Acquisition Regulations.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The Chairman of the Legislation and National Security Subcommittee of the House Committee on Government Operations wrote to the Secretary of Defense on September 7, 1983, and requested an investigation of the examples cited in the GAO report to determine whether they were normal procurement practices within the Department of Defense (DOD) and whether any price adjustment was made by DOD on the contract. On November 29, 1983, the Secretary of Defense notified the Chairman that DOD was still in the process of reviewing and assessing the GAO report and would provide formal comments to GAO. The Secretary anticipated that comments would be provided during February 1984.

DEPARTMENT OF DEFENSE - PROCUREMENT AND CONTRACTS

PROCUREMENT

How Selected DOD Consolidation Efforts Affected Small Business Opportunities (NSIAD-83-30, 8-12-83)

Department of Defense

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)

GAO was asked to review recent Department of Defense (DOD) procurement practices that may be running contrary to longstanding procurement principles.

Findings/Conclusions: GAO believes that consolidated procurements have the potential for limiting prime contract awards to small business firms and may not always result in the lowest cost to the Government. GAO concerns are that: (1) decisions to consolidate procurements are made without performing adequate economic analyses; (2) when major commands decide on consolidation or a regional approach during the procurement planning stage, a local procurement activity's small disadvantaged business utilization specialist will find it difficult to carry out his function of identifying requirements for a small business to perform; and (3) procurement activities may be placing an overreliance on subcontracting opportunities for small businesses to compensate for loss of opportunity on prime awards. GAO also believes that an any-or-all procurement approach, which would allow firms to submit proposals to perform the total requirement or individual components of the total requirement, offers more opportunity for small business participation and yet still allows the contracting officer to obtain the lowest cost to the Government.

Recommendations to Agencies: The Secretary of Defense should task the Director of the DOD Small and Disadvantaged Business Utilization Office to review policies and practices related to consolidated procurement and determine if the factors GAO identified as inhibiting small business opportunities in these two cases are systemic within DOD.

Status: No action initiated. Date action planned not known.

When economy is the critical factor in determining the most desirable procurement approach, DOD should consider adopting the following approach: unless cost analysis demonstrates that the all-or-none approach can be expected to be less costly, the contracting officer should use the

any-or-all approach because it allows the contracting officer to rely on the marketplace to determine the most cost-effective award or combination of awards and provides maximum opportunity for small firms to participate a prime contractors.

Status: No action initiated. Date action planned not known.

When economy is the critical factor in determining the most desirable procurement approach, DOD should consider adopting the following approach: the small and disadvantaged business utilization specialist at an activity should participate during the requirements determination process to ensure that, when proposed, the all-or-none approach is justified by the expected cost savings or, lacking such a basis, that the any-or-all approach is followed instead.

Status: No action initiated. Date action planned not known.

When economy is the critical factor in determining the most desirable procurement approach, DOD should consider adopting the following approach: the Director of the DOD Small and Disadvantaged Business Utilization Office should develop a methodology, which should be followed when the contracting officer determines that it is cost effective to award an entire package to a large firm, for encouraging prime contractors to subcontract work to small firms.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

On October 19, 1983, DOD reported that it could not complete its response in time to meet the 60-day requirement but that it was "being actively worked on." On February 17, 1984, DOD indicated that it had postponed writing a response until it can resolve questions on earlier reports.

MILITARY PAY

ACCOUNTING SYSTEMS

Computation of Cost-of-Living Allowances for Uniformed Personnel Could Be More Accurate (FPCD-82-8, 2-25-82)

Department of Defense

Budget Function: General Government: Central Personnel Management (805.0)

GAO reviewed the methodology used to compute cost-of-living allowances (COLA's) for Federal personnel because there were concerns about its appropriateness.

Findings/Conclusions: GAO found that the Department of Defense (DOD) uses an out-dated spendable income table on which to base COLA payments and adjustments for environmental factors resulting in undercompensation for some uniformed personnel and overcompensation for others. DOD, the Department of State, and the Office of Personnel Management administer COLA programs for uniformed and Federal civilian employees in foreign and nonforeign areas, respectively. COLA's computed by these agencies are based on prices of a market basket of goods and services in the foreign or nonforeign area compared with prices of a similar market basket in the base area. The administering agencies divide the foreign or nonforeign average prices by the base area average prices to obtain a ratio. These item ratios are weighted by the relative importance of the expenditures they represent. Correcting several deficiencies in data collection and processing would insure that the COLA's more accurately reflect differences in prices. Data received from the field were inconsistently edited and incorrectly adjusted for timelags between base area and COLA area price surveys. DOD COLA's would be improved if sale prices were weighted to reflect the proportion of purchases made at sale and regular prices.

Recommendations to Agencies: The Secretary of Defense should use procedures which insure consistent use of price data in the cost-of-living allowance computations.

Status: Action completed.

The Secretary of Defense should use weighted sale prices to reflect the proportion of purchases made at sale and regular prices.

Status: Action completed.

The Secretary of Defense should discontinue the practice of adjusting cost-of-living allowances in Alaska to reimburse uniformed personnel for special environmental factors. If a

transfer allowance is considered necessary, DOD should propose legislation for such an allowance.

Status: Action in process.

The Secretary of Defense should use a scientific sampling system to make living pattern surveys and direct field offices to use the results of living pattern surveys as a basis for selecting outlets for the price surveys.

Status: Action completed.

The Secretary of Defense should revise the price collection schedule to minimize the timelag between base area and cost-of-living allowance area price surveys.

Status: Action completed.

The Secretary of Defense should adopt a spendable income table based on the most recent consumer expenditure survey.

Status: Action in process.

Agency Comments/Action

DOD said that the Per Diem, Travel, and Transportation Allowance Committee had been directed to: (1) use a scientific sampling system for living pattern surveys; (2) use procedures to ensure consistent use of price data; (3) revise the price collection schedule to minimize the timelag; and (4) use weighted price data. DOD said that use of the most recent spendable income table is appropriate, but the implementation of this recommendation will have to await funding. DOD estimates that it will require \$51 million. The recommendation will be adopted when funds become available through reprogramming. The staff of the Allowance Committee has recommended deleting environmental factors in the lower coastal areas of Alaska. This proposal is being considered at the Assistant Secretary level of the services and the Office of the Secretary of Defense. DOD may elect to eliminate environmental factors from all cost-of-living allowances and reimburse them through a transfer allowance as recommended.

MILITARY PAY

PERSONNEL SUPPORT SERVICES

Variable Housing Allowance: Rate Setting Criteria and Procedures Need To Be Improved (FPCD-81-70, 9-30-81)

Department of Defense

Budget Function: National Defense: Military Pay (051.3)

Legislative Authority: P.L. 96-343, 37 U.S.C. 403(a).

Pursuant to a congressional request, GAO evaluated the Department of Defense's (DOD) methods for computing fiscal years 1981 and 1982 variable housing allowances (VHA) which were authorized for qualified members of the uniformed services.

Findings/Conclusions: The GAO evaluation indicated that Congress needs to correct certain weaknesses in the VHA legislation, and DOD needs to correct certain procedural problems. GAO found that the basis DOD used to compute VHA rates is what service members say they are paying for housing. Such a basis introduces not only the potential for abuse, but also for uncontrolled cost growth that will not be visible to Congress until after it has occurred. Also, GAO stated that it is questionable whether, in the early years of the program, this method will enable service members to obtain adequate housing. GAO believes that a better basis for establishing a housing allowance would be some external measure of what the members' civilian peers pay for housing.

Recommendations to Congress: The House Subcommittee on Military Personnel and Compensation should prepare an amendment to Public Law 96-343, sec. 4(a), which amended section 403(a) of Title 37, United States Code, to delete the provision which requires that variable housing allowances (VHA) be computed on the basis of service members' average cost of housing, and to insert a requirement that DOD establish a method for setting VHA rates based on an external measure of what military members' civilian peers pay for housing in various geographic areas. The specific procedures for accomplishing this should be left to DOD discretion. The amendment should also clarify whether the

external measure of housing costs should include both rental and owner costs or be limited to rental costs.

Status: No action initiated. Date action planned not known.

If the House Subcommittee on Military Personnel and Compensation decides against an amendment to Public Law 96-343, sec. 4(a) and decides to retain the existing basis for setting VHA rates, it should clarify whether the phrase "average monthly cost of housing" was intended to be limited to rental housing costs or whether it was meant to include homeowner costs. If homeowner costs are to be included, DOD should be provided guidance on which of several alternative approaches should be used in measuring these costs. The Subcommittee should clarify whether certain procedures used by DOD to set variable housing allowance rates, including the possible use of regression analysis techniques and arbitrary rate adjustments, are consistent with the legislation requiring that VHA rates be: (1) the difference between the average monthly cost of housing in that area for service members at the same pay grade; and (2) 115 percent of the basic allowance for quarters to which the member is entitled. DOD should also develop a follow-up procedure to: (1) improve the questionnaire response rate; and (2) verify the accuracy of the survey data.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Legislation has not been introduced to revise the basis for setting variable housing allowance rates. The DOD Appropriation Acts for fiscal years 1983 and 1984 placed a temporary limit on variable housing allowance payments, but this action did not resolve the problem covering the rate-setting methodology.

MILITARY PAY

PERSONNEL SUPPORT SERVICES

Small Percentage of Military Families Eligible for Food Stamps (FPCD-83-25, 4-19-83)

Departments of Agriculture and Defense

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)

Legislative Authority: P.L. 97-248. S. Rept. 97-494. 7 U.S.C. 2014(d). 37 U.S.C. 101(25).

GAO determined whether the reportedly large percentage of military families eligible for food stamps actually met the benefits criteria, and it reviewed Department of Agriculture's (USDA) program administrative practices.

Findings/Conclusions: GAO found that only a small percentage of military families are eligible to receive food stamps and most of those families qualify only because their Government-furnished housing is not counted as income. However, there are some families who would be eligible for food stamps regardless of their housing status, and USDA has provided them with the appropriate information concerning their benefits. GAO noted that, under certain circumstances, especially when parents are assigned away from home, there is potential abuse of the program. Inadequate reporting of income and housing status changes also contributes to ineligible families' receiving food stamp benefits.

Recommendations to Agencies: The Secretary of Agriculture, in consultation with the Secretary of Defense, should propose legislation to amend 7 U.S.C. 2014(d) to require that Government-furnished housing be included in the gross income computation for determining food stamp eligibility.

Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should issue new guidelines that would ensure that households would not become eligi-

ble for food stamps solely because of an active duty-related absence.

Status: Action in process.

The Secretary of Agriculture should instruct the food stamp caseworkers that, in addition to any other recertifications, they should recalculate food stamp eligibility for all military food stamp recipients at the same time the amount of the annually scheduled military pay raise becomes known.

Status: Action in process.

Agency Comments/Action

GAO recommended that USDA issue guidelines that would ensure that households would not become eligible for food stamps solely because of an active-duty related absence. USDA stated that it intends to work on this issue in consultation with DOD. GAO recommended that food stamp eligibility for military food stamp recipients be recalculated annually after the military pay raise becomes known. USDA stated that it is implementing a monthly reporting system that should handle the recalculation of food stamp eligibility. GAO recommended that USDA, in consultation with DOD, propose legislation to amend 7 U.S.C. 2014(d) to require that Government-furnished housing be included in the gross income compilation for determining food stamp eligibility. USDA has not responded to this recommendation.

WEAPONS SYSTEMS

INDIVIDUAL SYSTEM STUDIES

The Army's AH-64 Helicopter and Hellfire Missile Retain Risks as They Enter Production (C-MASAD-83-9, 1-26-83)

Departments of Defense and the Army

Budget Function: National Defense: Weapons Systems (051.1)

GAO reviewed the risks still facing the AH-64 advanced attack helicopter and the Hellfire missile upon entering production and the progress the Department of Defense has made in addressing these risks. The programs' affordability will continue to meet congressional questioning as future production increments are considered for funding.

Findings/Conclusions: GAO found that there are no indications at this time that either the AH-64 or Hellfire programs should not continue on their present schedules. However, some aspects of both programs bear watching if they are to continue the progress they have made in the past year. GAO pointed out that the Government must complete testing and evaluation to verify the success of modifications made to certain critical components which earlier had exhibited some performance problems. Defense officials have closely managed the production aspects of both programs, and many uncertainties have become better understood. Projected costs for building the AH-64 and the Hellfire have escalated the original procurement cost figures and, the Army has reduced significantly the number of helicopters to be procured. GAO stated that the actual affordability of the programs cannot be adequately determined until the production stage has begun and several areas of uncertainty are clarified.

