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REPORT TO THE  
HOUSE AND SENATE  
COMMITTEES ON APPROPRIATIONS

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES



Summaries Of Conclusions And  
Recommendations On Department  
Of Defense Operations

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COMPTROLLER GENERAL OF THE UNITED STATES  
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- (1) Chairman, Senate Committee on Appropriations *SEN 003000*
- (2) Chairman, House Committee on Appropriations *HSE 003000*

This annual report summarizes GAO conclusions and recommendations resulting from our audits and other review work in the Department of Defense which we believe will be of interest to your Committee in its review of budget requests for fiscal year 1977. Our reports have previously brought these matters to the attention of the Congress and departmental officials. We have not included suggested questions to be asked in appropriations hearings; however, we will suggest specific questions on the items summarized if you desire.

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

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

*James B. Stacks*

Comptroller General  
of the United States

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CHAPTER 1

DEPARTMENT OF DEFENSE--MILITARY

WEAPON SYSTEMS

Effectiveness of testing selected  
major weapon systems

Department of Defense

GAO examined the test programs as planned and as accomplished for 10 major systems. GAO found that:

- in 5 of 10 test programs, the plans either did not call for testing all major characteristics or important tests called for were not made.
- Despite the omission of the tests, the military services involved had planned to move ahead with acquiring the systems.
- The problems that GAO noted primarily resulted from economic constraints, lack of certain test resources, and insufficient management surveillance over the entire testing process.

Past experience has shown that failure to make adequate tests can lead to costly retrofit or redesign at a later date or to deploying weapons that cannot adequately fill their intended roles.

GAO recommended that the Secretary of Defense take the action necessary to require the documentation of changes to test plans and to increase the scope and intensity of monitoring activities to insure that the military services make all the important tests on systems.

The Department of Defense (DOD) stated that GAO looked at test programs during a period when the Department was revising its procedures and was establishing independent test organizations within each military department.

The Department did not agree that increased surveillance was needed but did agree that certain specific actions were required to better control key testing (PSAD 75-74, June 4, 1975).



## Appropriations

Research, Development, Test, and Evaluation  
Procurement

### Issues for consideration by the Committees on Appropriations

As the Commission on Government Procurement pointed out, having truly independent organizations test weapon systems is an essential element of the management process. GAO is currently surveying the military services independent test organizations to determine whether an organization headed by military personnel and reporting through the military chain of command will have the degree of independence needed to counterbalance the usual optimism of program advocates.

How to improve the Selected Acquisition Reporting System

Department of Defense

GAO has been working with the Department of Defense and congressional committees on improving the selected acquisition reports, which are the key recurring summary status reports to the Congress on Department of Defense weapon system acquisitions.

In a report to the Secretary of Defense, GAO identified 10 areas where improvements could result in increased usefulness of the selected acquisition report to the Department of Defense and the Congress. The Department of Defense agreed with some of the recommendations and disagreed with others. The Department of Defense revised its selected acquisition reporting instruction DODI 7000.3 to include some of our recommendations. Copies of the report were furnished to the House and Senate Committees on Armed Services and Appropriations (PSAD-75-63, March 27, 1975).

Appropriations

Research and Development (Army, Navy, and Air Force)  
Procurement (Army, Navy, and Air Force)

Issues for consideration by the Congress

This report contains information on shortcomings in the Department of Defense's selected acquisition reporting system (SAR) and GAO's suggestions for improving the system. This information should assist committees of the Congress and individual members of Congress with their legislative responsibilities to authorize and appropriate funds for major weapon systems.

Several committees, subcommittees, and individual Members of Congress have had a long-standing interest in the reporting by the Department of Defense on its acquisition of major systems, and they have made a number of suggestions to the Department to improve the quality of reporting.

If the committees want to insure prompt and meaningful action on GAO's recommendation, they should pursue these matters further during hearings with the Department of Defense.

Adequacy of Department of Defense  
test resources

Department of the Army, Navy and Air Force

A total of 26 major Department of Defense ranges and test facilities comprise the major range and test facility base. Fiscal year 1975 funding for the test and evaluation part of the major range and test facility base amounted to about \$1.3 billion.

GAO reported to the Senate Committee on Appropriations that there seemed to be a lot of duplication in test capabilities. However, GAO did not attempt to review comprehensively the test facilities' test workloads in relation to their capacities. GAO further reported that the most troublesome problem in test resources involved the lack of suitable targets for realistic testing and that project offices were limiting system test requirements because of the test facilities' limited capabilities. GAO recommended that the Secretary of Defense (1) review major Department of Defense and civil agency test facilities to more precisely define areas of test duplication and overlap to determine (a) whether such duplication is warranted and (b) whether major economies can be realized by consolidating test functions, (2) establish procedures and controls to insure that adequate resources will be available for testing major systems, and (3) insure that shortcomings in test facilities will be alleviated.

GAO's report to the Senate Appropriations Committee was also sent to the other principal committees (PSAD-75-84, Apr. 30, 1975).

On May 15, 1975, the Chairman of the Senate Committee on Appropriations requested that GAO evaluate the extent of duplication among Department of Defense test ranges and test facilities in the areas of ordnance and underwater sound and propulsion equipment. The Chairman asked GAO to determine whether such duplication is warranted, considering test facility workload in relation to capability and capacity. The Committee requested a report and considered the request an extension of the work previously done by GAO.

On August 11, 1975, the Department of Defense provided written comments on the April 30, 1975, GAO report under the provisions of the Legislative Reorganization Act of 1970. DOD specified that because of recent congressional direction to GAO to further evaluate test duplication, an

independent study by DOD, as recommended in the report, was considered unnecessary. With regard to the other GAO recommendations, DOD stated that procedures and controls currently exist within DOD to insure that availability of adequate test resources and actions are underway to alleviate shortcomings in this area.

On November 6, 1975, the Senate Committee on Appropriations in its report on the 1976 Appropriation Bill referred to the April 30, 1975, GAO report. The Senate Committee report specified that there is room for financial savings with a restructuring of test ranges and test facilities. Further the Committee directed the DOD to effect savings in test ranges and test facilities in fiscal year 1976 and 1977 by consolidations and/or improved management. Such savings are required to be reflected in the fiscal year 1977 budget.

### Appropriations

#### Army, Navy and Air Force

Research, Development, Test, and Evaluation  
Operation and Maintenance  
Procurement  
Military Personnel  
Military Construction

### Issues for consideration by the Committees on Appropriations

Issues will be highlighted for the Senate Committee on Appropriations in the GAO report due in February 1976.

Improvements needed in cost-effectiveness studies for major weapons systems

Department of the Army

Military departments make cost-effectiveness studies to determine which weapon system from among several possible alternatives would best serve a mission need. These studies attempt to identify the system which would provide the greatest value for equal costs or, put another way, which requires the least cost to attain a desired level of effectiveness.

GAO examined Army studies for five major weapon systems. It found some bias in the studies which it attributed to the fact that they were prepared largely on the basis of assumptions, data, and methodology derived by advocates of the system within the Army.

The GAO review showed that the need for greater objectivity was also apparent in studies made by the other military departments. GAO recommended that the responsibility for making cost-effectiveness studies be placed with an independent organization within the Office of the Secretary of Defense or with a panel of reviewers drawn from personnel whose interests transcend those of a single military service (PSAD-75-54, Feb. 12, 1975).

The Department of Defense did not accept this recommendation and contended that it considered procedures whereby cost-effectiveness studies are reviewed at service headquarters, often with Defense representatives present, sufficient to assure objectivity.

Appropriations

Research and Development (Army)  
Procurement (Army)

Issues for consideration by the Committees on Appropriations

Cost-effectiveness studies are a factor in decisions which have a major impact on the Federal budget. Studies by a group independent of the interested military service would be likely to have greater objectivity than those prepared by system advocates.

## MAINTENANCE, REPAIR, AND OVERHAUL

### Single manager needed to obtain cost and fuel savings in Spectrometric Oil Analysis Program

#### Department of Defense

Spectrometric Oil Analysis (SOA) could greatly reduce maintenance costs and oil consumption in Department of Defense activities. Oil analysis applies to other Federal departments and agencies as well. So far, there has been little progress in the military services' oil analysis programs due to a lack of centralized management.

In a report to the Congress GAO recommended that the Secretary of Defense direct the military services to develop one cohesive SOA program. Specifically, there should be a single program manager having authority and responsibility to carry out the objective that the military services themselves specified in a triservice agreement.

Department of Defense generally concurred that dollar savings and improved equipment performance can be realized by improving the management and operation of the oil analysis program. It also agreed that the joint agreement for integration of service oil analysis programs has not been as effective as it could be.

The Department did not agree that there should be a single program manager. It believes that the Office of the Secretary should assist in developing and promoting a new joint service agreement to overcome program deficiencies pointed out in our report (LCD-75-431, August 27, 1975).

