

*Released*

DOCUMENT RESUME

01123 - [A0891454]

Initiatives to Improve Free Asset Management. E-183318;  
LCD-77-416. February 28, 1977. Released March 18, 1977. 11 pp. +  
appendices.

Report to Rep. Melvin Price, Chairman, House Committee on Armed  
Services; by Robert F. Keller, Acting Comptroller General.

Issue Area: Facilities and Material Management: Supply and  
Maintenance Operations Reporting Systems (703).

Contact: Logistics and Communications Div.

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

Organization Concerned: Department of Defense.

Congressional Relevance: House Committee on Armed Services.

The Department of Defense generates funds by selling equipment which is not required to be replaced in the Department's inventory. Receipts from these sales are called "free assets." The Department of Defense has taken corrective actions to improve its management of these assets.

Findings/Conclusions: A past GAO report identified weaknesses in reporting and managing free assets. Since that time, the Department has established a definition of free assets to be used by all the services; notified service branches of the new definition and required conformance with it; and established the Security Assistance Accounting Center to promote efficient financial management of the Foreign Military Sales Program. The objective of standardizing procedures could be better achieved if the Department and the service headquarters closely coordinated their work. The Army is doing a great deal to correct free asset management deficiencies noted in GAO's last report.

Recommendations: In order to promote the uniform, Department-wide application of free asset criteria and to improve the accuracy of future free asset estimates, the Secretary of Defense should initiate closer coordination with the services to resolve problems in applying free asset criteria to complex aspects of equipment sales and develop more effective techniques for forecasting free asset funds that will accrue from future foreign military sales. (Author/SC)

01123

**RESTRICTED** — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations

**RELEASED**  
3/18/77

*REPORT TO THE HOUSE  
COMMITTEE ON ARMED SERVICES*

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

---

**Initiatives To Improve  
Free Asset Management**

**Department of Defense**

The Department of Defense generates funds by selling equipment which is not required to be replaced in the Department's inventory. Receipts from such sales are called "free assets." A past GAO report identified weaknesses in reporting and managing free assets.

This followup report describes the steps taken by the Department to strengthen control over free asset funds. The report also recommends that the Department improve its free asset estimates and its internal coordination in formulating free asset procedures.





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

F-183318

The Honorable Melvin Price  
Chairman, Committee on Armed Services  
House of Representatives

Dear Mr. Chairman:

This report describes the corrective actions that the Department of Defense has taken to improve its free asset management.

Your office requested this limited review on October 14, 1976, as a followup to our March 1976 report "The Department of Defense Can Improve Its Free-Asset Management." That report was in response to your February 25, 1975, request.

Many actions described in this report are in the formulation and early implementation stages. Consequently, we can describe only how these new procedures are intended to work. The information necessary to review how effectively these procedures are actually implemented will not be available for some time.

Informal Department comments have been obtained and have been incorporated in the report.

This report also contains recommendations to the Secretary of Defense which are set forth on page 8. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

B-183318

We will be in touch with your office in the near future to arrange for release of the report so that the requirements of section 236 can be set in motion.

Sincerely yours,

  
ACTING Comptroller General  
of the United States

D I G E S T

GAO noted deficiencies in the Defense Department's management of free asset funds--particularly in the Army--in an earlier report. (See p. 1.) "Free asset" is a phrase the Department uses to describe money received from sales of its equipment and supplies that do not have to be restocked. Most free assets come from the Foreign Military Sales Program.

To strengthen its control over free asset funds since the previous report, the Department has:

- Established a definition of free assets to be used by all the services. (See pp. 2 and 3.)
- Notified service branches of the new definition and required conformance to it. (See p. 3.)
- Established the Security Assistance Accounting Center in Denver to promote efficient financial management of the Foreign Military Sales Program. (See p. 3.)

The new definition should help the services uniformly classify defense items sold.

The Air Force now operates the Security Assistance Accounting Center as the Defense Department's executive agent for managing all the Department's foreign sales programs. By Department direction the Air Force will assume full responsibility for all foreign military sales billings, cash collections, trust fund accounting, and the management of fees charged to foreign customers for administering their sales cases. Transfer of operations is expected to be completed by June 30, 1977. (See p. 3.)

The objective of standardizing procedures for managing free assets could be better achieved if the Department and the service headquarters closely coordinated their work. This could avoid confusion that results when each service proceeds independently to resolve common problems related to the more complex sales transactions. Examples are

- applying the definition of "free asset" to sales of spare and repair parts and
- determining to what extent free assets should be used to pay for work done on items sold. (See p. 4.)