Recommendations to Agencies: The Secretary of Defense should wait until sufficient actual production experience permits establishing a credible program cost estimate and a conclusive determination is made that the risk money will not be needed for contingencies.

Status: Recommendation no longer valid/action not intended.

The Secretary of Defense should, before approving future funding requests for higher production rates of the AH-64 and Hellfire, weigh the progress made in demonstrating production capabilities and overcoming technical problems.

Status: Action completed.

The Secretary of Defense should develop firm Hellfire quantity requirements, including those needed for testing and training and have their cost reflected in the total program cost.

Status: Action in process.

The Secretary of Defense should have an Army test and evaluation agency conduct realistic operational testing of the automatic test station and evaluate the results before its fielding.

Status: Action in process.

The Secretary of Defense should withhold approval for a program quantity increase above the currently planned procurement of 446 AH-64 aircraft.

Status: Recommendation no longer valid/action not intended.

Agency Comments/Action

DOD agrees that caution must still be exercised and that risks are still present in making the transition to production. DOD believes that the AH-64 and Hellfire are making good progress and notes that the programs will be closely watched as they get further into production. DOD reports that so far the production schedule is being maintained.

WEAPONS SYSTEMS

MISSION ANALYSIS

Some Land Attack Cruise Missile Acquisition Programs Need To Be Slowed Down (C-MASAD-81-9, 2-28-81)

Departments of Defense, the Navy, and the Air Force

Budget Function: National Defense: Weapons Systems (051.1)

Cruise missiles are subsonic, jet-powered airframes that are being acquired to deliver nuclear or conventional warheads against a variety of targets. GAO reviewed some major areas of concern with regard to matters which affect the acquisition and deployment of these missiles.

Findings/Conclusions: The Office of the Secretary of Defense has placed the highest national priority on deployment of the Air-Launched Cruise Missile system in order to preclude shortfalls in strategic weapons in the 1980's. Accordingly, a rigorous, success-oriented, highly concurrent schedule was established. Production of the missile was authorized, even though a number of critical problems remained to be resolved. Specifically: (1) operational testing completed before the production decision revealed that mission reliability of the system was deficient and that it failed to demonstrate important missile performance features; (2) the testing that had been done was not operationally realistic; (3) engine reliability was still a matter of serious concern; (4) certain components which were essential to the system's performance have not been available for operational testing; (5) a critical measurement program was about a year behind schedule; and (6) errors were found in the terrain elevation data base. The Navy plans to request authority to begin full-scale production of the first tactical land attack cruise missile system. Major problems have to be resolved before that time including: (1) cruise missiles probably will not be sufficiently accurate to deliver conventional warheads; (2) because of exposure to enemy defensive systems, it is doubtful that the missiles will survive when delivering certain nonnuclear warheads; and (3) no statement of mission need has been prepared to support acquisition of the Tomahawk or Medium Range Air-to-Surface Missiles.

Recommendations to Congress: Congress should not appropriate additional funds for procurement of either land attack Tomahawk or the Medium Range Air-to-Surface Missiles until the Secretary of Defense comprehensively defines and reconciles overall Defense requirements to attack land targets from standoff ranges characteristic of tactical cruise missiles.

Status: Recommendation no longer valid/action not intended. *The recommendation should be dropped because the Department of Defense has defined its requirement for a variant of TOMAHAWK to attack land targets from stand-off ranges. The Medium Range Air-to-Surface Missile program has not been funded by either the Navy or the Air Force in fiscal year 1984.*

Recommendations to Agencies: The Secretary of Defense should withhold authorization to proceed with full-scale production of any land attack missile with a conventional warhead until the accuracy and survivability of such a system is convincingly demonstrated in realistic operational testing.

Status: Action completed.

The Secretary of Defense should closely monitor the Air-Launched Cruise Missile program to ensure the resolution of operational testing issues, engine reliability problems, uncertainty about terrain roughness thresholds, and deficiencies in the terrain elevation data base prior to deployment.

Status: Action in process.

Agency Comments/Action

Navy and DOD representatives agreed with the GAO recommendations but, as of January 7, 1983, the recommendations have not been implemented regarding the conventional land attack Tomahawk or the Medium Range Air-to-Land Surface Missile. The recommendation regarding the Air-Launched Cruise Missiles is being implemented. In December 1982, the Navy restructured the TOMAHAWK program reducing its planned fiscal year 1982 and 1983 production of the conventionally armed land attack TOMAHAWK from 96 missiles to 16. The Navy plans no production in fiscal year 1984. In making this decision, the Navy recognized that it had to do more testing to demonstrate the missile's accuracy. The Navy presently plans to begin production again in fiscal year 1985 contingent on its test results. Congress has authorized TOMAHAWK production to a level that essentially supports the Navy's test program.

WEAPONS SYSTEMS

MISSION ANALYSIS

Critical Considerations in Developing Improved Capability To Identify Aircraft as Friend or Foe (C-MASAD-82-6, 2-24-82)

Departments of Defense, the Army, the Navy, and the Air Force, and North Atlantic Treaty Organization

Budget Function: National Defense: Weapons Systems (051.1)

GAO reviewed the Department of Defense programs designed to improve U.S. capabilities to identify aircraft as friend or foe. These programs, for which Congress will be asked to provide funds, could potentially involve significant expenditures.

Findings/Conclusions: GAO found that the primary systems in use by the United States and some other forces in the North Atlantic Treaty Organization (NATO) are the Mark X and XII cooperative systems. U.S. capability to identify aircraft is limited. Consequently, missiles capable of attacking targets beyond visual range cannot be used to their full potential. Aircraft frequently have to close within visual range to positively identify air targets, and the launch aircraft are rendered more vulnerable to enemy fire. Better identification would permit relaxing restrictive rules of engagement which have been instituted to minimize the risks of mistakenly attacking friendly aircraft. Currently, there are plans to improve the Mark XII. Also under consideration is the development of the next generation identification system, the Mark XV. There are several matters to resolve, the principal one being the frequency band in which the Mark XV should operate. Other NATO countries have been unable to agree on a common frequency band. Besides the Mark XV, certain other technologies appear to have the potential of contributing to the overall improvement of U.S. identification capability. However, several of these technologies are in the early stages of development and have not been tested to determine their performance. The total investment in iden-

tification systems is difficult to calculate, because several are in early stages of development and cost are spread over numerous accounts.

Recommendations to Agencies: The Secretary of Defense should determine the priority that the Mark XV interoperability with the other identification systems in NATO should have relative to the other factors to be considered in selecting the frequency allocation band in which the Mark XV is to operate.

Status: Action in process.

The Secretary of Defense should make the amount to be invested in Mark XII improvements contingent on how soon the Mark XV can reasonably be expected to become available.

Status: Action in process.

Agency Comments/Action

The agency agreed with the GAO assessment of its present capability to identify aircraft. The issues contained in the report were found to be both timely and appropriate according to a DOD memo. The Mark XII improvements and the Mark XV interoperability issues contained in the recommendations will be discussed at the Defense Systems Acquisition Review Council meeting, scheduled for May 1984.

WEAPONS SYSTEMS

MISSION ANALYSIS

Navy Needs To Increase S-3A Readiness To Ensure Effective Use of Planned Weapon System Improvements (C-MASAD-83-6, 1-26-83)

Departments of Defense and the Navy

Budget Function: National Defense: Weapons Systems (051.1)

GAO reviewed the S-3A carrier-based aircraft improvement program and assessed the issues which may determine the effectiveness of the planned program.

Findings/Conclusions: The Navy has embarked on a \$1.3 billion weapon system improvement program which is a major modification to the S-3A program. GAO noted that the S-3A program office is concerned about timely delivery and additional funding needed for its operational software and also a \$15 million congressional cut in fiscal year 1983 research and development funds. GAO stated that critical to the success of the improvement program is the Navy's ability to increase the aircraft's operation readiness. The Navy's present efforts include establishing the Readiness Improvement Program, the Operational and Safety Improvement Program, and initiatives by the Chief of Naval Operations. GAO found that poor operational readiness has been caused by low reliability and maintainability of equipment as well as shortages of trained flight and maintenance personnel and inadequate spares support. GAO stated that the Navy has sufficient aircraft for current active squadrons, but there are not enough aircraft available for attrition and reserve squadrons. GAO stated that currently it cannot assess the increase in operational readiness, because the Navy has changed its readiness reporting methods.

Recommendations to Agencies: The Secretary of Defense should require the Navy to provide assurance that the operational readiness goal will be attained or, if not attainable, that the mission capability can be fulfilled with a lesser performance.

Status: Action in process.

Agency Comments/Action

A DOD reply dated May 12, 1983, stated that increases in funding support for maintenance of S-3A aircraft have resulted in significant improvement in the availability of deployed aircraft. The S-3A Weapon System Improvement Program (WSIP) represents a major research and development commitment but, before the much larger investment in serial retrofit to the entire force, OSD will review the operational availability of the aircraft and other factors. OSD will require adequate funding of S-3 maintenance and logistic support and require the Navy to show continued progress in meeting readiness objectives. DOD fully concurred with the GAO recommendation but noted a changed readiness reporting method, which should have the same effect.

WEAPONS SYSTEMS

MISSION ANALYSIS

Air Force and Navy Trainer Aircraft Acquisition Programs (MASAD-83-22, 7-5-83)

Departments of Defense, the Navy, and the Air Force

Budget Function: National Defense: Weapons Systems (051.1)

Legislative Authority: P.L. 97-252.

GAO reviewed three proposed Navy and Air Force programs to acquire 1,184 trainer aircraft at a cost of about \$10.8 billion during the next 20 to 25 years.

Findings/Conclusions: The Navy has changed its plan to buy 282 T-45 trainer aircraft which can operate from aircraft carriers. To reduce costs in the early program years, it plans to buy a mixed fleet of 305 aircraft, of which 251 would be carrier-capable. GAO found that a mixed aircraft fleet is feasible, but may be more costly. The Navy might be able to avoid buying a mixed fleet by purchasing non-carrier-capable T-45's starting in 1987 and not purchasing carrier-capable T-45's until 1990. Despite a congressional desire to have training aircraft meet the needs of both the Navy and the Air Force, the Air Force probably will not procure any T-45's because they do not meet Air Force performance requirements. No periodic reports on the status of this program have been presented to Congress. GAO found that the estimated costs for the full-scale development of the T-46A aircraft have increased 5 percent from July 1981 to June 1982 because of inflation and an extended production schedule. GAO found that there is overlap between development and production schedules which may delay the development schedule or result in the need to make post-production changes in the aircraft. The Navy is not interested in acquiring this aircraft due to its cost. Congress failed to appropriate funds for the Tanker-Transport-Bomber Training System in 1983, but the Air Force is requesting 1984 funds to begin development of the system.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Navy to consider extending use of existing TA-4J aircraft in lieu of procuring T-45's that are not capable of operating from aircraft carriers. This would permit delaying acquisition of the T-45 until a carrier-capable version could be made available, eliminate the need to acquire a mixed fleet of aircraft, and could result in cost savings.

Status: Action in process.

The Secretary of Defense should direct the Navy to develop a firm program plan which discloses the uncertainties, risk, and judgment factors involved in determining the quantity of T-45 aircraft to be procured, the procurement schedule, and funding requirements.

Status: Action in process.

Agency Comments/Action

The Department of Defense (DOD) concurred with the thrust of the recommendations in the report and with one exception has initiated action to implement them. DOD did not agree with the GAO conclusion that the Navy has sufficient aircraft to maintain strike pilot training until at least 1990. GAO is revalidating this conclusion and expects to complete the revalidation in May 1984.

WEAPONS SYSTEMS

MISSION BUDGETING

Budgetary Pressures Created by the Army's Plan To Procure New Major Weapon Systems Are Just Beginning (MASAD-82-5, 10-20-81)

Departments of Defense and the Army

Budget Function: National Defense: Weapons Systems (051.1)

GAO reviewed new weapon system acquisition programs to determine the likely effect on the budget for the next several years of financing the procurement, operation, and support of the Army's new major weapon systems and identifying ways for relieving the pressure which characterized the preparation of the Army's 1982-1986 5-Year Defense Program.