#### Appropriations

Operation and Maintenance (Army, Navy, and Air Force)

#### Issues for consideration by the Committees on Appropriations

The triservice agreement has not been effective in the past in achieving SOA program objectives and, on the basis of such experience, there is little reason to believe that a new agreement would be as effective achieving these objectives as a single program manager. The Air Force, as a result of questions raised by GAO, reduced their procurement of spectrometers and reevaluated the response time requirement. As a result of this reevaluation, response time requirements were relaxed, and the Air Force now plans to reduce the number of its laboratories.

Improving productivity through better  
management of maintenance operations in Europe

Department of the Army

GAO reported to the Congress that the Army needs to better coordinate its maintenance activities in Europe. Cost estimates to repair vehicle components at contractor-operated depot maintenance plants amounted to \$34 million in fiscal years 1974 and 1975. However, most of these repairs could have been done at a lower cost by existing general-support maintenance activities staffed by U.S. military personnel. For example, in fiscal year 1974 alone, these general-support units had 1.2 million unused staff-hours available for such work. During fiscal year 1975 the Army in Europe had an estimated \$6.8 million backlog of depot overhaul programs for which funds were not available.

Also, repairs which should have been done at the direct-support level were done at the general-support level. Both direct- and general-support activities took too long to repair and return urgently needed equipment to combat forces in Europe. Some reasons for the delays were:

- Maintenance managers were not effectively controlling their shops.
- Repair parts were not available.
- Mechanics used less than 50 percent of their time for maintenance.
- Mechanics were not assigned to work they were trained to do.

GAO recommended that the Secretary of Defense encourage the Army to improve maintenance management in Europe by:

- Using more military capability at the direct- and general-support levels before assigning maintenance to the depots.
- Doing maintenance work at the lowest authorized level within their capabilities.
- Insuring a good supply of repair parts.

The Department of the Army agreed with the GAO findings and commented on the corrective actions planned or now in progress. These actions include reorganizing maintenance

support functions, providing direct support maintenance on an area basis, and testing new procedures for issuing repair parts (LCD-75-401, Mar. 7, 1975).

Appropriations

Operations and maintenance (Army)

Issues for consideration by the  
Committees on Appropriations

- Better use of military personnel can materially reduce the cost of maintenance in Europe.
- Improve maintenance productivity and associated reductions in equipment turnaround time will enhance the combat readiness of U.S. forces in Europe.
- An adequate supply of spare parts will help minimize delays in the maintenance process and will improve productivity.



Productivity of below-depot maintenance  
could be improved

Department of Defense

The cost of the military services' below-depot maintenance, estimated to be about \$13 billion a year, could be reduced if mechanics were used more productively and if duplicate capabilities were eliminated.

Mechanics were not used as productively as possible because the military services' management information systems did not provide (1) adequate controls over the accuracy of data, (2) proper use of labor standards, or (3) complete accounting for staff-hours. Management often did not know how many hours were spent on activities other than maintenance.

Military below-depot equipment, skills, and overhead personnel were needlessly duplicated. Although the Army, Navy, and Air Force have each made some efforts to reduce duplicated capabilities through consolidations, many major redundancies, both within and among the services, remain.

GAO recommended that the Secretary of Defense instruct the military services to (1) establish adequate controls over the accuracy of reported productivity data, (2) require that all available staff-hours be tracked and summarized, and (3) require that labor standards be used, when practicable, to evaluate performance. GAO also recommended that the Secretary encourage the services to consolidate their maintenance programs in order to maximize use of their limited resources and to simultaneously achieve desired readiness. DOD is taking actions to improve below-depot management information systems and said it would continue to encourage consolidated maintenance where it would not adversely affect readiness (LCD-75-422, July 29, 1975).

Appropriation

Operation and Maintenance (Army, Navy, and Air Force)

Issues for consideration by  
the Committees on Appropriations

To improve productivity without compromising defense readiness, DOD could:

- Validate maintenance requirements to arrive at realistic estimates of the personnel and equipment needed in emergencies.

- Consolidate, eliminate, or place in reserve those capabilities which exceed peacetime and emergency requirements.
- Rely on peacetime staffing to expand maintenance capabilities by working longer hours in a mobilization.
- Rely on reserve personnel to quickly replace mobilized personnel.
- Reallocate workloads to insure the productive use of resources which exceed peacetime requirements but which are necessary for mobilizations.

Ways of increasing productivity in the  
maintenance of commercial-type vehicles

Postal Service, General Services  
Administration, and Department of  
Defense

Federal agencies spent over \$475 million to operate and maintain more than 420,000 commercial-type vehicles in fiscal year 1973. Maintenance costs could be reduced by:

- Using flat-rate standards, which set the average time to complete a task, to judge efficiency. Most actual repair times at activities visited exceeded the standards, sometimes by as much as 100 percent.
- Doing preventive maintenance less frequently. Manufacturer-recommended intervals should be more closely followed by GSA and DOD.
- Reevaluating motor pool staffing. Many motor pools appeared to be overstaffed due to the lack of effective methods for determining and controlling staffing levels.
- More closely monitoring operations to make sure that vehicles (1) are not returned to shops for preventive maintenance shortly after unscheduled repairs and (2) do not receive similar or identical repairs within short periods.
- Improving management information systems so that problem areas can be pinpointed and promptly corrected.

The agencies reviewed said they are taking or plan to take actions to improve the management of vehicle maintenance (LCD-75-421, June 24, 1975).

Appropriations

Operation and Maintenance (Army, Navy, and Air Force).  
Public Service, Postal Service.  
Operating Expenses, Federal Supply Service, GSA.

Issues for consideration by the  
Committees on Appropriations

Savings could be attained if agencies

- improve productivity by using flat-rate standards to evaluate maintenance efficiency,

- have routine preventive maintenance done commercially and reduce motor pool staffing to only those personnel necessary for extensive repairs,
- consolidate maintenance facilities in areas having a concentration of Government vehicles, and
- eliminate unnecessary preventive maintenance by following manufacturer-recommended preventive maintenance intervals more closely.

## MANPOWER TRAINING

### Use of flight simulation

#### Departments of the Air Force and Navy

Large expenditures are now being planned for developing and acquiring improved flight simulators. Funding requests have increased from \$88.5 million for fiscal year 1974 to \$247.5 million in fiscal year 1976.

GAO reported to the Secretary of Defense that Air Force and Navy commands operating large multiengine aircraft have not used existing simulator equipment to its full potential because of various constraints and problems. These were primarily managerial and attitudinal rather than technological.

It is apparent, therefore, that acquiring new modern simulators offers no assurance that the desired cost savings and training benefits will be realized. Strong mandates and incentives are needed to insure that maximum effective use is made of the simulators and that unnecessary flying is eliminated. Also, improvements should be made in the Department of Defense's procedures and controls for funding simulator programs and for coordinating the services' efforts to develop and acquire simulators.

The Department of Defense agreed that the problems GAO identified had adversely affected use of simulators. The Department said it had recently started to correct many of the problems and would continue to seek further improvement (PSAD-75-95, June 24, 1975).

#### Appropriations

Operation and Maintenance (Navy) (Air Force)

Procurement (Navy) Air Force)

Research, Development, Test and Evaluation (Navy) (Air Force)

#### Issue for consideration by the Committees on Appropriations

Sound justifications should be provided by the Department of Defense to show how the acquisition of advanced simulators will affect flight training operations, manpower requirements, and aircraft acquisitions.

Need to improve the efficiency of  
reserve training

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

GAO reported to the Congress on the need to improve the training of the military reserves. The services require 99 percent of their reservists to attend 48 4-hour drill sessions and to spend 2 weeks on active duty each year, although needed readiness and skill difficulty vary widely among units and members. Over \$2.7 billion was authorized by the Congress for this training during fiscal year 1974.

On the average, reservists spend about 50 percent of their drill time and 61 percent of their active duty time training in their official military jobs. Remaining time is devoted to other jobs or general military activities or spent idle. Idleness is a major cause of job dissatisfaction among reservists.

GAO estimated that in fiscal year 1974 reservists' time devoted to other than official jobs or spent idle totaled 15 million mandays and cost about \$1.2 billion. About 6.5 million mandays and nearly \$475 million were applicable to idle time.

GAO informed the Congress that some reservists could maintain proficiency under a reduced training schedule and recommended that the Congress amend existing laws to permit varying the training of the Army and Air National Guard by categories according to kinds and degrees of training.

GAO also made specific recommendations to the Secretaries of Defense and Transportation (the latter for the Coast Guard Reserve) and to the military services directed at improving reserve training. The Departments of Defense and Transportation generally agreed with the recommendations and informed GAO that several actions had been or would be taken to implement them. In September 1975 GAO officials testified on the matters discussed in the report before the House Armed Services Committee (FPCD-75-134, June 26, 1975).

Appropriations

Military Personnel (Army) (Navy) (Air Force)  
Reserve Training, Coast Guard (Transportation)

Issues to be considered by  
the Committees on Appropriations

Elimination of required paid attendance at drills beyond that required to maintain individual and unit combat readiness could reduce training costs significantly and improve troop morale.

