

DOCUMENT RESUME

03246 - [A:313458] (Restricted)

[Review of Foreign Military Sales Customer Assistance Team Costs]. August 5, 1977. 2 pp. + enclosure (1 pp.).

Report to Maj. Gen. Harold F. Hardin, Jr., Commander, Department of the Army: Army Tank-Automotive Materiel Readiness Command, Warren, MI; by Robert W. Hanlon, Regional Manager, Cincinnati (OH) Regional Office.

Issue Area: Federal Procurement of Goods and Services (1900).  
Contact: Field Operations Div.: Regional Office (Cincinnati).  
Budget Function: National Defense: Department of Defense -  
Procurement & Contracts (058).

Organization Concerned: Department of the Army: Anniston Army Depot, AL.

Authority: Foreign Military Sales Act of 1968. DOD Instruction 2140.1.

Some costs incurred by the Anniston Army Depot for foreign military sales customer assistance teams and reported through the Army Depot System Command to the Tank-Automotive Materiel Readiness Command were not billed to the Security Assistance Accounting Center for reimbursement. Foreign customers are required to reimburse the Department of Defense (DOD) for all cost elements identified in the DOD offer and acceptance form for the sale of defense articles and services, including charges for salary and travel expenses of customer assistance teams which provide technical assistance to the customers. Findings/Conclusions: A Morocco case was not billed \$5,619 for travel and personnel expenses incurred by a two-person quality assurance team that visited Morocco to assure the proper delivery of 28 tanks. A Greece case was not billed \$9,100 for travel and personnel expenses incurred by a four-person team that visited Greece to provide technical assistance on tank conversion. Apparently the Tank-Automotive Materiel Readiness Command Program and the Budget Division did not inform the Finance and Accounting Division that these were reimbursable costs. An additional 13 cases with customer assistance costs totaling \$456,280 were also identified. Recommendations: The Tank-Automotive Materiel Readiness Command should review the 13 cases to assure that all costs incurred were properly billed and reimbursed. The \$14,719 identified in the Morocco and Greece cases should be reported to the Security Assistance Accounting Center for reimbursement. (SC)

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UNITED STATES GENERAL ACCOUNTING OFFICE

REGIONAL OFFICE

8112 FEDERAL OFFICE BUILDING  
FIFTH AND MAIN STREETS  
CINCINNATI, OHIO 45202

AUG 05 1977

Major General Harold F. Hardin, Jr.  
Commander, U.S. Army Tank-Automotive  
Material Readiness Command  
Warren, Michigan 48090

Dear General Hardin:

On July 18-19, 1977, Ms. Jennifer Jones of my staff visited your command on our Review of Foreign Military Sales (FMS) Customer Assistance Team Costs (Code 943306).

The Foreign Military Sales Act of 1968 authorized the United States Government to sell defense articles and services to other nations. Pricing guidelines in DOD Instruction 2140.1 state that foreign customers will reimburse DOD for all cost elements identified in the DD Form 1513 Offer and Acceptance. These costs include charges for salary and travel expenses of customer assistance teams which provide technical assistance to foreign customers.

The following costs incurred by Anniston Army Depot and reported through the Army Depot System Command to the Tank-Automotive Materiel Readiness Command (TARCOM) were not billed to the Security Assistance Accounting Center for reimbursement:

- Morrocco case UHB was not billed \$5,619 for travel and personnel expenses incurred by a 2-man quality assurances team that visited Morrocco to assure proper delivery of 28 tanks.
- Greece case VNP was not billed \$9,100 for travel and personnel expenses incurred by a 4-man team that visited Greece to provide technical assistance on tank conversion.

Apparently the TARCOM Program and Budget Division did not inform the Finance and Accounting Division that these were reimbursable costs. The effect of such underbillings is that the U.S. Government is subsidizing sales to other nations.

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While at TARCOM, we also identified 13 cases with customer assistance costs totaling \$456,280 and they are listed in the enclosure. We suggest that your command review these cases to assure all costs incurred were properly billed and reimbursed.

We would appreciate receiving a report from you which outlines what your command has done to ensure the 13 cases were evaluated and reported for reimbursements. Please include documentation showing the \$14,719 identified during our visit was reported to the Security Assistance Accounting Center for reimbursement.

Sincerely yours,

ROBERT W. HANLON

Robert W. Hanlon  
Regional Manager

Enclosure  
as stated

List of TARCOM FMS Cases with Customer Assistance

<u>Country</u>	<u>Case</u>	<u>Customer Assistance Value</u>
Korea	UTG	\$ 37,490
Phillipines	UFT	4,725
Saudi Arabia	UTL	18,336
Saudi Arabia	UTM	6,800
Korea	V3K	184,000
Saudi Arabia	UTX	5,080
Pakistan	UWF	2,800
China	NDA	49,010
Italy	NCE	66,038
Switzerland	UVN	4,962
China	NDG	50,510
Greece	VNP	23,000
Israel	WOY	<u>3,529</u>
Total		<u>\$456,280</u>