Findings/Conclusions: The 1970's marked the Army's most intensive peacetime effort to modernize its forces with new weapon systems. Most of the procurement of these systems became a reality in preparing the fiscal year 1982 budget. With less funds available than were needed to procure the weapons in the quantities desired, together with substantial cost increases, the Army proposed to stretch out the production schedules of nearly all of the systems which would have resulted in higher prices and program delays. Additional funds in the revised fiscal year 1982 budget alleviated this problem. The systems production has been characterized by substantial cost growth, stemming mainly from the actual production processes being more complex than anticipated and requiring more labor hours and machine time. Much of the cost growth was due to inflation. The use of optimistic inflation rates in developing cost estimates also accounts for some of the cost growth. Operating and supporting the new weapon systems once they are fielded will require very large amounts of resources. Since the budgetary effect of operations and support will not be felt until after the weapons are deployed, these costs are not receiving as much attention as procurement costs. Fielding all of the systems will seriously strain the Army's resources. Most of the systems will require more skilled personnel, more fuel and ammunition, a greater expenditure for spare parts, and will impose a logistics burden on the Army.

Recommendations to Agencies: The Secretary of Defense should direct the Army to fully fund those new systems deemed by the Army to be essential to bring its missions to the desired capability, even at the expense of canceling or reducing other acquisition programs.

Status: Action in process.

The Secretary of Defense should direct the Army to identify, in each 5-year plan, the additional resources that will be needed to operate and support all major weapon systems in inventory and to procure and determine the resources that can reasonably be expected to become available for these purposes so that the results of such assessments can be considered in procurement funding decisions. New major weapon system procurements should not be undertaken unless a positive determination has been made that the systems can be adequately operated and supported.

Status: Action in process.

The Secretary of Defense should direct the Army: (1) to ascertain, in consultation with the prime contractors, that foreseeable production risks of the 11 systems for which deliveries are still to begin have been identified; (2) to revise procurement cost estimates accordingly; and (3) to consider the steps necessary to forestall or minimize such risks.

Status: Action in process.

Agency Comments/Action

DOD stated that the report was factual and agreed with its findings, conclusions, and recommendations. The agency noted that unexpected cost growth applied to many sectors of American production activities, not just to the Army or DOD. DOD reported that the Army was establishing tighter controls over cost, such as the Program and Cost Control System, a centralized operation and support cost data base, and a 5-year program to upgrade cost estimating and the controllability of cost growth. DOD also believed the Carlucci Actions of 1981 would improve control over cost growth. Since this response, the Army convened the Cost Discipline Advisory Committee whose first report, on December 16, 1981, was a good analysis of the basic causes of cost growth and spelled out concrete actions to correct problems.

WEAPONS SYSTEMS

REQUIREMENTS

Reduced Performance and Increased Cost Warrant Reassessment of the Multiple Stores Ejector Rack (MASAD-82-26, 3-26-82)

Departments of Defense, the Navy, and the Air Force

Budget Function: National Defense: Weapons Systems (051.1)

GAO examined the joint Air Force and Navy development program of an aircraft bomb carrier known as the Multiple Stores Ejector Rack (MSER), for which the Air Force plans to award a contract. GAO wanted to determine how well the services had defined their requirements and assessed alternative solutions.

Findings/Conclusions: GAO found that the services' interest in a common bomb rack has dwindled and that both the Air Force and the Navy are pursuing separate bomb rack developments. Plans by the Air Force and the Navy to procure other bomb racks increase the likelihood that they will find little, if any, common use for the MSER. There are also little supporting data to indicate that program goals, such as reduced maintenance, improved safety, or supersonic weapon delivery capability will be achieved and, in some cases, they may not be required. If the MSER program is to continue, there are other program goals requiring further examination. GAO found no data to show any safety problems with the current bomb racks; however, questions have been raised regarding the need for supersonic delivery capability and the ability of the MSER to achieve this goal. The Air Force and the Navy have not jointly evaluated either the continued validity of their goals or the feasibility of achieving the goals. The estimated development costs of the MSER have tripled, and average unit procurement costs could be 14 times greater than the cost of racks now in service. The development period has more than doubled and, because of protracted development, additional procurement of current racks may be required to support aircraft production or reserve requirements.

Recommendations to Agencies: The Secretary of Defense should require the Secretaries of the Air Force and the Navy to justify continuation of other bomb rack programs before further funding is permitted if the Multiple Stores Ejector Rack is determined to be the preferred bomb rack.

Status: No action initiated. Affected parties intend to act.

The Secretary of Defense should instruct the Secretary of the Air Force to delay the planned modification of the Multiple Stores Ejector Rack pending the results of an evaluation of the need for the common bomb rack, whether it will meet the Air Force and Navy requirements, and whether it is cost effective.

Status: No action initiated. Affected parties intend to act.

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to determine whether a common bomb rack is still needed, whether the Multiple Stores Ejector Rack (MSER) will meet Air Force and Navy requirements, and whether it is cost effective before authorizing a further expenditure of funds for the MSER.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

The Navy stated that it determined a common bomb rack to be impracticable at this time. The principal Deputy Under Secretary of Defense for Research said review will continue to insure that, if a USAF/Navy standard is not achieved, at least individual service standards will be achieved. The Air Force is still committed to the MSER program. There will be no further procurement of the Air Force F-15 unique rack.

WEAPONS SYSTEMS

TESTING

Better Management of Threat Simulators and Aerial Targets Is Crucial to Effective Weapon Systems Performance

(MASAD-83-27, 6-23-83)

Departments of Defense, the Air Force, and the Navy

Budget Function: National Defense: Weapons Systems (051.1)

Legislative Authority: P.L. 92-156.

GAO reported on the Department of Defense's (DOD) capability to test its weapon systems. Specifically, GAO focused on testing against two of the more significant threats to the military services: the newer Soviet aircraft and missile systems and the Soviet's considerable capabilities in electronic warfare.

Findings/Conclusions: GAO found that important weapons will be deployed without their having fully demonstrated their capabilities under representative combat conditions, because development of electronic warfare threat simulators and aerial targets have not kept pace with the deployment of the enemy's weapons. Realistic testing requires test resources that duplicate the characteristics of the enemy's weapon systems. GAO noted that the shortcomings in testing have been primarily caused by problems in four areas: test resource planning, organizational structures, management emphasis, and intelligence support. GAO believes that, although resolving issues in these areas will not solve all testing problems, it will ultimately result in better tested and effective weapons for DOD fighting forces.

Recommendations to Congress: Congress should monitor DOD implementation of: (1) the joint-service aerial target and electronic warfare test resource improvement program; and (2) the separation of test resource and weapon system acquisition management in the Navy and the Air Force.

Status: Action in process.

Recommendations to Agencies: The Secretary of Defense, to improve the planning and management of critical test resources, should require the Director, Defense Test and Evaluation, to enforce existing requirements for the preparation and approval of weapon system Test and Evaluation Master Plans (TEMP's) before the demonstration/validation and subsequent decision milestones.

Status: No action initiated. Date action planned not known.

The Secretary of Defense, to improve the planning and management of critical test resources, should require predemonstration/validation phase TEMP's to state whether or not test resource requirements are available and outline what actions have been or need to be taken to develop or acquire those not available. In addition, the effect of being unable to test against the full threat spectrum should be clearly identified.

Status: No action initiated. Date action planned not known.

The Secretary of Defense, to improve the planning and management of critical test resources, should require operational test and evaluation agencies to state in the initial TEMP their ability, or inability, to adequately assess a weapon's operational suitability and effectiveness, given currently available test resources. The adequacy of test resources and the effect of inadequate or incomplete testing should be clearly spelled out.

Status: No action initiated. Date action planned not known.

The Secretary of Defense, to improve the planning and management of critical test resources, should require electronic warfare and aerial target test resources developers to work closely with the weapon developers and test agencies during early test planning to identify the critical test resources needed to fully assess weapon system effectiveness.

Status: No action initiated. Date action planned not known.

The Secretary of Defense, to improve the planning and management of critical test resources, should transfer Navy and Air Force threat simulator and aerial target acquisition responsibility to an organization separate from the weapon systems development activity. The gaining organization should have, as does the Army's threat simulator organization, the independence, authority, responsibility, and funds to ensure the successful acquisition of test resources.

Status: No action initiated. Date action planned not known.

The Secretary of Defense, to improve the planning and management of critical test resources, should establish a joint-service threat simulator and aerial target improvement program to identify, time phase, and prioritize DOD-wide test resource deficiencies, and start development of the resources necessary to match the test capability with current requirements.

Status: No action initiated. Date action planned not known.

The Secretary of Defense, to improve the planning and management of critical test resources, should initiate a review of intelligence support to identify the underlying causes and to solve the problems of inadequate support to the threat simulator development community. In particular, the appropriateness of Defense Intelligence Agency assignments to the service intelligence organizations and the capability of those organizations to support both weapon designers and the test community should be examined and changes made where appropriate.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

In a letter dated August 16, 1983, DOD stated the subject

report involves significant issues which should be addressed fully by DOD. Further, it said that it could not provide a fully responsive reply within 60 days as required. Although GAO has not yet received a DOD response, the Secretary of Defense's Annual Report to Congress, published February 1, 1984, on the fiscal year 1985 defense budget cites several efforts underway to improve DOD test and evaluation capabilities. The report stated that DOD is emphasizing the early involvement of the test community in the acquisition process, maximum use of test data from all sources, and continuity of testing from early development stages through final operational deployment. GAO believes that these efforts, if effectively implemented, will substantially alleviate the concerns expressed in the GAO report. However, the success of DOD efforts will depend on the plan identifying the ways in which the actions are implemented.

NON-DEFENSE BUDGET FUNCTIONS

ACCOUNTING SYSTEMS

Criteria for Recording Obligations for Defense Stock Fund Purchases Should Be Changed (AFMD-83-54, 8-19-83)

Department of Defense

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reporting (998.6)

GAO evaluated Department of Defense (DOD) procedures for obligating operation and maintenance appropriations for stock fund purchases to determine whether the obligations are being made in accord with existing statutory requirements. Defense stock funds finance the purchase of materials and common-use items and hold these items in inventory until purchased by military service or DOD customers, and customer activities use appropriated funds to reimburse the stock fund for the cost of items delivered.

Findings/Conclusions: DOD regulations have required that obligations for purchases from stock funds be recorded at the time the material is dropped from stock fund inventory records for delivery to the customer. This policy can present a problem because the customer has little control over when funds are obligated, and the inability to record obligations until ordered items are delivered by the stock fund creates additional problems near the end of the fiscal year. GAO has long held the opinion that DOD criteria should be changed so that obligations for stock fund purchases are recorded at the time orders are placed to improve administrative controls over appropriations. In 1974, DOD attempted to make this change in criteria, but the Senate Appropriations Committee would not allow the change in accounting procedures. As a result, DOD continued to require the military services to obligate appropriations at the time of delivery. Despite this DOD policy, the military services have changed their procedures and record obligations at the time orders are placed. In 1982, DOD again proposed a change in its accounting policy so that obligations for stock fund purchases would be recorded when orders are placed with the stock fund. GAO believes that this change would

provide a consistent base from which the military services could operate and would improve overall DOD financial management.

Recommendations to Agencies: The Army should complete, as soon as practical, the change in procedures for recording obligations for stock fund purchases that the Assistant Secretary of Defense recently outlined to the military services.

Status: Action completed.

The Air Force should complete, as soon as practical, the change in procedures for recording obligations for stock fund purchases that the Assistant Secretary of Defense recently outlined to the military services.

Status: Action in process.

The Secretary of Defense should, in accord with the criteria detailed in this report, make sure that the new procedures are uniformly implemented and effectively operated by all three military services.

Status: Action in process.

Agency Comments/Action

In its February 1, 1984, response, DOD reiterated its concurrence with all recommendations. Citing congressional direction, military services have been instructed to complete implementation of new procedures no later than the end of the fiscal year. DOD will ensure that the new procedures are uniformly implemented, in accordance with criteria in the GAO report, and effectively operated by all three military services.

NON-DEFENSE BUDGET FUNCTIONS

AUTOMATIC DATA PROCESSING

Agencies Should Encourage Greater Computer Use on Federal Design Projects (LCD-81-7, 10-15-80)

Departments of Defense and Energy, Federal Construction Council, General Services Administration, Office of Federal Procurement Policy, Office of Management and Budget, United States Postal Service, and Veterans Administration

Budget Function: General Government: Other General Government (806.0)

Legislative Authority: P.L. 92-582.

Federal agencies are not actively seeking or encouraging the use of computers on Federal design projects. As a result, they are missing opportunities to achieve significant savings and to improve the quality of Federal building designs.