## MILITARY HOSPITALS

### VIP accommodations and separation of officer and enlisted patients in military hospitals

#### Department of Defense

GAO reported to the Chairman, Subcommittee on Priorities and Economy in Government, Joint Economic Committee, on the use of Presidential and other very important person (VIP) accommodations in military hospitals and the separation of officer and enlisted patients within them. The Department of Defense and the military departments have no criteria for establishing and furnishing Presidential suites and other VIP accommodations. GAO recommended that DOD determine whether such accommodations were needed, and, if so, develop criteria for establishing and furnishing them.

Although DOD and the military services' space planning criteria do not provide for separate officer and enlisted personnel accommodations, this was the practice at some Navy hospitals. GAO recommended that DOD instruct the military departments to prohibit separating officer and enlisted personnel in their hospitals (MWD-75-38, Dec. 24, 1974).

The Department, in a letter dated April 11, 1975, concurred in the recommendations and enumerated several actions being taken or planned to implement them. GAO's followup of DOD's action to implement the recommendations indicated that as of September 8, 1975, none of the recommendations had been completely implemented; however, DOD officials said that actions would be taken to complete their implementation in the near future.

#### Appropriations

Operation and Maintenance (Army, Navy, Air Force)

Military Personnel (Army, Navy, Air Force)

Military Construction (Army, Navy, Air Force)

#### Issues for consideration by the Committees on Appropriations

Constructing, furnishing, and operating Presidential and other VIP accommodations in military hospitals are costly activities over which the committees may wish to exercise funding control.



## MILITARY READINESS

### The Reserves--can they effectively augment the Active Forces?

#### Department of Defense

In August 1973 the Secretary of Defense announced the total force policy which integrated the Active and Reserve Forces into a homogenous force. The Secretary stated that the Reserves, rather than draftees, were to be the initial and primary augmentation of the Active Forces in future national emergencies. GAO reviewed the capability of the Reserves to effectively carry out their responsibilities as required by the total force policy.

GAO concluded that although Reserve components have high-priority, early response missions under the total force policy, the Army and Navy components may not have the capabilities to mobilize and deploy combat-ready forces in the time required.

In a report to the Congress, GAO stated that unless contingency planning for the Reserves' role in an emergency is in line with the Secretary of Defense's planning guidance and unless resources are distributed in accordance with deployment requirements, the total force policy may not be feasible.

GAO also reported that even if the Reserve components could deploy in time to meet a major contingency, many units would not be able to fully meet assigned missions. Problems which caused this low readiness posture were:

- Equipment shortages and inadequacies.
- Personnel and skill imbalances.
- Training deficiencies.

GAO made several recommendations and alternatives for improving the readiness of the Reserves (LCD-75-402, October 3, 1975).

#### Appropriations

Reserve Personnel, Army, Navy, Air Force Operation  
Maintenance, Army Reserve, Navy Reserve, Air Force  
Reserve

Issues for consideration by the  
Committees on Appropriations

The Government budgets over \$4 billion annually for Reserve Forces, yet most Reserve units cannot carry out missions for which they were organized. Problems plague Reserve components in practically all areas--people, equipment, and training. Some problems, such as equipment shortages, can be corrected if enough money is available. Others, however, such as delays in mobilizing and training Reserve Forces, may be inherent.

If visible improvements are to be forthcoming and if the total force policy is to become a reality in the near future, DOD and the military services will have to make decisive and far-reaching changes to the Reserve system. Until the Reserves' readiness improves, our national defense strategy may be in jeopardy.

DOD could more effectively use money, manpower, and material by eliminating nonessential organizations and transferring men and material to combat or combat-support units. By doing so, DOD could realize large savings without impairing its ability to meet mobilization requirements.

Readiness of Navy air and surface units for antisubmarine warfare

Department of the Navy

The ability of Navy air squadrons and surface ships to conduct effective, sustained, antisubmarine warfare has been impaired because of

- critical shortages of mission-essential personnel,
- large numbers of nonoperationally ready aircraft,
- the scarcity of submarine and aircraft carrier services for training, and
- shortages of essential materiel-sonobuoys.

In addition, problems with ship-mounted sonar domes (for the AN/SQS-26 sonar) could require an expenditure in excess of \$70 million over the next 4 years to avoid sonar degradations.

Moreover, the readiness posture of air squadrons and surface ships was lower than reported because the criteria used to measure overall combat capabilities were poorly defined, subject to varied interpretations and inconsistently applied.

Some of the Navy's antisubmarine warfare readiness problems, such as personnel shortages and scarcity of submarine services for training, may not be able to be promptly resolved. Some improvements in readiness, however, such as increasing the operational readiness of antisubmarine warfare aircraft through more effective management of logistics support, are possible without greatly reallocating funds. But other problems, such as sonobuoy shortages and the sonar dome problem, can be corrected only if funds are allocated for those purposes.

The Navy agreed that GAO's findings were essentially correct for the period--April through December 1973--covered by GAO's review. The Navy said it had undertaken or planned actions to alleviate the problems discussed in GAO's report (LCD-74-429, March 11, 1975).

Appropriations

Operation and Maintenance (Navy)  
Other Procurement (Navy)  
Shipbuilding and Conversion (Navy)

Issues for consideration by the  
Committees on Appropriations

1. The operational readiness of antisubmarine warfare aircraft could be increased through more effective management of logistics support.
2. Some problems such as sonobuoy shortages and the corrections of the sonar dome deficiencies require funds allocated for those purposes or the acceptance of the risks associated with impaired readiness.

## OVERSEAS PERSONNEL

### Holiday administration overseas: improvement needed to achieve more equitable treatment of employees

#### Department of Defense

A GAO report to the Congress on holiday administration policies and practices of various U.S. agencies overseas concluded that the degree to which holidays are being observed overseas may be inappropriate. The number of holidays granted employees in a given country varies widely between agencies, between posts, and between American and alien employees.

GAO recommended that the Director, Office of Management and Budget, establish common policies and standards governing holiday administration overseas, establish a ceiling on the total number of holidays that can be observed at overseas posts, authorize the Ambassador or Senior Officer to establish the holidays to be observed, and consider appropriateness of legislation to exclude premium pay for work on U.S. holidays at those posts where host country holidays are observed in lieu of American holidays. GAO also recommended that the Secretary of Defense develop reasonably uniform holiday schedules for Defense civilian and military personnel overseas and suggested several options to achieve uniformity and coordination with civilian agency policies and practices (ID-75-42, March 17, 1975).

#### Appropriations

##### Operation and Maintenance

#### Issues for consideration by the Committees on Appropriations

If the longstanding congressional aim of equality is to be achieved, the Congress should closely monitor executive branch action to develop and implement policies to correct holiday administration inequities overseas.

Fundamental changes needed to achieve  
a uniform Government-wide overseas  
benefits and allowance system for U.S.  
employees (including an appendix supplement)

Department of Defense

GAO reviewed the system of benefits and allowances for Government civilian employees overseas and found innumerable differences in types and amounts of allowances available and paid to these overseas employees in different agencies and within the same departments. The benefits and allowances system has evolved into a form that is inflexible and difficult to manage, resulting in inequities, morale problems, and excessive costs.

GAO recommended that the Director, Office of Management and Budget, decide to whom to give the responsibility for developing and monitoring the implementation of uniform policies and standards for overseas allowances. Also, the Director should require clarification of the fundamental purpose of each allowance and benefit, development of objective standards in evaluating and reporting on their effectiveness, and adoption of a flexible system for paying overseas premiums which will be responsive to recruitment and retention needs and to changes in the employment market.

An interagency committee was convened to study the recommendations. Their study is expected to be completed early in calendar year 1976 (ID-74-67, September 9, 1974) (ID-74-67A, October 10, 1974).

Appropriations

Operations and Maintenance  
Military Personnel

Issues for consideration by  
the Committees on Appropriations

Actions have been started to correct problems resulting in certain inequities involving civilian personnel. The Congress may wish to review what is being done to correct these problems when considering future authorization and appropriation requests.

## RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

### Independent research and development costs

#### Department of Defense

Contractors perform research and development to maintain their competitive position by coming up with new products or services. The costs incurred for this technical effort by defense contractors are known as independent research and development (IR&D). Generally, IR&D is related more to future business than to current sales and is recognized as a normal cost of doing business.

Costs of technical and administrative effort incurred in preparing, submitting, and supporting bids and proposals on Government and non-Government contracts are known as B&P.

A contractor selling a product or service to the Government when effective price competition is lacking enters into a negotiated contract. In a procurement of this type, IR&D and B&P are considered items of indirect cost for overhead and a portion is included in the contract price.

DOD's share of its major contractors' IR&D and B&P costs rose from just over \$600 million in 1968 to about \$800 million in 1973. The size of this annual expenditure and its continued growth in the face of legislation enacted in 1970 led to GAO's being asked by the Congress to look at the benefits to the Government of the present system and into alternative methods of obtaining and paying for this IR&D effort.