The Department needs to improve its procedures to obtain more realistic estimates of the free asset funds that will result from future foreign military sales. The Congress, which uses these estimates in setting appropriation levels, recently required advance projections of expected foreign sales and requested that free asset estimates be updated periodically. (See pp. 5 to 7.)

The Army is doing a lot to correct free asset management deficiencies noted in GAO's last report. For example, it:

- Has established a steering committee to review and modify its customer order program. (See p. 9.)
- Is standardizing its definition of free assets. (See p. 9.)
- Is implementing a reporting system that will improve awareness of, and control over, free assets. (See pp. 9 and 10.)
- Is implementing procedures to make certain that free assets reprogramed to fund procurements do not exceed the amounts ultimately available. (See pp. 10 and 11.)

GAO recommends that, to promote the uniform, Department-wide application of free asset

criteria and to improve the accuracy of future free asset estimates, the Secretary of Defense:

- Initiate closer coordination with the services to resolve problems in applying free asset criteria to complex aspects of equipment sales.
- Develop more effective techniques for forecasting free asset funds that will accrue from future foreign military sales. (See p. 8.)

# C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Scope of review	i
2	DEPARTMENT ACTIONS TO STRENGTHEN FREE ASSET CONTROL	2
	Revising free asset criteria	2
	Centralizing financial management of foreign military sales to promote efficiency	3
	Need for effective early coordination	4
	Need for effective techniques in estimating free assets for budget purposes	5
	Observations and recommendations	7
3	ARMY ACTIONS TO IMPROVE CONTROL OVER ITS CUSTOMER ORDER PROGRAM AND FREE ASSETS	9
	Standardizing the free asset definition	9
	Improving awareness of and control over free assets	9
	Establishment of free asset reserve accounts and reprogramming	10
	Billing and cash collections	11
	Observations	11
APPENDIX		
I	Principal officials responsible for administering activities discussed in this report	12

## ABBREVIATIONS

DDO	Department of Defense
GAO	General Accounting Office
OSD	Office of the Secretary of Defense



## CHAPTER 1

### INTRODUCTION

On March 3, 1976, we issued a report to the Chairman, House Committee on Armed Services, entitled "The Department of Defense Can Improve Its Free-Asset Management" (LCD-76-414). Our review was made pursuant to a February 25, 1975, request. In that review detailed work was limited to selected Army commodity commands since the Army had the largest sales program. In the report, we noted a number of deficiencies in the Department of Defense's (DOD's) management of free asset funds. "Free asset" is a term used by DOD to describe the receipts from sales of its equipment and supplies that are not required to be replaced in kind. Most free assets accrue from the foreign sales program.

This report describes the corrective actions DOD has taken. However, these policies are in the formulation and early implementation stages. The detailed information necessary to review the effectiveness of these new procedures as they are actually implemented will not become available for some time. Accordingly, this report describes only how these new procedures are intended to work.

### SCOPE OF REVIEW

During our review we interviewed and obtained documents from officials of the Office of the Secretary of Defense (OSD) and the military departments. We made our review at OSD and at Army, Navy, and Air Force headquarters.

## CHAPTER 2

### DEPARTMENT ACTIONS TO

### STRENGTHEN FREE ASSET CONTROL

When the Department of Defense sells equipment from its inventories that it does not intend to replace in kind, the receipts are considered to be "free assets." These moneys can be reprogramed to fund procurements in the appropriation under which the equipment was sold or to fund other defense projects. However, the reprogramming of these funds is subject to restrictions, limitations, and approvals within DOD and the Congress. The Congress, for example, must approve (1) proposed increases in the procurement quantity of such items as aircraft, naval vessels, tracked combat vehicles, and other items of special interest to the Congress and (2) reprogramming increases over a certain value. Increases of more than \$5 million in a procurement line item, for example, must have congressional approval.

In our earlier report we pointed out that, because the Secretary of Defense had not provided the services with a standardized definition of free assets, each service defined free assets differently. For example, the services used varying time frames with which to determine whether replacement of the equipment sold was required. If they determined that the item was not to be replaced within that time frame, the sales proceeds were classified as free assets. A shorter time frame allowed more sales receipts to be included as free assets and provided more funds to the services for funding other programs. A longer time frame resulted in more of these receipts being retained in the applicable procurement accounts for replacement of equipment sold. We recommended that the Secretary of Defense establish and enforce a standard criterion to which the services should adhere in classifying the sales of defense items as free asset sales. This criterion should specify the time period for replacing the items sold and what constitutes replacement in kind.