Findings/Conclusions: GAO found that Federal officials and agency procedures and practices often limit and hamper the use of computers on Federal projects. Agencies generally have not created an environment wherein the efficient use of computers is possible. Fee proposal forms used by most engineering services do not recognize the possible use of computers or provide a place for computer service costs to be included as direct costs in proposals. During contract negotiations, agency personnel rarely discuss the planned use of computers on a project. Even during the architect-engineer selection process, most agencies ignore computer capability.

Recommendations to Agencies: The heads of departments and agencies procuring architect-engineer services should encourage employees to stay current on new and improved uses of computers in their individual areas of expertise.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should provide appropriate training--courses, seminars, newsletters, etc.-- on the capabilities and uses of computers in design to their employees. Employees receiving this training should include those involved in selecting design firms, negotiating contracts, managing projects, and reviewing designs.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should require that architect-engineer contract negotiators routinely discuss and evaluate planned use of computers when negotiating design contracts.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should revise the criteria used in evaluating the overall qualifications of firms for design contracts to include computer capability and expertise.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should provide sufficient technical support to contract negotiating teams. This support should include personnel with sufficient knowledge about computer use and the related costs to enable teams to realistically evaluate the planned use of computer methods and

negotiate a fair and reasonable fee for the services to be provided.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should: (1) direct that computer use be required for those analyses and design functions which can be done more efficiently and accurately by computer-aided methods and which are critical to the end product, in terms of safety, energy consumption, and life-cycle costs; and (2) encourage computer use in all areas when the quality of the design or the structure to be built can be improved when computer aids are used.

Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should require computer capabilities and expertise to be considered and evaluated when selecting architects and engineers for projects on which computer-aided design methods, such as energy analyses, can be used.

Status: Action completed.

The Administrator of the Office of Federal Procurement Policy with the concurrence of the Director of the Office of Management and Budget should require the Department of Defense and the General Services Administration to implement the new policy by revising the Defense Acquisition Regulations and the Federal Procurement Regulations, respectively, and jointly insuring that this policy is incorporated into the new Federal Acquisition Regulations currently being developed.

Status: Action in process.

The Administrator of the Office of Federal Procurement Policy with the concurrence of the Director of the Office of Management and Budget should promulgate an architect-engineer policy which establishes that: (1) fee negotiations will be based on proposals which clearly identify tasks which will be performed by firms providing architect-engineer services and, when applicable, indicate how computers will be used on the project; (2) procedures for pricing computer services will be flexible, as long as the method used is the same as the firm uses for all its clients, both public and private, and conforms with existing Federal procurement regulations; and (3) a structured task-oriented fee proposal format will be developed and the use of preprinted fee proposal forms will be discontinued, permitting architect-engineer firms to submit their fee proposals in the prescribed structured format on their own stationery.

Status: Action in process.

The Executive Secretary, Federal Construction Council, Building Research Advisory Board, should direct the Council to take an active role in the training of the appropriate Federal personnel about the capabilities and uses of computers by: (1) pulling together the diverse information available on the general use of computers in design, existing computer-aided design tools and methods, and advances in the state of the art of computer-aided design; (2) developing the information into specific educational sessions for presentation to Federal personnel; and (3) actively sponsoring these special educational sessions and other conferences.

Status: Action completed.

Agency Comments/Action

This report covers multiple agencies. In general, the agencies have taken actions to implement the recommendations or the intent of the recommendations directed to agency heads. The Federal Construction Council has implemented the recommendation made to it. The Office of Federal Procurement Policy has initiated action to revise Federal procurement regulations as recommended.

NON-DEFENSE BUDGET FUNCTIONS

AUTOMATIC DATA PROCESSING

Data Processing Costs Can Be Reduced at Army and Air Force Exchange Service (AFMD-83-17, 12-21-82)

Departments of Defense, the Army, and the Air Force

Budget Function: Automatic Data Processing (990.1)

Legislative Authority: General Accounting Office Act of 1974.

As part of a continuing effort to assess the effectiveness of data processing management in agencies that rely heavily on computer resources to accomplish their missions, GAO suggested ways to improve data processing management at the Army and Air Force Exchange Service and to avoid excessive computer support costs.

Findings/Conclusions: GAO found that the Exchange Service could have saved up to \$4.5 million on two recent computer purchases and that the Exchange Service has not followed Department of Defense (DOD) policies calling for maximum practical competition and adequately defined needs in computer acquisition. Moreover, project management problems have caused substantial cost and schedule overruns and costly delays in providing needed computer software support to data processing users. Exchange Service procedures for acquiring automatic data processing (ADP) equipment encourage sole-source procurements, which have been the rule at the Exchange Service for years. The four major purchases of computers since 1978 were made noncompetitively, and in its review GAO found that the two largest sole-source procurements were not adequately justified. Exchange Service personnel did not prepare adequate studies to document their computer needs which resulted in the purchase of excess computer capacity. Exchange Service software development projects were consistently late and over budget because the projects were not adequately planned and managed. Similar procurement and management control weaknesses have delayed a multimillion-dollar effort to install a nationwide point-of-sale system.

Recommendations to Agencies: The Secretary of Defense should direct the Exchange Service and its Board of Directors to comply with DOD policies governing competitive acquisition and proper definition of computer requirements.

Status: Recommendation no longer valid/action not intended. *The agency plans no action because it does not concur with this recommendation.*

The Secretary of Defense should direct the Exchange Service Board of Directors to review and approve, as necessary, all major ADP procurements to ensure that DOD procurement policies are followed.

Status: Recommendation no longer valid/action not intended. *The agency plans no action because it does not concur with this recommendation.*

The Secretary of Defense should direct the Exchange Service and its Board of Directors to comply with DOD policies governing the management of data processing resources.

Status: Recommendation no longer valid/action not intended. *The agency plans no action because it does not concur with this recommendation.*

The Secretary of Defense should direct the Exchange Service Board of Directors to approve and monitor all software development projects or major modifications that are essential to the Exchange Service mission or involve significant costs.

Status: Recommendation no longer valid/action not intended. *The agency plans no action because it does not concur with this recommendation.*

The Secretary of Defense should direct the Commander of the Exchange Service to assume an active role in project management to ensure that projects either proceed according to cost and time estimates and meet objectives or are resubmitted to the Master Planning Board for revalidation.

Status: Action in process.

The Secretary of Defense should direct the Commander of the Exchange Service to establish a system for accounting and charging the costs of system development and operations to major users.

Status: Recommendation no longer valid/action not intended. *The agency plans no action because it does not concur with this recommendation.*

The Secretary of Defense should direct the Commander of the Exchange Service to revise Exchange Service planning guidelines to comply with Federal Information Processing Standards and accepted practices in private industry.

Status: Action in process.

The Secretary of Defense should direct the Exchange Service and its Board of Directors to defer pending procurement efforts for the point-of-sale project and validate the point-of-sale concept by thoroughly documenting the costs and benefits of the Exchange Service's present point-of-sale system. If such a study supports proceeding further with the point-of-sale project, the Exchange Service should first consider using existing equipment and excess computer capacity for the life of that equipment before developing more sophisticated and costly follow-on systems.

Status: Action in process.

Agency Comments/Action

DOD concurs, in part, with three of the eight recommendations. It is in the process of taking corrective action in these areas. For the five recommendations with which it disagrees, DOD is in the process of providing GAO information concerning the reasons for its nonconcurrency.

NON-DEFENSE BUDGET FUNCTIONS

AUTOMATIC DATA PROCESSING

The Air Force Weapons Laboratory Should Validate Its Computer Needs and Evaluate Alternatives Before Continuing Its Cray-1 Computer Lease
(AFMD-83-70, 7-22-83)

Departments of Defense and the Air Force

Budget Function: Automatic Data Processing (990.1)

Legislative Authority: OMB Circular A-121.

In response to a congressional request, GAO reviewed the Air Force Weapons Laboratory's (AFWL) use of a Cray-1 computer system to determine whether continued lease of the Cray-1 is justified.

Findings/Conclusions: GAO stated that, although AFWL research programs benefit from large-scale computer support, the extent to which the Cray-1 has been used may not justify its continued lease and operation. GAO found that: (1) the planned research workload of AFWL and other users has been less than expected; (2) AFWL research computer use has declined; and (3) AFWL has not validated its large-scale computer workload requirements or evaluated available alternatives since 1974. GAO noted that the Cray-1 was used less than anticipated because Defense Nuclear Agency data processing needs were satisfied by the Department of Energy computer facility, and research staff turnover and budget constraints caused cancellation or delay of research projects. GAO also found that AFWL does not fully recover the Cray-1 computer operating costs from the users it sup-

ports. GAO noted that the Department of Defense (DOD) plans to provide guidance during 1983 to implement full cost recovery.

Recommendations to Agencies: The Secretary of Defense should monitor development and publication of DOD guidance for implementing Office of Management and Budget Circular A-121 and expedite DOD-wide implementation.

Status: No action initiated. Date action planned not known.

The Secretary of the Air Force should evaluate and validate large-scale computer needs at AFWL and identify and evaluate any available alternatives that could provide economically effective computer support for AFWL validated needs.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

As of February 22, 1984, GAO had not received a response from the agency.

NON-DEFENSE BUDGET FUNCTIONS

AUTOMATIC DATA PROCESSING

Software Problems in the Development of the Defense Fuel Automated Management System
(IMTEC-83-5, 9-6-83)

Department of Defense and Defense Logistics Agency

Budget Function: Automatic Data Processing (990.1)

Legislative Authority: DLA Handbook 4730.1.

GAO reviewed the Defense Fuel Automated Management System (DFAMS) to: (1) identify any instances of software obsolescence and the causes; and (2) predict the impact of software obsolescence on mission accomplishment.

Findings/Conclusions: Under the management of the Defense Fuel Supply Center, DFAMS was designed as a fully automated, integrated system that would encompass the functions of inventory management, procurement, financial control, and accounting for bulk fuel products in the Department of Defense. The financial accounting function became operational in 1982 and the supply and procurement functions are now being developed. GAO found that the DFAMS software is being developed with obsolete and vendor-dependent programming techniques which will cause the delivered system to be unnecessarily costly to maintain and, if incompatible hardware is acquired, will lead to high conversion costs. Many commercial software tools are available which support American National Standard Information (ANSI) programming standards and can assist in the planning and creation of application systems. GAO believes that the Defense Logistics Agency (DLA) should consider the use of such tools to improve the quality of the DFAMS application software and reduce potential maintenance costs. GAO found that DFAMS developers do not inspect program codes for compliance with DLA, Defense, Federal, or ANSI standards and believes that software tools could greatly reduce the labor of such inspection. The Normalization Program and the Automatic Data Processing Equipment Replacement strategy should achieve the DLA goals

of standardizing its software and becoming as machine independent as possible.

Recommendations to Agencies: The Director, DLA, should determine and communicate a policy position on whether DFAMS should: (1) comply with the objectives of the Normalization Program; or (2) justify that its critical mission requires a vendor-dependent approach.

Status: Action in process.

The Director, DLA, should act promptly to ensure that programming techniques used in DFAMS applications software comply with established DLA, Defense, ANSI, and Federal standards to facilitate conversion, if required.

Status: Action in process.

The Director, DLA, should ensure that quality control over programming techniques is enforced, using available software tools whenever possible.

Status: Action in process.

Agency Comments/Action

Although DFAMS told GAO that it is taking action in the areas GAO recommended, no written response to the GAO recommendations has been provided.

NON-DEFENSE BUDGET FUNCTIONS

FACILITIES MANAGEMENT

Cleaning Up Nuclear Facilities: An Aggressive and Unified Federal Program Is Needed (EMD-82-40, 5-25-82)

Departments of Defense and Energy, Environmental Protection Agency, and Nuclear Regulatory Commission

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)

Legislative Authority: Reorg. Plan No. 3 of 1970. S. 2284 (97th Cong.).

GAO conducted a review to determine the status of Federal efforts and activities to correct decommissioning problems identified in a prior report. In addition to following up on the implementation of the recommendations for correcting these problems, GAO also evaluated how effectively the Nuclear Regulatory Commission's (NRC), the Department of Energy's (DOE), the Department of Defense's (DOD), and the Environmental Protection Agency's (EPA) decommissioning and standard-setting programs were functioning. The review was made as part of a continuing effort to identify issues in the nuclear area, which will provide public health and safety through better Federal program administration.