GAO found that industry and Government preferred the present overhead reimbursement method, although alternatives do exist. The Office of Federal Procurement Policy has under consideration four alternatives for a uniform, Government-wide policy, all based on the present DOD system, resulting from the Commission on Government Procurement study.

GAO recommended that this long-standing issue be resolved by a statement of congressional policy on the purposes for which the Government supports IR&D and B&P costs, the appropriate amount of this financial support, and the degree of control to be exercised by the Government.

A hearing on the GAO report was held in September 1975 by the Subcommittee on Research and Development, Senate Armed Services Committee, and the Subcommittee on Priorities and Economy in Government, Joint Economic Committee (PSAD-75-82, June 5, 1975).

Appropriations

Procurement  
Research, Development, Test, and Evaluation  
Operations and Maintenance

Issues for consideration by the  
Committees on Appropriations

- Congressionally mandated changes in DOD's procedures could affect section 203 of Public Law 91-441 which restricts DOD's use of authorized appropriations for payment of IR&D and B&P costs.
- Formulation of an executive branch position on the treatment of IR&D and B&P costs could alter individual agency's reimbursement of those costs.



## SUPPLY MANAGEMENT

### Effective item entry control can reduce logistics costs

#### Department of Defense

Yearly, about 280,000 new items enter the Government's catalog and supply system. Of this total, some unnecessary items have been entered because the Department of Defense and General Services Administration item entry controls are not as effective as possible. The controls are not applied to all new items about to be cataloged, are often slow, and are not always coordinated among Federal agencies. Often the controls are not applied to proposed new parts until after the equipment on which the parts are used is designed by industry. This is much too late to effectively influence the parts selection decisions and to attempt to use items already in the Government's catalog system.

GAO believes that the Secretary of Defense and the Administrator of General Services should:

- Work together with industry in determining how design engineers might best be equipped for selecting parts from the Federal catalog for use in new equipment being purchased.
- Develop parts advisory services to help industry and Government agencies select parts from supply classes with a high growth rate.
- Establish a uniform item entry control system for each class of items and require all participants in the Federal catalog system to submit their new item requests through the centrally operated controls to prevent the entry of unnecessarily similar items.

The Department of Defense agreed with GAO's findings, conclusions, and recommendations. Copies of the report were furnished to the House and Senate Committees on Appropriations, Government Operations, and Armed Services (LCD-75-420, Nov. 20, 1975).

#### Appropriations

Operation and Maintenance (all military services)

Issues for consideration by the  
Committees on Appropriations

1. Initial costs of equipment and subsequent costs to maintain the equipment can be held down by implementing effective item entry control decisions.
2. The appropriations committees may want to follow what action the Department of Defense takes in conjunction with General Services to implement a Government-wide item entry control program which would close the loopholes currently in the program.

Number of items in the Federal  
Supply Catalog can be reduced

Department of Defense and  
General Services Administration

Although \$42 million is being spent annually for various standardization projects, such as item reduction studies, these studies are not helping to reduce logistics workloads because Defense and the General Services Administration (GSA) do not follow through and actually eliminate items no longer needed. Many items are still active in the supply system years after they have been classified as nonpreferred.

Defense policy requires that, before preferred items are issued, nonpreferred items be issued until supplies are exhausted; this is known as the force issue concept which GSA does not have. Defense activities generally do not follow the force issue concept. Their practice is to issue only the item ordered.

If an estimated 178,000 nonpreferred items could be eliminated from the supply and catalog system, the Government could save \$22.3 million a year in supply management and cataloging costs.

GAO recommended that Defense and GSA work more closely on various aspects of items reduction and standardization and made several specific recommendations to achieve this. Defense and GSA officials generally agreed with GAO's recommendations. They disagreed with GAO's recommendation to adopt a force issue policy authorizing the item manager to issue all nonpreferred items before issuing the preferred item and making it the requisitioner's responsibility to justify any request which can be met only with the preferred item.

The Department's concern is that without prior query of the requisitioner as to the acceptability of a substitute, a force issue practice could result in issuing the wrong item. GSA believes the requisitioner has little knowledge of the items' end use(s) and could neither justify the use of the preferred item nor readily determine the acceptability of a nonpreferred item.

GAO found that in an item reduction study the interchangeability relationships between items are made and concurred to by the users. The decisions have subsequently been proved valid when requisitioners have accepted over 90 percent of all substitute items offered. GAO believes

the Government engineers and technicians can make the interchangeability decisions, record the decision in supply management records, and successfully operate under a revised force issue policy which will use nonpreferred assets in a timely manner and thus reduce the logistics costs of holding these items (LCD-74-425, Oct. 21, 1974).

### Appropriations

#### Operation and Maintenance

#### Issue for consideration by the Committees on Appropriations

Defense, GSA, and other Government agencies should be able to improve logistics operations and save millions of dollars annually in operating costs by improving item reduction programs, particularly by implementing an effective force issue policy which would assure that the superseded items get issued before they become obsolete.

## Bulk fuels need to be better managed

### Department of Defense

The Department of Defense procures and consumes a large amount of petroleum products. GAO reported to the Secretary of Defense that large quantities of DOD's total fuel requirements for storage were not supported by an inventory because fuel storage was not available; that in certain areas war reserves were not fully covered, whereas in other areas excess requirements existed; that peacetime operating fuel levels were excessive because of the use of predetermined levels and the exclusion of fuel in pipelines and storage tank bottoms.

The Department of the Navy acknowledged that its pre-positioned war reserve requirements had been overstated by 1.9 million barrels for fiscal year 1974 and reduced its investment in petroleum products by about \$27 million.

The Department of Defense said it generally concurred in GAO's recommendations and would implement corrective actions (LCD-74-444, April 8, 1975).

### Appropriations

Operations and Maintenance (Navy) (Air Force) (Defense Supply Agency)

### Issues for consideration by the Committees on Appropriations

1. The services should reevaluate war reserve requirements and implement a plan to provide adequate storage capacity.
2. The need for leased storage should be reviewed.
3. Funding for fuel and storage capability should be coordinated.

Methods of purchasing food for the  
military services are costly and  
inefficient

Department of Defense

GAO reported to the Congress that procuring food under strict military specifications increases the product costs and decreases the number of available suppliers. GAO recommended to the Secretary of Defense that the services' purchasing agent be permitted to substitute alternative styles, forms, grades, whenever possible.

The Department of Defense in its response agreed that the purchasing agent should have the flexibility necessary to respond to changes in market conditions but believed the present system was adequate. DOD believed that the services, as the buyers and users of foods, must make the final decisions for changes in specifications on the basis of the data provided by the purchasing agent and the test laboratories. According to DOD's response, since market conditions do fluctuate and no two procurement problems are identical, it is neither feasible nor desirable to establish alternatives in anticipation of future crisis. DOD did note that the military service in charge of developing food specifications was requested to improve its support of the specification area. As of September 23, 1975, this support was delayed because of funding constraints.

GAO also pointed out that the wholesale and retail costs for troop support and commissary resale items were commingled. Thus it cannot be determined whether costs at the retail and wholesale levels are being fully recovered from the resale activities as required by law.

Effective July 1, 1975, the Army and Air Force took actions to segregate the costs for the resale and troop support function. However, the wholesalers' costs for the resale and troop support function are still being commingled. DOD stated that this would be covered in its Study of Military Commissary Stores. However, DOD's final report only addresses the retail aspects.

GAO also reported that about \$1.2 million per year is being paid from military service appropriations to transport resale commissary goods from inland depots to embarkation ports. GAO believes that paying this cost from appropriations is contrary to the legislative requirement that transportation in the United States be passed on to commissary patrons. DOD, however, continues to disagree with GAO's interpretation (LCD-74-430, Jan. 14, 1975).

## Appropriations

Military Personnel, Army, Navy, Air Force  
Operation and Maintenance, Army, Navy, Air Force

### Issues for consideration by the Committees on Appropriations

1. The military services should permit their purchasing agent to be more responsive to changing market conditions through the use of alternative grades, forms, sizes, considering price and product availability.
2. Attempts should be made to segregate the wholesalers' costs associated with troop issue and commissary resale. Segregating and accumulating the total cost of the wholesale level support provided commissaries would improve cost visibility.
3. Appropriated funds are being used to pay expenses for transportation in the United States. These expenses should be passed on to commissary patrons.

Use of numerically controlled equipment  
can increase productivity in defense plants

Department of Defense

Numerically controlled (NC) equipment, which is controlled automatically by punched tape or computers, is expensive and complex but offers tremendous productivity increases.

GAO found that parts made on NC equipment by military activities could often be provided by original manufacturers and private machine shops in adequate response time and at lower costs. Also, some military activities had excess machine capacities which others could use through work exchange programs. Once the type and amount of work to be done in military plants is decided, studies should be made to identify the more efficient production method--conventional or NC machines. Most activities did not properly make such studies.

The prime factor in keeping NC equipment cost effective seems to be high use--at least one full shift. The potential savings from this equipment have not been fully realized. Also, the use of numerical control to meet mobilization requirements has been less than planned, primarily because of inadequate computer support and programmers.