### REVISING FREE ASSET CRITERIA

On August 13, 1976, the Secretary of Defense standardized the definition of free assets in the DOD Budget Guidance Manual and restricted free asset funds to the receipts from sales of defense items that did not require replacement in kind in DOD inventories during the Five Year Defense Plan. Defense needs are planned on a 5-year basis, and item sales can be matched against these future requirements before any sale is coded as a free asset transaction.

A September 10, 1976, memorandum from the Assistant Secretary of Defense (Comptroller) notified the services of the new criteria for free assets and stated that revised fiscal years 1977 and 1978 service budgets submitted for DOD review must conform to it.

Under the standardized criteria, replacement in kind is defined as a future requirement to replace the exact item type/model and series that was sold.

### Restrictive replacement-in-kind criterion

Because of technological advances and equipment improvements, items sold from defense inventories are often replaced with an improved model, series, or type. This process of modernizing U.S. defense inventories has been cited as a major advantage of our foreign sales program.

Under the restrictive replacement-in-kind criterion, all receipts from the sale of defense items will be considered free assets unless the items are to be replaced by procuring equipment identical in model, series, and type.

Office of the Secretary of Defense officials feel that the enforcement of this criterion will increase congressional awareness of and control over the source and application of sales receipts used to upgrade defense inventories. Under this criterion all replacement procurements, unless for the identical item sold, will have to be submitted through standard reprogramming procedures under control of the House and Senate Armed Services and Appropriations Committees.

### CENTRALIZING FINANCIAL MANAGEMENT OF FOREIGN MILITARY SALES TO PROMOTE EFFICIENCY

To promote efficient financial management of the Foreign Military Sales Program, OSD has designated the Air Force as its executive agent for managing all defense foreign sales programs. This operation, which is centralized in Denver, is called the Security Assistance Accounting Center. The Center will assume full responsibility for all foreign military sales billings, cash collections, trust fund accounting, and the management of fees charged foreign customers for administering their sales cases. The transfer of operations is expected to be completed as of June 30, 1977.

## NEED FOR EFFECTIVE EARLY COORDINATION

More coordination is needed between OSD and the headquarters of the service branches to standardize DOD's free asset management.

Early in our review we found that, in response to our earlier report, the Army (1) had directed that sales receipts be classified as free assets only if the items sold would not be replaced within the 3-year obligational period of the appropriation and (2) had allowed acceptable substitutes or preferred items to qualify as replacement in kind. The Army was later notified that the new DOD criteria called for the Five Year Defense Plan as the replacement time frame and that replacement in kind was limited to reprocurment of the same item model, series, and type that was sold. (See p. 9.) This required the Army to again amend its definition and procedures to conform with DOD's. Earlier coordination would have prevented the duplication of effort.

At the start of our review, we also found that the Air Force was about to extend the replacement time frame under its free asset criteria from 90 to 270 days. We advised Air Force officials that the new DOD criteria specified a 5-year span for replacement. They are conforming their definition to the new DOD standard.

Some variances that we had previously identified in the military services' treatment of equipment sales and the use of free asset funds are still unresolved. For example:

1. A replacement-in-kind criterion cannot be easily applied to secondary item sales (spares and repair parts) because the procurement of these items is based on current needs rather than exact item replacement. Secondary item sales represent a large portion of foreign military sales. For example, of the approximately \$13.8 billion worth of Air Force foreign military sales cases open during fiscal year 1976, sales of secondary items amounted to \$5.4 billion. With that in mind, under what circumstances are the receipts from secondary item sales to be classified as free assets?
2. Sales to military customers include repaired items. Should free assets be used to reimburse the maintenance accounts for the value of these repairs?
3. Should sales amounts realized above costs for replacement be considered as free assets?

In addition to standardizing the free asset criteria, OSD hopes to establish uniform servicewide procedures for applying the free asset definition and handling free asset funds within DOD. OSD feels that servicewide compliance and standardized application of free asset criteria will be most easily achieved during the budget review process.

In our opinion, however, increased emphasis should be placed on coordinating OSD and service branch efforts to accomplish standardization. Some confusion is inevitable in any program change. Increased coordination is necessary to minimize confusion and wasted effort by the services in complying with the new criteria. Free asset management involves a number of complex elements, and actually applying free asset criteria to these elements can vary, depending on service branch interpretations. Without closer coordination, OSD may not be aware of these variances.

The Army has taken major steps to improve its free asset management. However, the Air Force and Navy have just begun to adopt the new DOD criteria. We believe that increased coordination would prevent duplication of effort by the services and would achieve uniform application of the new free asset criteria.