Findings/Conclusions: Nuclear facilities and sites which require or eventually will require cleanup or other disposition can be tracked, evaluated, and recorded for followup action if needed. In the past, nuclear facilities and sites were abandoned or decommissioned without adequate documentation of their radiological status or even a record of their existence. As a result, Federal agencies are uncertain about the location or status of some facilities and sites that may be in need of decommissioning. NRC, DOE, DOD, and EPA are attempting to locate and evaluate the hazards at old, inactive sites. Despite the problems that inadequate record-keeping systems have caused Federal agencies, only DOE is revising its current recordkeeping system to provide sufficient information on the location and radiological condition of its current and future nuclear facilities and sites. Federal decommissioning programs have not sufficiently considered and incorporated decommissioning needs during the facility planning and design phase. DOE and NRC are making some progress in developing comprehensive decommissioning policies which include many of the necessary provisions. DOD has not initiated action to develop a comprehensive decommissioning policy. Standards prescribing acceptable levels of residual radioactive contamination for decommissioned nuclear facilities are not expected to be available until mid-1986. EPA is responsible for setting these standards, but has not done so because it considers their development a low priority.

Recommendations to Congress: Congress may wish to consider the general approach, suggested by DOE and discussed in this report, related to problems faced in cleaning up and providing funding mechanisms for future facilities.

Status: No action initiated. Date action planned not known.

Congress, as part of its oversight and budgetary review responsibilities, may wish to closely evaluate the overall

priorities of DOE and work with DOE in revising these priorities to provide a consistent flow of funding for cleaning up the inactive facilities.

Status: No action initiated. Date action planned not known.

Congress may wish to consider providing DOE with the authority to carry out remedial cleanup activities for 20 sites under its Formerly Utilized Sites Program.

Status: Action in process.

Congress, through its legislative and oversight committees, may wish to take an active role in assuring that radiation standards, to guide decommissioning of nuclear facilities, are issued as soon as possible.

Status: No action initiated. Date action planned not known.

Congress should designate NRC as the lead Federal agency for developing and monitoring the implementation of a national policy for the decommissioning of nuclear facilities and sites, ensuring that DOE and DOD provide assistance and input to NRC in developing this policy.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Chairman of NRC should revise the NRC recordkeeping system to provide for prompt identification of licensees who have stopped operations, effective monitoring of licensee control over contaminated facilities, assurance that facilities are cleaned up when licenses are terminated, and the development and permanent retention in a central repository of records documenting decommissioning activities.

Status: Action completed.

The Chairman of NRC should reevaluate and, if at all possible, accelerate the NRC timetable for issuing a decommissioning policy with a view toward shortening the time required to submit a paper to the Commissioners. Shortening the timetable would enable NRC to institute earlier front-end planning and funding requirements for decommissioning NRC-licensed facilities as a condition of licensing. The funding requirements should also be made applicable to currently active licensees.

Status: Action in process.

The Secretary of Defense should provide DOD-wide guidance on documentation needed to identify and monitor facilities using nuclear materials and provide a permanent, centrally retained record of the radiological status of the facilities, either when operations cease, or when decommissioning is completed.

Status: Action in process.

The Secretary of Defense should establish a decommissioning program that specifies criteria for selecting tentative

decommissioning methods during the facility planning phase and criteria for design features to be incorporated in facility planning.

Status: Action in process.

The Secretary of Energy should establish a decommissioning program that specifies criteria for selecting tentative decommissioning methods during the facility planning phase.

Status: Action completed.

The Secretary of Energy should resubmit the DOE proposed legislation to provide the necessary authority which it currently lacks to proceed with remedial cleanup of all sites under the Formerly Utilized Sites Program.

Status: Action completed.

The Administrator of EPA should reevaluate the priority assigned to developing residual radioactivity standards so that this process can be started immediately.

Status: No action initiated. Date action planned not known.

The Administrator of EPA should develop and present to responsible committees of Congress, within 6 months from the date of this report, a plan setting forth the steps that are needed to develop and issue these standards and the dates that each step will be completed.

Status: Recommendation no longer valid/action not intended.

Agency Comments/Action

DOE, NRC, and DOD generally agreed with the findings, conclusions, and recommendations and are taking or plan to take actions to solve the decommissioning problems identified in the report. All three agencies disagreed with the recommendation that Congress designate NRC as a lead agency for developing and monitoring a national decommissioning policy. EPA disagreed with the recommendations concerning the timely establishment of standards to govern the decommissioning activities of other Federal agencies.

NON-DEFENSE BUDGET FUNCTIONS

INTERNAL AUDITS

DOD Can Combat Fraud Better by Strengthening Its Investigative Agencies (AFMD-83-33, 3-21-83)

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

Budget Function: Financial Management and Information Systems: Internal Audit (998.3)

Legislative Authority: Posse Comitatus Act (Use of Army). Uniform Code of Military Justice. Inspector General Act of 1978 (P.L. 95-452).

Pursuant to a congressional request, GAO reviewed efforts of the Army, Navy, and Air Force investigative agencies to combat fraud.

Findings/Conclusions: The Department of Defense (DOD) has four separate criminal investigative agencies to prevent, detect, and investigate fraud in its operations. GAO found that one way these agencies could strengthen their fraud investigations would be to limit them to cases involving significant allegations. Some problems that hinder criminal investigators in pursuing fraud in DOD programs include the requirement that the Navy and Air Force criminal investigators seek a commanding officer's request to conduct an investigation before proceeding; Army investigators must receive approval before they can investigate high-ranking officials. A criminal investigator is hindered by virtually nonexistent U.S. legal jurisdiction over the civilians accompanying the Armed Forces overseas. Further, investigators do not follow up to see whether there is an adequate response to their findings. GAO believes that efforts to combat fraud in DOD could be strengthened if the criminal investigators operated more independently. Compared with the inspector general organizations, those who investigate fraud in the Army, Navy, and Air Force are less independent of operations.

Recommendations to Congress: Congress should enact legislation to extend criminal jurisdiction over U.S. citizen civilian employees and dependents accompanying the Armed Forces overseas.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of Defense should make organizational changes to enhance the independence of the DOD criminal investigators.

Status: No action initiated. Date action planned not known. The DOD Inspector General should issue guidelines to the DOD criminal investigators that will require them to investigate only fraud allegations that will probably result in

prosecutions if substantiated, meet a minimum dollar loss, or indicate larger or systematic problems that must be investigated and refer the remaining allegations to commanding officers, military inspectors generals, or military police for investigating.

Status: No action initiated. Date action planned not known.

The DOD Inspector General should issue guidelines that ensure at a minimum that fraud prevention surveys cover all types of operations both servicewide and at individual locations; survey reports are addressed to the program management level; surveys are part of a plan developed by the investigative agency; and surveys identify causes and make recommendations for corrective action.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should direct the Secretaries of the Air Force, Navy, and Army to authorize their investigative agencies to conduct investigations and surveys and solicit information from all available sources without seeking command approval.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should direct the Secretaries of the Air Force, Navy, and Army to authorize their investigative agencies to follow up to assess the adequacy of actions taken by commanding officers.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

DOD provided an interim response to the report on June 22, 1983. A full response is in process but, due to differing positions among various DOD components, the final decision and response to the recommendations will be made by the Deputy Secretary of Defense. The issues addressed by the report recommendations were forwarded to the Deputy Secretary of Defense in December 1983 for resolution.

NON-DEFENSE BUDGET FUNCTIONS

INTERNATIONAL AFFAIRS

Export Control Regulation Could Be Reduced Without Affecting National Security (ID-82-14, 5-26-82)

Departments of Commerce, Defense, State, and the Treasury

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)

Legislative Authority: Export Administration Act of 1979.

GAO was requested to examine how well the export control system is carrying out the Export Administration Act's national security goal of controlling exports of militarily significant technology and products to the Soviet Union and other Eastern bloc nations.

Findings/Conclusions: The Government carefully examines less than 1 out of every 17 export applications it processes. The need to continue licensing requirements for high-technology products, as well as design and production technology related to both high- and low-technology products, to Communist destinations is clear. However, GAO found that there is little justification for continuing to license the vast majority of low-technology products exported to Communist countries, non-Communist countries, and Coordinating Committee countries. The Department of Commerce by law is required to develop a recommendation for each export application before consulting with other departments or agencies. In high-technology cases, Commerce cannot make a credible recommendation, because it lacks the information necessary to assess military risk. Although it would be both impossible and cost-prohibitive to prevent all illegal exports, the Government recognizes that it needs to provide a more credible deterrent. Some constraints faced by the United States in controlling exports include: (1) practical limits to cargo inspections; (2) lengthy criminal investigations and a large backlog of incomplete investigations; (3) difficulty in obtaining criminal convictions; and (4) no monitoring of conditional licenses to assure that conditions are being fulfilled.

Recommendations to Congress: Congress should amend the Export Administration Act to have Defense make the initial recommendation on export applications that must be forwarded to Defense and have the Department of Commerce limit its review of these applications to those that Defense recommends denying or approving with conditions.

Status: Action in process.

Recommendations to Agencies: The Secretary of Commerce should consider use of Customs attaches overseas in enforcement investigations.

Status: Action completed.

The Secretary of Commerce should require exporters to provide performance specifications and backup information as part of their export licensing application packages.

Status: Action in process.

The Secretaries of Commerce and Defense should review the Commodity Control List to identify those few low-technology products that Defense wants to carefully examine before export to Communist countries and then eliminate

the remaining low-technology products from licensing requirements.

Status: Action in process.

The Secretaries of Commerce and Defense should reexamine the need for licensing of high-technology products to Coordinating Committee countries and other allies by exploring various alternatives that would satisfy control objectives and reduce or eliminate the burden of licensing.

Status: Action in process.

The Secretary of Commerce should direct Commerce reviewing officials to include a full discussion of: (1) how any citation of past precedent relates to the case under review; (2) foreign companies capable of providing a similar product, how that product compares to the proposed export, and the willingness of the foreign manufacturer to sell if the United States were to deny an export license; and (3) intelligence information on the end user obtained from the intelligence agencies in support of Commerce's licensing recommendation.

Status: Action completed.

The Secretaries of Commerce and Defense should eliminate licensing requirements to non-Communist countries for low-technology products falling below the Communist country threshold level.

Status: Action in process.

The Secretary of Commerce should revise the current embedded technology guidelines in consultation with the Secretary of Defense to incorporate specific Defense concerns.

Status: Action in process.

The Secretary of Commerce should establish a system for identifying high-technology licenses with conditions and then make tests to ensure that licensing conditions are being satisfied.

Status: Action in process.

Agency Comments/Action

The President's Committee on Regulation recommended to the President that all of the recommendations be adopted. Legislation to amend and extend the Export Administration Act beyond its expiration on September 30, 1983, was not enacted. Export controls have continued since then under international economic emergency powers and limited extensions of the act. The provisions of the new Export Administration Act, when enacted, will determine the applicability of the GAO recommendations and the agency actions needed to implement them.

NON-DEFENSE BUDGET FUNCTIONS

INTERNATIONAL AFFAIRS

Defense Department's Management of Property Leased to Foreign Governments Is Still Inadequate (ID-83-6, 11-23-82)

Department of Defense and Defense Security Assistance Agency

Budget Function: International Affairs: Military Assistance (152.0)

Legislative Authority: Foreign Assistance Act of 1961. Arms Export Control Act. P.L. 97-113. 10 U.S.C. 2667.

GAO reviewed leases of defense property to foreign governments, in conjunction with a 1981 report, to determine whether the leases complied with the provisions of the Arms Export Control Act (AECA).

Findings/Conclusions: GAO found that the financial management and monitoring of leased property is inadequate and that congressional notification requirements are not being fully met. As a result, Congress is not being provided information needed for effective oversight and thousands of dollars in lease costs are not being recovered. In addition, GAO found that there is little monitoring of the use of leased property and, in some instances, the property has not been returned at the expiration of a lease.

Recommendations to Agencies: The Secretary of Defense should require action to be taken to resolve the deficiencies found in leasing procedures.

Status: Action completed.

The Secretary of Defense should require that the Defense Security Assistance Agency (DSAA) ensure that lease notification documents sent to Congress contain all the information required by chapter 6.

Status: Action completed.

The Secretary of Defense should require that the Security Assistance Accounting Center (SAAC) program the automated accounting system used to process leases to ensure that rent payments are credited to the proper Treasury account, to provide for easy identification of all leases, and to automatically generate data for periodic financial reports on leases to DSAA.

Status: Action completed.