DOD said its Tri-Service NC Committee had prepared a draft instruction to improve the management of NC equipment. In regard to GAO's recommendation that no justifications for new NC machines be approved unless the activity has adequately considered using the capacities of other activities in the geographical area, DOD said this is required when the machines are acquired to modernize or expand productive capacity. However, DOD said that when machines are acquired only to replace worn-out machines, attempting to use another facility's NC capacity is not in the best interest of production workflow (LCD-75-415, June 26, 1975).

Appropriations

Operation and Maintenance	(Army, Navy, and Air Force).
Procurement	(Army, Navy, and Air Force).



Issues for consideration by the  
Committees on Appropriations

1. DOD's policy of not requiring that a facility consider using another facility's capacity before buying replacement NC machines could result in the approval of unneeded acquisitions.
2. DOD's decisions on whether to make or buy items should place more emphasis on the comparative costs of Government and commercial production.

Marine Corps logistics system could be drastically reduced by greater reliance on integrated managers

Department of Defense

The Marine Corps operates an essentially autonomous wholesale supply and depot maintenance system employing 4,500 people at an annual cost of \$68 million.

GAO reported to the Congress that the Marine Corps system duplicated DOD's systems for providing logistical support to all military services. GAO recommended the assignment of certain Marine Corps logistics functions--the procurement and provisioning of principal items, the management and storage of supply items, the management of ammunition, the overhaul of equipment, and the storage of war reserve materiel--to other DOD activities.

Greater reliance on other logistical systems would reduce the investment in supply support items and storage costs. The cost of operating the Marine Corps inventory control point would also be reduced. Longrun benefits would include the elimination of additional transportation costs required to maintain a wholesale stock of supplies and costs for low-volume, job-shop overhaul operations. Other savings would accrue from more effective and efficient use of other DOD common facilities and operations.

In response to the report, DOD said that the Marine Corps would eliminate supply support items assigned to integrated managers, but would retain about 29,000 peculiar and reparable supply support items. The Marine Corps would also retain its limited procurement and provisioning functions for principal items and continue to store war reserve materiel. The potential for further centralization of equipment overhaul and ammunition management by all military services was being studied, according to DOD.

In view of DOD policy to eliminate duplicate systems and to use common support systems as much as possible, the assignment of the Marine Corps logistical functions to other DOD activities would be appropriate. DOD should re-evaluate the need for the Marine Corps to procure and provision principal items, retain a relatively few supply support items, and store war reserve materiel. The studies of the centralization of equipment overhaul and ammunition management functions on a DOD-wide basis should include consideration of the scope of Marine Corps requirements

in comparison to the magnitude of those of the other military services (LCD-74-434, January 15, 1975).

Appropriations

Military Personnel, Marine Corps  
Operation and Maintenance, Marine Corps  
Procurement, Marine Corps

Issues for consideration by the  
Committees on Appropriations

1. The Committees may wish to question the need for the Marine Corps to procure and provision principal items and to manage and store peculiar and reparable supply support items.
2. The committees may also wish to review the DOD studies of the potential for further centralization of equipment overhaul and ammunition management on the Marine Corps logistics system.

The management of clothing and textile items at the Defense Personnel Support Center

Departments of Army, Navy, Air Force, and Defense Supply Agency

The Defense Supply Agency's Defense Personnel Support Center (DPSC) is the inventory control point for clothing and textile items, medical supplies, and food products.

The military services periodically compute their clothing and textile war reserve requirement which is offset by the prepositioned war reserves and peacetime stocks held by the services for these items. The requirements are sent to DPSC. DPSC further reduces these requirements by anticipated peacetime assets and amounts to be delivered by planned producers after mobilization to arrive at an acquisition objective.

GAO reported that as of December 31, 1974, the clothing and textile war reserve requirement amounted to \$1.1 billion and that the acquisition objective was \$767 million, but the actual amount on hand and on order was \$365.2 million. The shortfall resulted primarily from the lack of full funding for the war reserve program.

GAO reported to the Secretary of Defense that the DOD's current system for selecting items for clothing and textile war reserve stockage was not giving higher priority to combat essential items. Instead, all items, whether for combat or support, were treated the same. GAO recommended to the Secretary of Defense that a priority coding and variable funding structure for clothing and textile war reserve be established, so that the limited funds would be invested in those items needed by troops for active combat.

GAO also questioned the delays in completing a study of clothing and textile items which had possible commercial counterparts. The program, started in 1972, was for reviewing selected items in an effort to avoid the necessity for prestockage of war reserves for items where initial required quantities of war reserve can be temporarily satisfied by an alternate such as a commercial item.

The Assistant Secretary of Defense concurred with GAO's recommendation and agreed to take corrective action (LCD-75-443, June 13, 1975).

## Appropriations

Operation and Maintenance, Army, Navy, Air Force, Defense  
Supply Agency

### Issues for consideration by the Committees on Appropriations

1. A war reserve priority system is needed so that the services submit their requirements for clothing and textile items categorized according to their essentiality and criticality of need.
2. Increased DOD emphasis is needed to assure that commercial items are not being stocked in war reserves.

Benefits of expanding direct supply support  
concept questionable

Department of the Army

As part of GAO's overall review of the Army's supply management at installation and division levels, it examined the Army's test and plans for using a special supply support concept known as the Direct Support System (DSS) in the continental United States (CONUS). Under the DSS concept combat and support units requisition and receive certain categories of materiel directly from the wholesale supply system instead of from the supply activity of the installation where they are tenanted.

The Army tested the DSS concept with selected units at Fort Bragg. The Army concluded from its cost-benefit analysis of the test that installation inventories at Fort Bragg had been reduced by \$2.2 million and that an estimated \$20 to \$30 million could be saved when the system was fully expanded to 50 installations in CONUS.

GAO found that the Army's cost-benefit analysis of the DSS test results at Fort Bragg was inaccurate and incomplete. GAO's analysis of the test results indicated that extending DSS CONUS-wide might result in increased costs of millions of dollars rather than in the \$20 to \$30 million savings projected by the Army.

In a report to the Secretary of Defense, GAO recommended that the Army be directed to postpone the planned extension of DSS to other CONUS installations until it could be conclusively demonstrated that current CONUS DSS operations are producing overall cost benefits. GAO was advised by the Assistant Secretary of Defense (Installation and Logistics) that the Army's decision to fully expand the DSS system in CONUS would be contingent on the outcome of a comprehensive audit by the Army Audit Agency which had been initiated in response to our report (LCD-75-225, February 28, 1975).

Appropriations

Operation and Maintenance (Army)

Issue for consideration by the  
Committees on Appropriations

Evaluate results of audit by Army Audit Agency and determine whether expansion of DSS is warranted.

## Accounting for ground vehicle petroleum

### Department of the Army

Management practices at most of the Army activities GAO audited fell short of objectives for a viable fuel conservation program. Substantial fuel shortages occurred and went undetected for prolonged periods because

- prescribed controls and accounting procedures were not understood fully, not implemented correctly, or not used at all;
- the system did not provide management the means for timely identification and resolution of shortages; and
- storage and dispensing facilities were often antiquated and in need of repair to prevent losses through leaks or theft.

Inadequacies in Army installations' petroleum accountability and control systems were so serious and reasons so unclear in some cases, even after Army investigations, that they merit consideration of possible impropriety. In contrast to the inadequate system and practices at Army activities, the Air Force and Navy systems provided strong controls and reliable accounting for petroleum inventories and of receipts and issues by individual dispensing and storage units on a daily basis. They also permitted immediate detection and resolution of shortages.

In a report to the Secretary of Defense GAO recommended, among other things, that DOD study the feasibility of establishing a uniform DOD system for petroleum management patterned after the Air Force and Navy systems. DOD responded that the accounting methods of the Military Departments will be interfaced under DOD's Integrated Material Management Program. Also, DOD indicated that the Army had taken a number of actions to improve petroleum management. (LCD-75-218, May 30, 1975.)

### Appropriations

Operations and Maintenance (Army)

### Issue for consideration by the Committees on Appropriations

The Committees may want to see if the inadequacies in petroleum accountability have been corrected.

## TRANSPORTATION

### Questionable use of the domestic aeromedical evacuation system

#### Department of Defense

The Department of Defense provides a domestic aeromedical evacuation system which, in fiscal year 1973, cost about \$18.5 million and moved about 43,000 patients. The domestic system has two primary functions--patient movement and medical regulating.

GAO reported to the Secretary of Defense several matters involved in using the domestic aeromedical evacuation system, including

- transporting patients eligible for care under the CHAMPUS program,
- transporting patients when medical specialities were available at originating military medical facilities,
- transporting patients to other than the closest appropriate military medical facility,
- considering use of alternative means of transportation.

GAO recommended that the Secretary (1) insure the promotion of interservice patient transfers and limit long-distance transfers initiated by physician-to-physician referrals to necessary instances and (2) initiate a departmental reassessment of the system with a view toward modifying it to coincide with the objectives of the Department's recently established program for regionalizing its health care delivery services.