#### NEED FOR EFFECTIVE TECHNIQUES IN ESTIMATING FREE ASSETS FOR BUDGET PURPOSES

Through an informal arrangement, DOD has annually given the Congress estimates of free asset funds to be realized in the budgeted program year. The Congress includes these estimates as part of DOD's obligational authority and reduces funds appropriated for defense programs.

In our earlier report, we indicated that free asset estimates provided to the Congress had been historically low, falling far short of actual free assets generated. DOD's initial free asset estimates for fiscal years 1972-75 averaged about 27 percent of actual free assets. We pointed out that, since the Congress uses these estimates to reduce appropriated funds and failure to meet the estimates can result in direct program reductions, the military services tend to be conservative in their estimates.

In response, the House and Senate Appropriations Committees, in conference, directed that, beginning with the fiscal year 1978 budget submissions, DOD submit to the Congress free

asset projections with their budget updated by March 15 of each year. These projections are to include a comparison of the estimates with the actual free assets generated the previous year.

Although this requirement will give the Congress updated information about free asset estimates and actual accruals, it will not by itself make certain that DOD's initial estimates are realistic. Further, DOD is not planning to develop procedures to increase the accuracy of its initial free asset estimates. OSD officials pointed out to us that most free assets accrue to defense procurement accounts from foreign sales. They maintain that very little advance information is available from which to accurately forecast equipment types to be sold and that the foreign sales program is subject to constant change. In their view, more realistic free asset estimates are not possible without increasing the risk that not enough funds will be accumulated to meet the estimates. If this occurred, DOD would have to compensate either by reducing the program funded and directed by the Congress or by obtaining a supplemental appropriation.

DOD therefore bases its initial estimates of free assets on only that portion of sales for which signed sales contracts and firm indications of intent to buy are in hand at the time of budget formulation.

However, DOD does have advance information about future sales from which more realistic free asset estimates could be developed. This information is not reflected in formal budget programming documents because firm sales contracts have not been signed by the countries; however, a resume of estimated cash purchases by each country is available. DOD considers these estimates when it is projecting materiel requirements to support foreign credit sales transactions. During 1975 the Defense Security Assistance Agency gathered 7-year projections of foreign military cash sales from DOD's in-country Military Assistance Advisory Groups.

The Congress has increasingly emphasized the requirement for an annual estimate and justification of the foreign sales program. Public Law 94-329, section 209, establishes a new section of the Foreign Military Sales Act, 1/ which requires that:

---

1/Now entitled the "Arms Export Control Act."

"--The President shall transmit to the Congress as a part of the presentation materials for security assistance programs proposed for each fiscal year, a report which sets forth--

"(1) an estimate of the amount of sales expected to be made to each country under sections 21 and 22 of this Act, including a detailed explanation of the foreign policy and United States national security considerations involved in expected sales to each country;

"(2) an estimate of the amount of credits and guaranties expected to be extended to each country under sections 23 and 24 of this Act."

We believe that this information should also be considered when initial free asset estimates are made. Past ability to generate free assets from similar sales levels could be examined and statistical techniques could be used to arrive at free asset indexes. These indexes could then be applied against the projected sales program to arrive at a more realistic initial free asset estimate for the budget year. The accuracy of the estimate would improve with the amount of detailed advance information available concerning item types expected to be sold, and margins for error could be set accordingly. However, these indexes could at least be applied against the total projected sales program to arrive at a more realistic initial free asset estimate.

The annual DOD budget request presented to the Congress is DOD's estimate of its funding requirements for the entire period covered by the appropriation. We believe that initial free asset estimates presented with that submission should also reflect the total amount of free assets expected to accrue during that entire period. In our opinion, DOD can more closely estimate future free assets without a great risk of not generating enough funds.

#### OBSERVATIONS AND RECOMMENDATIONS

DOD is acting to correct deficiencies noted in the management of free asset funds. However, several important problems still need to be solved. A major DOD objective in the free asset area is to establish and achieve uniform application of standardized criteria and procedures for defining and handling free assets throughout DOD.

However, CSD officials are relying on their preliminary review of service budget submissions to accomplish this instead of emphasizing closer coordination with the military services regarding the new free asset criteria and their application. Because many complex elements are involved in free asset management, we believe closer coordination with the services as they formulate their free asset policies will make certain that DOD policies are implemented in a uniform and timely manner.

Also, DOD has not acted to improve the accuracy of its initial free asset estimates.