The Secretary of Defense should require that transportation cost estimates be provided to DSAA and billed at the beginning of the lease.

Status: Action completed.

The Secretary of Defense should require that rent payment schedules conform to the automated quarterly billing cycle used by SAAC.

Status: Action completed.

The Secretary of Defense should require that DSAA review all current leases to ensure that appropriate rents have been

collected and credited to the Treasury Miscellaneous Receipts Account.

Status: Action completed.

The Secretary of Defense should require that DSAA instruct SAAC to add all packaging, crating, handling, and transportation costs to the amounts due to all current leases during the next billing cycle. Costs which have not been reported should be obtained by DSAA and reported to SAAC.

Status: Action completed.

The Secretary of Defense should require that DSAA instruct the military advisory groups to perform periodic reviews of lessee country use of leased property and report the review results to DSAA at least annually.

Status: Action completed.

The Secretary of Defense should require that DSAA ensure that control, management, accountability, and overall oversight for all leases to foreign governments is established, whether they were implemented under the authority of 10 U.S.C. 2667, separate legislation, or under chapter 6 of the AECA.

Status: Action completed.

The Secretary of Defense should require that DSAA amend the Military Assistance and Sales Manual to require that all ship leases be made under the authority of chapter 6.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should require that DSAA work with the military departments, military advisory groups, the State Department, U.S. Embassies overseas, and Congress to resolve the problem of unreturned property.

Status: Action in process.

Agency Comments/Action

The agency agreed with 10 of the 11 GAO recommendations and has implemented all but 1 of them. DSAA officials say that they are attempting to resolve the problem of unreturned property but that the current status of the unreturned property is not known.

NON-DEFENSE BUDGET FUNCTIONS

MEDICAL SERVICES

DOD Needs Better Assessment of Military Hospitals' Capabilities To Care for Wartime Casualties (HRD-81-56, 5-19-81)

Department of Defense

Budget Function: Health: Health Planning and Construction (551.3)

GAO reviewed the Department of Defense's (DOD) efforts to provide medical facilities for American casualties who would be returned to the United States for medical care in the event of a war in an overseas area.

Findings/Conclusions: The latitude provided in DOD guidance on the wartime use of military hospitals in the continental United States (CONUS) permits significant differences in the way the military services determine the extent of care that could be provided in their facilities if a war began. Under DOD guidance, the services have adopted different: (1) transition plans for converting individual hospitals to handle wartime casualties; (2) methods for identifying capacity of individual hospital facilities to expand the care for wartime workload; (3) stockpiling policies for medical materials to meet mobilization expansion requirements; (4) types of buildings as wartime assets to augment hospital capacity; and (5) policies for retention of closed hospitals as future mobilization facilities. As a result of these differences, DOD does not have an accurate assessment of the medical mobilization capacity of CONUS military facilities. Recently, DOD has given little consideration to mobilization in configuring new hospitals, and its construction planning has been directed primarily to meeting design requirements for peacetime operations. Economic feasibility studies performed by the services before undertaking hospital construction projects have been used primarily to select the most cost-effective means of meeting peacetime military medical care needs. Design concept studies performed to determine configuration of new hospitals before construction are oriented to meeting peacetime performance requirements.

Recommendations to Congress: Congress should consider the relative importance of the planned hospitals' roles in the event of mobilization, the extent of mobilization expansion flexibility being built into the new hospitals, the gain or loss of mobilization capacity resulting from the planned hospital replacements, and whether nearby civilian hospitals can be expected to support mobilization needs.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of Defense should provide guidance to the military services by permitting sufficient floor space in one-bed rooms to accommodate expansion flexibility for two beds.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by permitting inclusion of medical utilities to support expansion beds in military hospitals planned for readiness areas.

Status: Action in process.

The Secretary of Defense should require the services to complete planned capability assessments in conjunction with the updating of mobilization plans being completed in 1981.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by requiring that economic feasibility studies assess and weigh, in conjunction with peacetime requirements, the mobilization implications of each construction alternative under active consideration.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by requiring that design concept studies identify bed expansion capacity targets, within peacetime sizing constraints, for building the flexibility to expand for mobilization into military hospitals.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by basing the distribution of one-, two-, and four-bed rooms on an assessment of expected peacetime patient needs and mobilization requirements.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by reducing, where appropriate, the number of one-bed rooms in favor of two-bed rooms to improve mobilization capacity of key readiness hospitals.

Status: Action in process.

The Secretary of Defense should develop criteria for services' use in determining which military facilities, such as on-post barracks, housing, or schools, are suitable for medical readiness use to augment military hospitals.

Status: Action in process.

The Secretary of Defense should provide guidance to the military services by identifying adjustments in normal hospital operation procedures for nursing units and central surgical and medical support areas necessary to accommodate emergency expansion and compressed bed spacing during mobilization.

Status: Action in process.

The Secretary of Defense should instruct the services to remove from their mobilization plans such designated commercial buildings as hotels and motels that have been designated for conversion to hospitals.

Status: Action in process.

The Secretary of Defense should develop, as part of a 5-year construction plan submitted to Congress, information necessary to assess the impact on mobilization of each

hospital to be replaced. For hospital replacements not included in the current DOD construction year, information provided should be identified as preliminary pending approval of planning funds for more detailed design development.

Status: Action in process.

The Secretary of Defense should assess past hospital design concept studies undertaken by DOD and new hospital design concepts being implemented in civilian hospitals to identify hospital construction design practices that would enhance flexibility for mobilization expansion. Design practices found useful for this purpose could be utilized by the military services for designing future hospitals.

Status: Action in process.

The Secretary of Defense should require the military services to reassess mobilization plans to determine if hospitals and augmenting buildings are in adequate physical condition and are operationally configured to function at planned mobilization expansion capacity.

Status: Action in process.

The Secretary of Defense should instruct the services to remove from their mobilization plans those inactive hospitals that cannot be efficiently equipped and operated under expanded wartime requirements and retain rights to newer hospitals that have been excessed, but offer additional operating potential.

Status: Action in process.

The Secretary of Defense should provide criteria for the military services to use in developing mobilization transition plans for each hospital that provide for the (1) conversion of facilities to wartime configurations; (2) stockpiling for war readiness of beds and materials to support expansion capacity; (3) phasing out of peacetime patient workloads; and (4) transition of hospital operations to designated mobilization staffs.

Status: Action in process.

Agency Comments/Action

The agency agreed with most of the GAO recommendations and is taking corrective action.

NON-DEFENSE BUDGET FUNCTIONS

MEDICAL SERVICES

Millions Can Be Saved Through Better Energy Management in Federal Hospitals (HRD-82-77, 9-1-82)

Departments of Defense and Health and Human Services, and Veterans Administration

Budget Function: Energy: Energy Conservation (272.0)

Legislative Authority: Energy Conservation Policy Act (P.L. 95-619), 10 C.F.R. 436, Executive Order 12003.

GAO discussed the potential of Federal hospitals to reduce energy consumption and costs through improved energy management.

Findings/Conclusions: GAO found a potential for additional energy savings at the 19 hospitals it visited. Furthermore, they had not implemented many low-cost conservation measures, which include reducing hot-water temperature, installing water-flow restrictors, repairing duct insulation, and installing low-wattage fluorescent lighting. GAO identified conservation opportunities at several hospitals which would drastically reduce their annual energy costs, and many of the energy savings measures would pay for themselves in less than a year. Conservation measures used by non-Federal institutions can be implemented while keeping lighting, temperature, humidity, and airflow within prescribed agency standards and without otherwise affecting patient safety or comfort. Most non-Federal hospitals have aggressive energy saving programs which have resulted in savings around the 20- to 40-percent range. Comparable savings by Federal hospitals have not been achieved, primarily because of weaknesses in their energy management programs. GAO believes that Federal hospitals, in order to achieve savings of 20 to 40 percent, would have to finance conservation measures costing about two to three times their estimated annual savings. The more costly measures should result in savings that would recover the required investment in 3 years or less, with additional savings continuing throughout the life of the equipment or building.

Recommendations to Agencies: The Secretary of Defense should require that the Secretary of the Army and the Secretary of the Air Force: (1) conduct technical audits in Federal hospitals using qualified energy personnel; (2) establish for each Federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) direct Federal hospitals to maintain data and report on their energy use; (4) provide their hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (5) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (6) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (7) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process.

The Secretary of Defense should require that the Secretary of the Navy: (1) conduct technical audits in Federal hospitals using qualified energy personnel; (2) establish for each Federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) provide its hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (4) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (5) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (6) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process.

The Secretary of the Department of Health and Human Services should require that the Indian Health Service: (1) establish for each Federal hospital quantifiable energy conservation goals based on its energy-saving potential; (2) direct Federal hospitals to maintain data and report on their energy use; (3) provide its hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (4) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (5) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (6) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process.

The Administrator of Veterans Affairs should: (1) conduct technical audits in Federal hospitals using qualified energy personnel; (2) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (3) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (4) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process.

Agency Comments/Action

In general, the Veterans Administration and the Departments of Defense and Health and Human Services concurred with the recommendations and have started to implement them.

NON-DEFENSE BUDGET FUNCTIONS

MEDICAL SERVICES

The Armed Forces Institute of Pathology Should Consider Limiting and/or Charging User Fees for Civilian Consultations

(HRD-82-129, 9-28-82)

Departments of Defense and the Army

Budget Function: Health: Health Care Services (551.0)

Legislative Authority: OMB Circular A-25. 31 U.S.C. 483a.

GAO surveyed the policies and procedures of the Armed Forces Institute of Pathology (AFIP) regarding consultations submitted by civilian pathologists for study and diagnosis.

Findings/Conclusions: The mission of AFIP is one of education, research, and consultation in the field of pathology for the military, other Federal agencies, and the civilian sector. In recent years, the greatest share of staff time has been spent on consultations. Although civilian consultations more than doubled during the period from fiscal year 1971 to fiscal year 1982, the number of staff assigned to AFIP has not increased to handle the additional workload. GAO found that: (1) the large number of consultations leaves little time for pathologists to pursue education and research projects, and (2) many of the consultations are routine cases which are poorly documented and of little value to the AFIP registries. Diagnostic services are currently provided free of charge and, although AFIP officials have discussed charging user fees, no detailed cost-benefit analysis has been conducted to determine the effects of such a move. Most pathologists and AFIP officials do not support charging a user fee for all civilian consultations. GAO believes that AFIP should look into the effects of charging user fees, both from a program and an economic point of view. Another alternative, that of rejecting requests for routine

consultations, needs to be evaluated in light of the apparently unsuccessful recent attempt to place a voluntary restraint on civilian consultation submissions.

Recommendations to Agencies: The Surgeon General of the Army should conduct a cost-benefit study to determine the feasibility of charging user fees for civilian consultations. In the event that the cost-benefit study does not support the charging of user fees, the Surgeon General of the Army should instruct the Director of AFIP to follow up on the suggestions contained in the November 1981 Center for Advanced Pathology Consultation Committee Report for ways to improve the quality of cases submitted and to limit the number of civilian consultations.

Status: Action in process.

Agency Comments/Action

In October 1983, the Assistant Secretary of Defense/Health Affairs (ASD/HA) notified GAO that a cost-benefit study had been completed. He stated that the study concluded that, while financially sound, charging fees to non-Government customers would not achieve the desired results and could adversely affect the AFIP mission. The ASD/HA stated that the Director, AFIP, had been directed to adopt the Consultation Committee Report suggestions.

NON-DEFENSE BUDGET FUNCTIONS

MEDICAL SERVICES

Better Control Needed Over Army's Automated Military Outpatient System (HRD-83-44, 3-16-83)

Departments of Defense and the Army

Budget Function: Health: Health Care Services (551.0)

GAO completed a survey of the Automated Military Outpatient System (AMOSIST). This program uses enlisted medical corpsmen to provide health care service to adult dependent, military retiree, and active duty outpatients at certain Army hospitals. These corpsmen have limited medical training and are not supposed to exercise medical judgment and are expected to strictly adhere to medical algorithms which are step-by-step directions for diagnosing and treating certain minor illnesses.

Findings/Conclusions: GAO found that required process audits are not being conducted at two of the three hospitals GAO visited and are not complete at the third hospital. Army physicians who spoke to GAO did not believe that the audits are necessary, and hospital commanders to whom GAO spoke assumed that the audits were being conducted. GAO also found that the AMOSIST programs at these hospitals frequently do not adhere to the prescribed diagnostic algorithms. As a result, potentially serious cases were not referred to physicians, correct drugs were not prescribed, patients were not given appropriate followup instructions, and key medical information that could have materially affected the handling of a case was not obtained. Although three Health Service Command organizations have reported

that the AMOSIST program was insufficiently controlled, the Army has not taken appropriate action to improve the program.