The Department of Defense generally agreed with GAO's recommendations and stated that recently revised procedures should improve the system. Moreover, the Department began evaluating the requirements and capabilities of the entire aeromedical evacuation system--domestic and overseas--during mobilization and contingency operations (MWD-75-45, April 21, 1975).

#### Appropriations

Operation and Maintenance (Army, Air Force)  
Military Personnel (Army, Navy, Air Force)



Issues for consideration by the  
Committees on Appropriations

1. Two subcommittees of the House Committee on Appropriations expressed interest during hearings held in May 1974 on problems with the uses being made of the aeromedical evacuation system.
2. The operations of DOD's domestic aeromedical evacuation system is a costly activity which has the potential for misuse and which also has the potential for streamlining to coincide with the Department's regionalization program for health care delivery. The Committees may wish to consider these factors when providing funding for DOD's health care activities.

## Savings by changing travel policies

### Department of Defense

In May 1975 GAO reported to the House Committee on Appropriations on possible savings which could result from changes in the military services' permanent change-of-station travel policies. GAO's work, done at the Committee's request, showed that:

- Forecasting the military members' next duty station after an overseas tour would reduce the number of dependent moves.
- Tour conversions (allowing dependents to change plans and later join member overseas) and incom-pleted tours increase permanent change-of-station costs.
- Change in policies and procedures could reduce interim (temporary) moves of dependents.
- Improvements are needed in the management of housing overseas.

In House of Representatives Report 94-517, September 25, 1975, the Committee on Appropriations took the following actions on the Department of Defense Appropriation Bill for fiscal year 1976 as a result of our report:

- (1) Forecasting next duty station for service personnel on short overseas tours

The Committee believed that all of the services should immediately initiate systems which would tell all persons in the grades of E-5 through O-5 ordered overseas for an unaccompanied tour what their next duty location would be.

- (2) Converting unaccompanied tours to with-dependent tours

The Committee is directing all of the services to establish policies which forbid overseas dependents moves and tour conversions from unaccompanied to accompanied following an interim move, except for cases of extreme hardship.

- (3) Temporary lodging allowances (interim moves)

While the Committee has not taken a position on continuing temporary lodging allowances for overseas moves or has not deleted any funds from the fiscal year 1976 appropriation bill, it requested that the Department of Defense study this matter further and be prepared to address it in conjunction with hearings on the fiscal year 1977 permanent change-of-station request and unit rotation policies.

(4) Housing referral offices

No specific action was taken by the Committee. However, it stated that it could see no reason why Joint Housing Referral Offices could not be created to replace separate Housing Referral Offices operated by the Army and Air Force in Germany at bases located relatively close together (LCD-75-226, May 9, 1975).

Appropriations

Operations and maintenance (All military services)

Issue for consideration by the  
Committees on Appropriations

Inquire into the progress made by DOD in implementing Committee suggestions.

Use of appropriated funds to pay for the transportation of Armed Forces exchange goods

Department of Defense

Each year the Department pays about \$60 million of congressional appropriations for transporting Armed Forces exchange cargo between the United States and overseas points. The Congress is aware of, and apparently approves, the use of appropriated funds to pay some of the transportation costs of the military exchanges. But GAO could find nothing to indicate that the Congress is aware that such funds are being spent to procure transportation solely for exchange goods.

Statutes governing the Army and Air Force permit appropriated funds to be used for transportation costs of exchange cargo when it is carried on public transportation not required for other purposes. Although no legislative history defines "public transportation," reasonable interpretation would include those conveyances owned, leased, or chartered by the Government where the Government is already obligated to pay for used or unused space.

After reviewing the matter and evaluating the various interpretations of the pertinent statutes, GAO believed there was considerable doubt as to the intent of the Congress with respect to using appropriated funds to finance transportation costs incurred solely for exchange goods.

Defense officials disagreed with GAO's interpretation of "public transportation." Also, they believed that the Congress was aware of and agreed with the use of appropriated funds for exchange shipments.

Despite the Department's position, GAO still believed congressional intent was not clear. GAO therefore recommended that the Congress consider whether the Government should continue paying the cost of transporting exchange goods by using space on transportation facilities not owned by the Government or for which the Government is not otherwise obligated to pay. In response to the GAO report, Defense officials reaffirmed their position.

The entire GAO report was published in Part 5, fiscal year 1975 DOD House Appropriation Hearings (May 1974). Also, a synopsis of the report was included in another GAO report, "Summaries of Conclusions and Recommendations on DOD Operations" (PSAD-75-36, Feb. 3, 1975), which was

sent to the Chairmen of the Senate and House Appropriations Committees. GAO is not aware of any decision made by the Congress concerning the use of appropriated funds (B-169972, Aug. 6, 1973).

Appropriations

Operation and maintenance funds of each military service.

Issue for consideration by the  
Committees on Appropriations

The committees should consider whether appropriated funds should continue to be used for paying the cost of transporting exchange goods on transportation facilities not owned by the Government or for which the Government is not otherwise obligated to pay.

## Do-it-yourself household goods moves

### Department of Defense

In May 1975 GAO reported to the House Committee on Appropriations on the feasibility of allowing military personnel making permanent change-of-station moves to move their own household goods, rather than to employ a commercial mover. GAO centered the review on the administrative and legal ramifications of instituting a system whereby the serviceman could share in the savings and also pass part of the savings back to the taxpayer.

GAO's analysis of do-it-yourself moves of household goods of various weights and distances showed savings of about 50 percent over the cost of commercial moves. For the moves analyzed, the savings to the Government averaged about \$300 a move.

GAO concluded that it is feasible to administer an incentive program whereby the government and the service member share in any savings realized incidental to self-conducted moves. Under existing legislation, however, neither the sharing nor the cash advance required to facilitate do-it-yourself moves is permitted.

GAO provided the Committee with suggested language changes in the event it desired to revise existing legislation (LCD-75-228, May 1, 1975).

The Committee inserted a general provision in the DOD appropriation bill for fiscal year 1976 which will permit the Secretaries of the military departments to prescribe regulations for the payment in advance of a moving allowance to service members and to establish rates which may exceed the total direct cost to the serviceman but will be less than the cost which would be borne by the Government if a commercial carrier were used to handle the move. The proposed language follows:

Sec. 748. Appropriations available to the Department of Defense for providing transportation of household effects of members of the armed forces pursuant to section 406(b) of title 37, United States Code, shall be available hereafter to pay a monetary allowance in place of such transportation, to a member who, under regulations prescribed by the Secretary of the military department concerned, participates in a program designated by the Secretaries in which his baggage and household effects

are moved by privately owned or rental vehicle. Such allowance shall not be limited to reimbursement for actual expenses and may be paid in advance of the transportation of said baggage and household effects. However, the monetary allowance shall be in an amount which will provide savings to the government when the total cost of such movement is compared with the cost which otherwise would have been incurred under section 406(b).

### Appropriations

Operations and maintenance (all military services)

### Issue for consideration by the Committees on Appropriations

The Committees may want to study the progress made by DOD and the services in implementing Committee suggestions.

## Duplicative transportation data systems

### Department of Defense

The Department of Defense operates 14 automated transportation data systems, each of which duplicates, to a degree, the functions performed by one or more of the other systems. The cost of operating the 14 systems is \$15.6 million a year.

GAO estimated that a unified transportation data system could do the same job for about \$6.3 million. GAO recommended that the Secretary of Defense take appropriate action to eliminate this duplication and fragmentation.

The Department of Defense, in responding to GAO's report, agreed that undesirable duplication and fragmentation existed but expressed reservation about the degree of duplication and the savings to be realized through consolidation of the systems. DOD has initiated a study to determine if one of the existing systems could provide a unified data bank to serve the needs of all logistic and transportation managers (LCD-75-205, Feb. 11, 1975).

### Appropriations

Operations and Maintenance (All services)

#### Issue for consideration by the Committees on Appropriations

Determine whether adequate progress has been made to eliminate the duplication identified by GAO.



Airlift operations during the 1973  
Middle East War

Department of the Air Force

GAO evaluated the airlift operations of the Military Airlift Command during the 1973 Middle East War and reported to the Congress that the Command had done an outstanding job in the airlift even though

- advance planning was inadequate;
- certain European and African countries denied vital landing, staging, and overflight rights; and
- the Command's authority to manage the airlift was limited.

Most of the airlift occurred from October 13 to November 14, 1973, when the Command aircraft delivered 22,497 short tons of materiel to Israel. The airlift had only a minor effect on the Command's normal peacetime operations and by no means taxed its overall capability. The Command did not commit more than 24 percent of its aircraft to the airlift on any one day.

C-5 aircraft did an excellent job of airlifting materiel. Although C-5s made only 147 of the 569 flights to Israel, they carried nearly half of the total tonnage airlifted--10,757 tons.