Recommendations to Agencies: The Surgeon General of the Army should emphasize to hospital commanders the need to conduct process audits as required and that strict adherence to the algorithms be maintained.

Status: Action in process.

The Surgeon General should direct the Health Care Studies Division to evaluate the AMOSIST program at Brooke Army Medical Center which has experienced a much higher rate of compliance with the algorithms to determine whether modifications made at Brooke should be made to other AMOSIST programs.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Informally, the Department of Defense agreed with the recommendations. However, GAO was notified in May 1983 that DOD policy had not been formulated.

NON-DEFENSE BUDGET FUNCTIONS

PERSONNEL MANAGEMENT

Objectivity of DOD's Senior Scientific Advisory Committees Can Be Better Assured (GGD-83-76, 9-21-83)

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

Budget Function: General Government: Executive Direction and Management (802.0)

Legislative Authority: Advisory Committee Act (Federal).

In response to a congressional request, GAO reviewed the operations of the Defense Science Board, the Army Science Board, the Air Force Scientific Advisory Board, and the Naval Research Advisory Committee to determine: (1) whether The Department of Defense (DOD) is following appropriate legal procedures and ethical standards in operating the committees; (2) whether members of the advisory committees appear to have conflicts of interest; (3) whether all relevant points of view are represented in the advisory groups and their panels; (4) the degree with which the same individuals participate in multiple advisory groups within DOD; and (5) the full cost of such committees.

Findings/Conclusions: GAO found that the services do not always follow appropriate procedures in the operation of their scientific advisory committees. Although the services have procedures for reviewing committee members' financial disclosure statements, these procedures do not provide for documenting determinations regarding potential conflicts of interest. GAO found that 32 panel members were employed by or had financial interests in areas that could be affected by their panels' recommendations. The Navy does not require its panel members to submit financial disclosure statements. GAO found that, although the services attempt to achieve balanced representation on these committees, the methods of selecting members vary, the services do not document the selection process, and military personnel sometimes participate in panel decisionmaking processes. In addition, DOD panels do not always comply with a Federal Advisory Committee Act requirement to announce meetings beforehand and prepare minutes. GAO found that about 15 percent of the panel members served on more than one of the panels established from 1978 through 1982. Due to the lack of sufficient records, GAO could not determine all of the costs of the scientific advisory committees.

Recommendations to Agencies: The Secretary of Defense should require the services to document the review of financial disclosure information when members are selected for specific panels.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should require the services to document the resolution of potential conflicts of interest or the appearance of such conflicts.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should require the services to comply with the Federal Advisory Committee Act's requirements relating to announcing meetings and preparing minutes.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should require the services to document the steps followed in selecting individuals for panels.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should require the Secretary of the Navy to appoint Naval Research Advisory Committee panel members as special Government employees and make them subject to the same conflict-of-interest standards as other committee members.

Status: No action initiated. Date action planned not known.

The Secretary of Defense should require the Secretary of the Navy to apply the same standards of balance, independence, and openness to the Naval Research Advisory Committee panels that apply to the advisory committee panels of the other services.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

DOD has not provided GAO with its comments on actions taken in response to the recommendations. GAO is, however, aware that DOD has implemented new procedures to require: (1) more thorough and better documented reviews of financial disclosure statements; and (2) compliance with requirements relating to announcing meetings and preparing minutes.

NON-DEFENSE BUDGET FUNCTIONS

PRODUCTIVITY

Strong Central Management of Office Automation Will Boost Productivity (AFMD-82-54, 9-21-82)

Departments of Agriculture, Commerce, Defense, Labor, and the Navy, and General Services Administration, National Aeronautics and Space Administration, Office of Management and Budget, and Office of Personnel Management

Budget Function: General Government: Legislative Functions (801.0)

Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). Automatic Data Processing Equipment Act (P.L. 89-306). Executive Order 12291.

In response to a congressional request, GAO reviewed the management of office automation in the Federal Government.

Findings/Conclusions: The four agencies GAO reviewed are not reaping the maximum benefits or productivity gains from office automation because they lack strong central management. The agencies are now encountering the same problems successful private companies have tried to avoid. These problems are likely to grow as these agencies expand their office automation efforts. Strong central management can be achieved by these agencies if they take advantage of the Paperwork Reduction Act's information management requirements. The Office of Management and Budget (OMB), the General Services Administration, and the National Bureau of Standards are responsible for helping agencies obtain the maximum benefit from office automation. However, these agencies have not provided adequate leadership and guidance which has often resulted in the development of office automation systems which duplicate existing systems, are not compatible with other systems, and are not cost effective.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Navy to designate a central group with responsibility for coordinating efforts to plan, develop, and implement office automation.

Status: Action completed.

The Administrator of General Services should issue "how to" management guidelines for the agencies that provide criteria on planning, developing, managing, and evaluating office automation systems. These guidelines should be periodically reviewed and updated on the basis of new technological developments in office automation. They should

also be approved by OMB before being released.

Status: Action in process.

The Administrator of General Services should establish a forum of agency managers to exchange information and experiences on their past, current, and planned office automation efforts.

Status: Action completed.

The Administrator of the National Aeronautics and Space Administration should establish a central group with responsibility for coordinating efforts to plan, develop, and implement office automation.

Status: Action completed.

The Secretary of Agriculture should direct the Chief of the Forest Service designate a central group within the Forest Service with responsibility for coordinating efforts to plan, develop, and implement office automation.

Status: Action completed.

The Secretary of Labor should hold the Directorate of Information Technology accountable for providing strong central leadership of office automation throughout the Department.

Status: Action completed.

Agency Comments/Action

All four agencies responded to the requirements of the Legislative Reorganization Act by December 30, 1982. The General Services Administration said that it is in the process of developing effective guidelines for managing and evaluating office automation systems.

NON-DEFENSE BUDGET FUNCTIONS

RESEARCH AND DEVELOPMENT

Actions Needed To Increase Federal Onshore Oil and Gas Exploration and Development (EMD-81-40, 2-11-81)

Departments of Agriculture, Defense, Energy, and the Interior

Budget Function: Energy: Energy Supply (271.0)

Legislative Authority: Mineral Lands Leasing Act (30 U.S.C. 181 et seq.; 30 U.S.C. 351 et seq.). Federal Coal Leasing Amendments Act of 1975 (90 Stat. 1083). Wilderness Act (16 U.S.C. 1131 et seq.). Wild and Scenic Rivers Act (16 U.S.C. 1280). Department of Energy Organization Act (42 U.S.C. 7101). Engle Act (Minerals). Land Policy and Management Act. Environmental Policy Act of 1969 (National).

The use of Federal lands for fossil fuels exploration has become an important issue. Managing these lands involves difficult trade-offs between the often-conflicting issues of development, conservation, and environmental protection. An examination was performed on how the exploration and development of oil and gas from Federal lands could be accelerated.

Findings/Conclusions: GAO found that the use of Federal lands for fossil fuels exploration and development is hampered by: (1) the unavailability for leasing of prospectively valuable Federal oil and gas lands; (2) the imposition of stipulations on leases which restrict exploration and development; and (3) lengthy delays in the approval of Federal leases and drilling permits. GAO has determined that the first two of these issues are more significant due to the indefinite duration of actions which have closed lands, the severity of stipulations on leases, the large acreages involved, and their substantial oil and gas potential.

Recommendations to Congress: Congress should determine whether it wishes to be excluded from the review and possible disapproval of decisions to close lands to mineral leasing. If not, Congress should amend section 202(e) of the Federal Land Policy and Management Act to provide that the management decisions closing lands to mineral leasing and affecting smaller sized tracts should be reported to Congress. Section 202(e) should be further amended to require that the Department of the Interior submit with each report to Congress the minerals report described in section 204(c)(2) for withdrawals and any other information required in section 204(c)(2) which the Congress considers appropriate. Congress should also amend section 3 of the Engle Act so that the withdrawal information for military applications conforms with the Land Policy and Management Act's section 204(c)(2) requirements for mineral analyses.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretaries of Agriculture and the Interior should direct the Forest Service and the Bureau of Land Management, respectively, to establish standards and criteria for the use of restrictive stipulations, such as surface disturbance and "no surface occupancy" restrictions. Leasable lands should then be inventoried to determine the extent of the use of such stipulations and to verify if the stipulation use meets the standards and criteria.

Stipulation uses which are determined to be unjustified should be removed.

Status: No action initiated. Date action planned not known.

The Secretary of the Interior should direct the Bureau of Land Management to: (1) change its guidelines implementing the Environmental Policy Act of 1969 to defer the requirement for environmental assessments for oil and gas activities until surface disturbance is proposed; (2) establish standard time frames for completion of lease processing; (3) work with surface management agencies to develop cooperative agreements and goals for lease processing; and (4) develop a standard followup system for tracking outstanding lease applications. The Secretary should direct the Geological Survey to: (1) clearly state in its guidelines what the operator is required to submit; (2) review drilling permit applications and notify an applicant within 7 days of the filing date if his application is incomplete; (3) develop standard procedures for tracking and recording actions; and (4) coordinate with operators so that they have an archaeologist available during joint-site inspections.

Status: Action completed.

The Secretary of Defense should formulate a minerals policy, consistent with current national energy needs and evaluations of oil and gas potential on affected lands, that will provide guidance to the military services in making installations available to leasing.

Status: Action completed.

The Secretary of the Interior should: (1) establish criteria upon which "no leasing" decisions must be based and also require the Bureau of Land Management to maintain records of "no leasing" decisions adequate enough to permit periodic congressional oversight; (2) require the Bureau to inventory lands which have been closed by management decision to oil and gas leasing, and then retain closure only to the extent it can demonstrate that a continuation of the decision not to lease is based on the criteria defined above; (3) direct the Bureau to give priority to evaluating the pre-Environmental Policy Act of 1969 Defense withdrawals under the Bureau's withdrawal review program; (4) direct the Geological Survey to review the oil and gas potential of the Fish and Wildlife Service's refuges in the lower 48 States; (5) direct the Bureau to develop a withdrawal review program to include the remaining 38 States; and (6) direct the

Bureau to inventory and justify lands withheld from the simultaneous leasing system.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Interior, DOD, and USDA strongly support most of the recommendations contained in the final report. Interior has made several changes in expediting the processing of Federal leases and drilling permits, reducing the number and severity of lease restrictions, and opening more oil and gas lands to leasing. DOD has implemented leasing guidelines for military installations. USDA has developed a memorandum of understanding with Interior to help expedite the processing of leases.

NON-DEFENSE BUDGET FUNCTIONS

RESEARCH AND DEVELOPMENT

The Nation's Unused Wood Offers Vast Potential Energy and Product Benefits (EMD-81-6, 3-3-81)

Departments of Agriculture, Defense, and Energy, Environmental Protection Agency, and General Services Administration

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)

Legislative Authority: Wood Residue Utilization Act of 1980 (P.L. 96-554). Public Utility Regulatory Policies Act of 1978 (92 Stat. 3117). Energy Tax Act of 1978 (P.L. 95-618). Clean Air Act Amendments of 1977 (42 U.S.C. 7401 et seq.). P.L. 95-617. P.L. 95-621. S. 1775 (96th Cong.).

Immense quantities of wood residues are wasted in the United States in the form of decaying logging residues and dead trees, unused wood processing residues, and large, untapped acreages of small, defective, and other lower value trees. Wood residues could be an important energy source. A study was made of Federal policies that are contributing to this lost potential.

Findings/Conclusions: GAO identified numerous factors standing in the way of greater use of wood residues for energy and products. These barriers include inadequate data on the volume, location, accessibility, and availability of forest residues; lack of economical and effective equipment for harvesting and transportation of residues; lack of investment capital needed for harvesting and using residues; and limited awareness and acceptance of wood energy and product technology among industrial firms, utilities, and State and local bodies. Other obstacles pertain to Federal forest management policies and programs, utility practices and regulations, and environmental concerns related to greater use of residues. The Forest Service and the Department of Energy have made little progress in developing a national wood residue plan. The agencies should make a number of residue assessments in operating areas which are defined in terms of key factors such as topographical features, transportation corridors, economic hauling distances, and landowner attitudes. The Forest Service should take the lead in accomplishing the needed assessments. The Department of Energy should be an active participant in the studies. The assessments must deal more with resource management problems than end-use technology questions.

Recommendations to Agencies: The Secretaries of Agriculture and Energy should present to Congress within two years a national wood residues plan, including proposed residue use goals and recommendations for legislation or other actions to overcome barriers to such goals. It should be supported by data on regional variations developed through the residue assessments.

Status: Action in process.

The Secretaries of Agriculture and Energy should work jointly to implement an accelerated program to develop and demonstrate residue-handling equipment in cooperation with private industry.

Status: Action in process.

The Secretaries of Agriculture and Energy should work jointly to develop standardized methods for evaluating the

costs and benefits of using wood fuels in Federal facilities, including allowance for forest management benefits, and submit these methods to the Office of Management and Budget within 6 months for dissemination to the executive branch to assure consistency in life-cycle energy evaluation.

Status: Action in process.

The Secretaries of Agriculture and Energy should establish a program to promote use of wood fuels among industry, utilities, and State and local bodies through increased participation in demonstration projects and provision of educational materials and direct technical assistance.

Status: Action completed.

The Secretaries of Agriculture and Energy should (1) convert all Department facilities to wood fuels for all or part of their heating/power needs where life-cycle evaluations show them to be cost effective; and (2) identify and evaluate additional opportunities to demonstrate wood-energy technologies at Department facilities in order to enhance the prospects for future economic feasibility of such technologies.

Status: Action in process.

The Secretary of Agriculture should upgrade the forest survey to provide an inventory of the potentially usable biomass of all trees and woody shrubs, logging residues, and dead trees on the nation's commercial forest lands.

Status: Action in process.

The Secretary of Agriculture should request legislation which would authorize the Department to grant private firms either title or an exclusive license in residue-handling equipment and reconstituted wood product technologies developed wholly or partly with Federal funds when needed to stimulate commercialization.

Status: Action completed.

The Secretary of Agriculture should (1) increase promotion of new reconstituted wood product technologies developed with Federal funds by allocating necessary resources to effectively disseminate information and provide technical assistance to forest products firms; and (2) adopt a more flexible policy which allows use of long-term contracts to assure that residues from National Forests will be available on a continuous basis when needed to achieve increased residue use in a given area.

Status: Action in process.

The Secretary of Agriculture should (1) demonstrate Forest Service ability to conduct tree measurement sales and convert the agency's western region to the tree measurement

basis as rapidly as possible; and (2) preserve logging residues for potential future use by foregoing burning whenever possible under sound forest management practices.

Status: Action in process.

The Secretary of Defense and the Administrator of General Services should assure, in implementing existing policies for conversion of their heating/power systems from oil and natural gas to alternative fuels, that wood is given equal consideration with coal in forested regions of the country. A canvass of wood conversion opportunities at all such facilities should be made to later be tested by the standard feasibility evaluation methods developed by the Forest Service and DOE. They should also issue procurement guidelines pointing out that, because of their value in meeting national energy goals, residue-based wood products be carefully considered as alternative materials for all construction and related application and related applications.

Status: Action in process.

The Administrator of EPA should request legislation to amend the Clean Air Act to allow full recognition of trade-offs in facilities siting decisions. The Administrator should encourage the States to modify their policies where needed to recognize such trade-offs.

Status: Recommendation no longer valid/action not intended. *EPA states that its policies already allow trade-offs to be considered in facilities siting decisions.*

The Administrator of EPA, to help promote wood residue use in locations where current air pollution regulations preclude such facilities, should develop policies and procedures that (1) recognize emission trade-offs resulting from reduced burning of residues in the woods or in other locations and increased burning at proposed wood energy facilities; and (2) allow such trade-offs to be considered in deciding whether a wood-burning facility may be constructed and what type of pollution control equipment will be required.

Status: Recommendation no longer valid/action not intended. *EPA disagrees because it does not consider the best available control technology requirements to be a major obstacle to construction of wood burning plants. It cites at least four such plants which have received construction permits in the Pacific Northwest.*

The Secretaries of Agriculture and Energy should conduct a cooperative program of assessments in at least six locations around the country. The Secretaries should select the areas they believe hold the most promise for increased use of residues based on estimates of residue availability and cost and availability of competing energy sources. Specific information to be developed through assessments should include (1) the cost of making detailed residue inventories in each assessment area, with projections of costs to make such inventories regionally and nationally; (2) the volumes of wood residues that are potentially available in each area and the costs to collect and remove them using conventional equipment; (3) the specific needs for improved equipment to lower collection and removal costs; (4) the benefits and costs of, and alternative Federal roles in stimulating, greater removal and use of wood residues by modifying or initiating a number of possible forest management

policies and programs on Federal, State, and private lands and encouraging private investment in new or modified facilities to use wood residues; and (5) the extent of, and alternatives for reducing, additional barriers to residue use caused by utility practices and regulations, air pollution regulations, and other factors.

Status: Action in process.

Agency Comments/Action

The five agencies involved have taken action on most of the GAO recommendations. GAO does not expect EPA to act on either requesting legislation to amend the Clean Air Act or developing policies and procedures that reorganize emission trade-offs resulting from reduced burning of residues in the woods. EPA believes that they have policies already ongoing or, in the latter case, disagrees with the GAO recommendation.

NON-DEFENSE BUDGET FUNCTIONS

RESEARCH AND DEVELOPMENT

Developing Alaska's Energy Resources: Actions Needed To Stimulate Research and Improve Wetlands Permit Processing

(EMD-82-44, 6-17-82)

Departments of the Army and the Interior

Budget Function: Energy: Energy Supply (271.0)

Legislative Authority: Alaska National Interest Lands Conservation Act (P.L. 96-487). Clean Water Act of 1977 (33 U.S.C. 1344). Water Pollution Control Act. Executive Order 8979. S. 1562 (97th Cong.).

To determine if Federal agencies are advancing environmentally sound approaches to energy exploration and development, GAO evaluated: (1) the results of oil- and gas-related experience on the Kenai National Wildlife Refuge, the only Federal land in Alaska where significant production has occurred; (2) the measures used in Alaska to prohibit exploratory drilling during certain months of the year and to control drilling waste disposal; (3) the adequacy of research to lessen the impacts of energy development; and (4) wetlands permitting, which is of crucial importance to energy development on all Alaskan lands.

Findings/Conclusions: Additional research is needed to evaluate the impacts of oil- and gas-related activity in Alaska as a basis for promoting environmentally sound approaches to future development without unnecessarily increasing its cost. GAO found that two costly and controversial restrictions are being widely applied to energy exploration in the Arctic; however, there has not been adequate research to support either the imposition or the removal of these restrictions. Use of site-specific research findings would allow refinement of environmental protection controls suitable to the unique characteristics of the lands on which they are applied, and this would minimize universal or blanket stipulations where they are not necessary. The U.S. Army Corps of Engineers has been slow in processing wetlands permits, which are required for many oil and gas projects in Alaska, and has frequently included controversial and costly conditions in its permits without requiring substantiation of their need through research findings and site-specific data.

Recommendations to Congress: Congress should provide for three critical elements: coordination, prioritization, and sources of funding for research to evaluate the impacts of energy development in the Arctic.

Status: Action in process.

Recommendations to Agencies: The Secretary of the Interior should utilize existing research findings and site-specific data to the maximum extent possible and, after a source of further funding is worked out, direct and use additional

site-specific research in the application of stipulations to future Alaskan energy projects. This should include using such data as a basis for determining whether the seasonal drilling restriction should be continued as a general stipulation for individual tracts.

Status: Action in process.

The Secretary of the Army should only grant the State of Alaska extensions to the public comment period when they are adequately justified and use research findings and site-specific data to the maximum extent possible in determining the need for proposed stipulations in future permits.

Status: Action in process.

The Secretary of the Army should require that Federal agencies support the need for proposed permit stipulations to the maximum extent possible with site-specific data and relevant research findings.

Status: Action in process.

The Secretary of the Army should direct the Chief, Corps of Engineers, to have the Corps' Alaska District management periodically summarize the time required to issue public notices and enforce the 15-day timeframe established by law.

Status: Recommendation no longer valid/action not intended. *A change in agency procedures effectively eliminates this recommendation.*

Agency Comments/Action

Interior indicated that it plans to comply with the recommendation within budgeting constraints. The Army issued new regulations for the section 404 wetlands permit process which include steps that concur with the recommendations. Interior has responded under the provisions of OMB Circular A-50; Army has not.

NON-DEFENSE BUDGET FUNCTIONS

SUPPLY MANAGEMENT

Opportunities for Improved Oil Recycling Still Exist (PLRD-82-113, 9-17-82)

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

Budget Function: General Government: General Property and Records Management (804.0)

Legislative Authority: Water Pollution Control Act Amendments of 1972 (Federal) (P.L. 92-500). Energy Policy and Conservation Act (P.L. 94-163). Resource Conservation and Recovery Act of 1976 (P.L. 94-580). Used Oil Recycling Act of 1980 (P.L. 96-463).

In response to a previous GAO recommendation, the Department of Defense (DOD) established an oil recycling and reuse policy and guidance for the military departments and defense agencies on the collection and disposition of used oils. GAO performed a followup review of how DOD activities collect and dispose of used oil.

Findings/Conclusions: Many DOD installations and activities are not following the DOD guidance. GAO found that collection and selling practices tended to mitigate against re-refining used oil, and some activities were selling used oil when they could have burned it more economically as fuel. While the services have adopted and incorporated the DOD policy into their own regulations, their failure to aggressively implement this policy and guidance has resulted in the loss of numerous opportunities to achieve better conservation and economic use of lubricating products. By improving their collection and disposal practices, DOD activities can make their used oil more suitable for re-refining and also enhance the product's market value. This can be done by: (1) collecting used oil in ways that segregate recoverable products, such as automotive and jet turbine oils, by type and keeping them clean; (2) storing oils in bulk containers to reduce storage and handling costs; and (3) collectively disposing of used oils from installations in the same geographic area to enable DOD to offer large quantities of used oil which would make re-refining more feasible and reduce disposal costs. GAO believes that DOD activities should cease the practice of selling used oil when it can be burned more economically as fuel. It also believes that the closed-loop re-refining arrangement has excellent potential for economically improving the use of used oil at large installations.

Recommendations to Agencies: The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to follow the DOD guidance in the collection and disposal of used oil. The Secretary should also direct a trial of the closed-loop arrangement for re-refining used oil generated at a large user installation or several installations in close proximity to one another. If this trial shows this arrangement to be a beneficial way of utilizing used oil, it should be extended to as many locations as is feasible.

Status: Action in process.

Agency Comments/Action

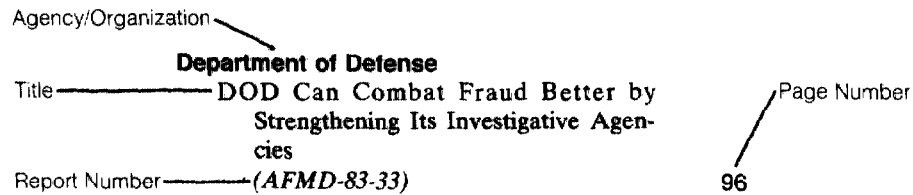
DOD agreed with the findings and conclusions in the letter report and stated that the recommendations were reasonable. DOD asked the military services to issue specific procedural guidance to improve used oil collection, segregation, and storage at their installations. The guidance will emphasize making used oil suitable for re-refining or sale. The services were also instructed to monitor compliance with the new procedures. DOD asked the Defense Logistics Agency to study the economic feasibility of establishing regional re-refining capabilities. The feasibility study was completed in September 1983 and recommended that DOD conduct a pilot test of regional re-refining. A final decision on whether to conduct the pilot test has not been made yet but is expected before the end of calendar year 1984.

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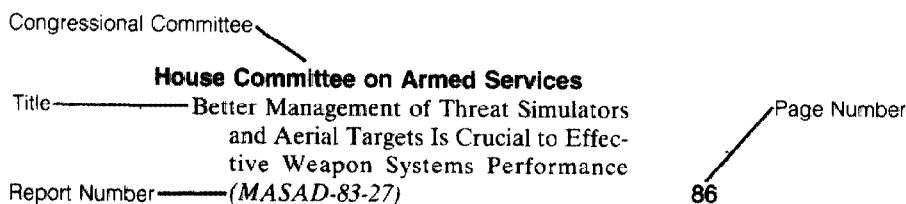
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