While the Command's overall performance was excellent, its operational readiness needed to be improved. Sixty percent of its C-5 aircraft and 35 percent of the C-141s were inoperable because they needed maintenance or parts. These problems did not prevent accomplishment of any missions because many more aircraft than needed were available.

Finally, GAO found that Israel was billed about \$45.1 million less than the total cost of the airlift services.

DOD generally agreed with GAO's findings and cited corrective actions being taken. DOD billed Israel an additional \$14.1 million for airlift services and felt this was sufficient. GAO's disagreement on the costs to be recovered concern the method for computing depreciation to be charged and the practice of charging for interest on investments (LCD-75-204, April 16, 1975).

Appropriations

Operations and maintenance (Air Force)

Issue for consideration by the  
Committees on Appropriations

The Committees may wish to consider matters in this report during future hearings on the Air Force's budget, particularly the increased strategic airlift capacity available from improving the current operational readiness posture of the C-5 aircraft. Also, the inadequacies in billing practices may be of interest to the Committees.

## CHAPTER 2

### MILITARY ASSISTANCE

#### NORTH ATLANTIC TREATY ORGANIZATION (NATO)

##### Need to reexamine some support costs which the U.S. provides to NATO

###### Department of Defense

Like all member nations, the United States shares in the agreed-upon common costs of operating NATO as an organization. In fiscal year 1974 the major NATO budgets totaled about \$481 million, of which the U.S. share was \$135 million, or about 28 percent.

GAO found an additional \$325 million in annual NATO support costs assumed by the United States. Of the \$325 million, there is an annual U.S. cost of \$135 million for providing direct staffing and representation to NATO, including related costs. GAO believes this cost could be reduced through consolidation or elimination of certain U.S. activities.

The remaining annual cost of \$190 million for providing support to NATO nations, excluded from NATO budgets, could be reduced if there were increased sharing among NATO members. Due to the improved economic condition of the other NATO members, GAO recommended that Defense and State seek a more equitable sharing of the \$190 million in costs. These agencies disagreed with the basis for GAO's recommendation and apparently plan no action.

GAO also recommended that the Congress require all NATO-related costs, regardless of appropriation, to be identified in annual security assistance program presentations. (ID-75-72, August 25, 1975.)

###### Appropriations

At least 11 separate appropriations.

###### Issues for consideration by the Committees on Appropriations

Since the agencies apparently plan to take no action on GAO's recommendations, the Committees should consider them when making future NATO-related appropriations for defense and military assistance programs.

## IRAN

### Issues related to U.S. military sales and assistance to Iran

#### Defense Security Assistance Agency

The United States provided \$6.9 billion in U.S. arms sales and military assistance to Iran during fiscal years 1970 to 1975.

The Congress amended the Foreign Assistance Act in 1973 to shift, to the extent possible, military sales to commercial channels. GAO reported to the Secretary of Defense and the Secretary of State that the majority of the sales to Iran continued to be conducted through Government channels. GAO suggested that rather than continue sales through Government channels, consideration should be given to helping Iran establish a mission in the United States for making military purchases direct from commercial suppliers or to providing procurement advisors that could deal direct with commercial suppliers. Additionally, it was noted that the United States should consider selling to Iran the residual rights to U.S. grant aid equipment still in Iran. Selling the rights would remove the present requirements for U.S. monitorship of the equipment.

Agency responses to the above suggestions are classified. Copies of the report, which contain the agency responses, were furnished to the House and Senate Committees on Government Operations and Appropriations (ID-75-15, October 21, 1974).

#### Appropriations

Military Personnel (Army, Navy, Air Force)  
Operation and Maintenance (Army, Navy, Air Force)  
International Security Assistance  
Advanced Foreign Military Sales

#### Issues for consideration by the Committees on Appropriations

In view of the large volume of cash sales under the Foreign Military Sales Act and because the Congress does not systematically receive timely information on the volume and makeup of such cash sales or the nature of the military capability they provide the buyer, the executive branch should be required to periodically furnish information on the volume and nature of major cash military sales that could materially increase the military capability of the purchasing nation.

## SPAIN AND OTHER COUNTRIES

Cost of ship transfers for which the Navy is not fully reimbursed constitutes "hidden" military assistance

### Department of the Navy

For over 25 years the United States has given away, loaned, sold, or transferred Navy vessels to other countries as part of its military assistance program.

Public Law 92-270, approved April 6, 1972, requires that all expenses incidental to the ship transfers be paid by the recipient country or from military assistance program funds. However, the Department of Defense excludes repairs and overhauls from its definition of costs associated with such transfers.

The Department of Navy was not reimbursed for about \$18.2 million, most of which it spent for overhauling and providing equipment, outfitting, and services for vessels authorized for loan under Public Law 92-270 and for other ship transfers connected with the U.S. base rights agreement with Spain. GAO believes that excluding repair and overhaul costs and outfitting costs up to the ship's allowance is contrary to ship loan legislation.

In addition, military assistance program documents submitted to the Congress contain little or no identifiable information on ship loans and leases. As a result, the nonreimbursed costs for ship transfers constitute "hidden" military assistance costs not apparent to congressional committees.

In a report to the Congress, GAO recommended (among several recommendations) that the Secretary of Defense require the Navy to:

- Be reimbursed by the recipient country or from military assistance program funds for all costs incurred.
- Seek reimbursement from Spain or from the military assistance program for all expenses incurred by the Navy not covered in the base rights agreement with Spain.

Navy officials said the repairs and overhauls discussed were not incident to the transfer of ships and that Public Law 92-270 does not intend for equipment already a part of the ship's basic allowance to be charged to the recipient country (ID-74-49, June 25, 1974). We still believe that the intent of the law was to include bringing the ship's equipment and resources up to its allowances.

### Appropriations

Foreign Assistance and Related Program Appropriations

### Issue for consideration by the Committees on Appropriations

Foreign assistance legislation should be amended to require that annual presentations to the Congress include all U.S. costs of overhaul, equipment, supplies, and services associated with ship transfers, regardless of the authority for the transfers or the source of funding of such costs.

## TAIWAN

### Taiwan should pay for U.S. military assistance

#### Department of Defense

Since 1966 U.S. military resources transferred to Taiwan have averaged about \$150 million a year. About \$100 million of resources were transferred in fiscal year 1974. The actual net costs to the United States, however, are much less because Taiwan has been gradually shifting from predominantly grant aid to other forms of assistance, such as credit sales.

Nevertheless, some grant assistance still continues at a cost to the United States of about \$17 million a year, including transportation of previously funded equipment, training of nationals, U.S. administrative support, and donations from the sales of U.S.-furnished surplus property.

In 1972 Taiwan's trade surplus with the United States reached \$660 million and is expected to increase. In mid-1973 Taiwan's foreign exchange reserves amounted to \$1.1 billion. Their gross national product has reached \$7 billion and is growing at a rate of about 11 percent a year. On the basis of these factors showing Taiwan as having a healthy economy, GAO believes Taiwan can and should pay for the cost of continuing U.S. military assistance.

GAO recommended the Secretaries of Defense and State periodically review U.S. relations with Taiwan and--when in their judgment the political, military, and economic factors permit--consult with Taiwan officials in an effort to have that country pay all expenses incurred by the United States in providing them with military assistance.

Department of State plans and views were provided to GAO in a classified response. GAO still believes that the role of advisory staff and long-time cooperation with Taiwan make it reasonable to seek full reimbursement for cost of military assistance to Taiwan (ID-74-50, July 22, 1974).

In September 1974 the Department of State gave instructions to terminate an arrangement that granted the proceeds from the sale of surplus property to Taiwan. As a result, the proceeds will accrue to the United States.

Appropriations

Department of State--Foreign Assistance and Related  
Appropriations

Issue for consideration by the  
Committees on Appropriations

Future executive branch budgetary requests for military assistance to Taiwan should be measured against Taiwan's ability to pay. The Taiwan experience should give the Congress a perspective to judge continued need for military assistance to other countries.



## CHAPTER 3

### DEFENSE-RELATED ACTIVITIES

#### RENEGOTIATION

##### Operations and activities of the Renegotiation Board

###### Renegotiation Board

GAO reviewed the operations and activities of the Renegotiation Board because of the continued congressional interest in eliminating excessive profits on national defense-related sales. The Board, an independent agency, was created under the Renegotiation Act of 1951 to recover contractors' excessive profits on defense and space contracts and related subcontracts.

GAO found that (1) contractors, which fail to submit filings, submit inadequate filings or submit them late, are not penalized under the act, (2) the rationale for the new, durable, productive equipment exemption may not be valid, and (3) the minimum amounts of excessive profits below which the Board makes no collections may not be appropriate.

GAO recommended that the Congress (1) amend the act to hold contractors responsible for furnishing all data required by the Board and have them show reasonable cause why they did not furnish the data, (2) provide penalties for failure to file on time, (3) determine whether the new, durable, productive equipment exemption is valid, (4) require the Board to obtain and analyze profit and cost data on standard commercial articles and services exempt from the act to determine whether considerable amounts of excessive profits are escaping renegotiation, and (5) consider whether the minimum refunds are appropriate. GAO also believes the act should be extended for more than 2-year periods and that all Government agency contracts should be subject to the act (B-163520, May 9, 1973).

#### Appropriations

##### Renegotiation Board, Salaries, and Expenses

#### Issues for consideration by the Committees on Appropriations

Although none of GAO's recommendations have been carried out, legislative responsibility for the Renegotiation Act was transferred from the House Ways and Means

Committee to the Subcommittee on General Oversight and Renegotiation, House Committee on Banking, Currency and Housing. On December 9, 1975, the Committee reported a bill (HR 10680) to the Committee of the Whole House that would alter the Renegotiation Act and cover most of the recommendations included in the GAO report on this subject.

## PREPAREDNESS ACTIVITIES

### Stockpile objectives of strategic and critical materials should be reconsidered

#### General Services Administration and Department of Defense

The strategic and critical materials stockpile objectives were reduced in April 1973 by a quantity valued at more than \$4 billion. This large reduction was made even though there were no apparent changes in the military security situation.

Estimates of stockpile supplies are based on readily available capacity and known resources in the United States and other countries as directed by the National Security Council. GAO could not determine why the estimates were changed so optimistically, except that the National Security Council directed the changes. Since the estimates were changed, the resources outlook has also changed; the United States may have difficulty importing the minerals necessary to satisfy its demands due to (1) increasing competition for scarce resources and (2) possibility of producer restrictions or boycotts.

GAO recommended that:

- The Secretary of Defense and the National Security Council reevaluate the current stockpile assumptions to insure that adequate materials are stockpiled to meet the Nation's readiness needs.
- The Administrator of General Services use this data to arrive at new stockpile objectives (LCD-74-440, Mar. 11, 1975).

DOD stated that the Joint Chiefs of Staff reevaluated the stockpile assumptions and provided the results to GSA. An interagency study to determine which materials are critical was completed recently and concurred on by all agencies concerned. The report has been sent to the National Security Council for approval. If approved, GSA will calculate new stockpile objectives. However, GSA said this would probably not be done until the latter part of 1976.

In addition the National Commission on Supplies and Shortages, whose existence has been extended by the Congress recently, will analyze the national materials issue and provide its input to the Congress to develop a national materials policy.

Appropriations

Salaries and Expenses, Federal Preparedness Agency<sup>1/</sup> (GSA)

Issues for consideration by the  
Committees on Appropriations

Disposal of needed resources without some assurance as to which are needed and which can be obtained to meet mobilization needs could result in major shortages when they are most needed--during mobilization.

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<sup>1/</sup>The Office of Preparedness until July 1, 1975.

## SUPPORTING SPACE ACTIVITIES

### The United States should recover full costs of reimbursable satellite launches

#### Department of Defense and National Aeronautics and Space Administration

The Department of Defense and the National Aeronautics and Space Administration (NASA) incur substantial costs to provide satellite launches on a reimbursable basis to foreign entities and commercial corporations. A substantial portion of the many launches planned for the period 1974 to 1980 were reimbursable launches.

GAO reported to the Congress that policies and procedures used to identify and allocate costs to reimbursable launches did not result in recovery of full costs. Policies and procedures had changed over the years resulting in recovering a larger share of the costs incurred. However, full costs were still not being recovered and there appeared to be a reluctance to charge full costs, due to foreign relations considerations.

The Department of Defense said that it has adopted and will strive to achieve a policy of full user charges but disagreed with GAO's contention that fixed prices were inappropriate for such a complex undertaking. NASA said it has now adopted a policy for recovering full costs and procedures to more intensively manage the program. GAO has not reviewed the practices applied by NASA under its new policy and procedures. However, it appears that one cost element in particular (interest on the Government's investment) will not be recovered; NASA disagreed with GAO that such costs should be recovered, and DOD's comments were noncommittal as to recovery of that cost (LCD-74-107, May 6, 1975).

#### Appropriations

Since this activity involves research and development, procurement, construction, operations, and personnel, it cuts across most appropriation categories of the Department of Defense and NASA.

#### Issues for consideration by the Committees on Appropriations

1. Appropriations could be reduced if full costs were recovered for reimbursable launches.
2. The reluctance to charge full costs could be mitigated if the Committees required disclosure of discounts given to foreign entities and commercial corporations.

## AUTOMATIC DATA PROCESSING

### Further actions needed to centralize procurement of automatic data processing equipment to comply with objectives of Public Law 89-306

#### Government-wide

Public Law 89-306 (Brooks Bill) directs the General Services Administration to coordinate and provide for the economic and efficient procurement of the Government's general purpose automatic data processing (ADP) equipment. GAO reported that some progress has been made toward that goal but concluded more could be realized if the major objectives of the law were fully accomplished and two basic concepts put into practice.

--Central procurement by a "single purchaser."

--Full use of the Automatic Data Processing Fund for all acquisitions of computer equipment.

GAO recommended that the Congress require the Director, Office of Management and Budget, and the Administrator of General Services to (1) prepare and submit a financial plan to accomplish the major objectives of Public Law 89-306 (including alternative ways of capitalizing the fund) and (2) advise it periodically of progress or problems in accomplishing the plan (LCD-74-115, October 1, 1975).

#### Appropriations

General Services Administration--Automatic Data Processing Fund. All departments and agencies requesting funds for ADP procurement, maintenance, and operations.

#### Issue for consideration by the Committees on Appropriations

Ten years have passed since the Brooks Bill was enacted into law. It has not been fully implemented because the Office of Management and Budget does not believe the law requires central procurement by a "single purchaser" and full use of the fund. Legislative history, however, clearly shows that both concepts were considered essential.

Experience during the 10-year period shows that procurements made directly by agencies might have been at less cost had GSA procured the equipment; therefore, the savings intended by the Brooks Bill are not being fully realized.

Multiyear leasing of automatic data  
processing equipment should result  
in significant savings

Government-wide

On the basis of a review of automatic data processing equipment installed under short-term leases, GAO reported in 1971 that the Government was spending amounts substantially greater than it would under firm-term multiyear leases. GAO concluded that the use of multiyear leases is essential if the Government is to make maximum use of the limited funds for acquiring ADP equipment.

GAO recommended, therefore, that the Congress consider legislation authorizing the General Services Administration, through the ADP Fund, to contract on a multiyear basis without the necessity of obligating the total anticipated payments at the time of entering into the leases.

GAO commented that using the ADP Fund in this manner would not disturb agencies' traditional financial patterns. GSA would enter into multiyear leases and obligate the ADP Fund for 1-year periods. Agencies would in turn lease the equipment from GSA and reimburse the ADP Fund from their 1-year funds but still receive the multiyear leasing discounts (B-115369, April 30, 1971).

Appropriations

General Services Administration, ADP Fund (All departments and agencies requesting funds for ADP procurement)

Issues for consideration by the  
Committees on Appropriations

In the 93d Congress Senate bill S.2785 was introduced to provide the authority GAO recommended. The bill was the subject of hearings in March 1974 by the Ad Hoc Subcommittee on Federal Procurement of the Senate Committee on Government Operations. It was passed by the Senate but no action was taken by the House.

S.1260 was introduced in the 94th Congress with the same language as the previous bill; it was passed by the Senate and referred to the House Committee on Government Operations for its consideration. Congressional control is retained since the bill provides that the unfunded portion of the Government's obligation under the multiyear leases shall not exceed the amount specified in the annual appropriation act.

## CHAPTER 4

### COMMERCE AND TRANSPORTATION-- GROUND TRANSPORTATION

#### PASSENGER SEDANS

##### Procurement of large sedans in lieu of compacts and subcompacts

###### Government-wide

At the request of the Ad Hoc Subcommittee on Government Vehicle Use, Senate Committee on Appropriations, GAO reviewed vehicle fleet management on a Government-wide basis. One of the areas that surfaced from this review was the type of passenger sedans procured for use by individual departments and agencies.

In January 1974 the General Services Administration issued Federal Management Circular (FMC) 74-1 which required that, to conserve fuel, all sedans (with few exceptions) be replaced with compacts or subcompacts. Large sedans could be obtained only by certifying to GSA by agency heads that such sedans were essential to the agencies' missions.

Since FMC 74-1 was issued, GSA has ordered compacts instead of large sedans for use in its motor pools. Conversely, individual agencies have requested GSA to order many large sedans for their respective fleets. The requests for the large sedans were certified by the agencies as essential to their missions.

The procurement actions indicate that GSA believes compacts are adequate for their needs, whereas individual agencies believe that large sedans are needed to satisfy their requirements (LCD-74-224, Sept. 6, 1974).

###### Appropriations

All departments and agencies requesting funds for vehicle procurement

###### Issue for consideration by the Committees on Appropriations

In view of the divergent opinions on the suitability of compacts to meet passenger vehicle requirements, the Committees may wish to discuss with individual agencies, during their appropriations hearings, their need for larger vehicles.



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