We recommend that, to promote the uniform, DOD-wide application of free asset criteria and to improve the accuracy of future free asset estimates, the Secretary of Defense:

- Initiate closer coordination with the services to resolve problems in applying free asset criteria to complex aspects of equipment sales.
- Develop more effective techniques for forecasting free asset funds that will accrue from future foreign military sales.



## CHAPTER 3

### ARMY ACTIONS TO IMPROVE CONTROL OVER

#### ITS CUSTOMER ORDER PROGRAM AND FREE ASSETS

The procedures under which the Army records sales of equipment and provides for filling the orders are known as its customer order program. Deficiencies in the Army's management of the program, of which free asset management is a part, have resulted in several recent overobligations in Army procurement accounts. This has prompted the Army to establish the Army Customer Order Steering Committee, responsible for reviewing and modifying all aspects of the accounting for and administration of customer orders. Accordingly, since our last report the Army has taken a number of corrective actions. Many of these actions directly affect the management of free assets. The Committee is still reviewing the customer order program and formulating other actions.

#### STANDARDIZING THE FREE ASSET DEFINITION

Our earlier report indicated that the definition of free assets varied among the subordinate commodity commands of the Army Materiel Command. 1/ The Army has since taken steps to make certain that commodity commands are using standard criteria in classifying free asset sales. The Army initially directed its commands that sales will not be classified as free asset transactions unless the items sold will not be replaced in kind within the 3-year obligational period of the appropriation. Replacement in kind was defined to include interchangeable substitute items, and examples of these items were provided. The Army time frame and replacement-in-kind criteria are now being revised again to conform to the new DOD criteria.

#### IMPROVING AWARENESS OF AND CONTROL OVER FREE ASSETS

In our earlier report we noted that the commodity commands were able to use free assets without Department of the Army knowledge. We reported that Army Regulation 37-120 was revised to restrict all free asset use to Army headquarters,

---

1/ The Army Materiel Command has recently been reorganized and is now the U.S. Army Materiel Development and Readiness Command.

but that procedures were inadequate to make sure that subordinate commands were complying with this restriction because reporting requirements in the regulation had not been enforced.

As an intermediate step in implementing its customer order reporting system, 1/ the Army instituted the Monthly Status of Procurement Appropriation Customer Financial Plan Schedule 307-21. Along with other information, the schedule provides data on anticipated free asset sales and actual deliveries made against the sales. This information, which is supplied monthly by each commodity command, gives the Army knowledge of free asset funds generated from all its sales programs. This schedule will ultimately be incorporated in the total reporting system.

The Army is now enforcing the reporting requirements of Regulation 37-120, and Army headquarters has begun to receive reports from the field under the new reporting system. These reports are now in a test status, but Army officials estimate that the system will be ready for our review soon. As envisioned, this system should give Army headquarters officials more complete knowledge of free assets and other information necessary to make certain that all free assets are reported to headquarters and are not used by the commodity commands.

#### ESTABLISHMENT OF FREE ASSET RESERVE ACCOUNTS AND REPROGRAMING

In our earlier report we pointed out that actual free asset collections are affected by many factors, including sales cancellations, reclassifications, price adjustments, and accounting and billing errors. In the past the Army reprogramed free assets before they were actually received, and later decreases in actual collections contributed to already existing overobligations. To avoid future problems of this type, the Army now reprograms only on the basis of free asset funds actually collected.

In addition, on June 22, 1976, the Army established reserve accounts for each procurement appropriation to protect against future free asset refunds to customers and procurement

---

1/Referred to as the Procurement of Equipment and Missiles, Army Management Accounting and Reporting System. The new title of this reporting system is the Army Procurement Appropriations Reporting System.

accounting error adjustments. Under this arrangement, 10 percent of all free assets collected under each procurement account will be withheld in these accounts. The Army intends to adjust the 10-percent rate on the basis of actual experience.

#### BILLING AND CASH COLLECTIONS

As of January 31, 1977, the Security Assistance Accounting Center has begun to assume full responsibility for all foreign sales billings, cash collections, trust fund accounting, and administrative fee management. (See p. 3.) The transfer process is expected to be completed by June 30, 1977. Thus, we did not review the corrective actions taken by the Army in this area.

#### OBSERVATIONS

The Army is taking vigorous action to gain control over its customer order program and its management of free asset funds. We cannot now verify the effectiveness of the actions, but they are extensive and are aimed at correcting the deficiencies noted in our previous report.

**PRINCIPAL OFFICIALS**  
**RESPONSIBLE FOR ADMINISTERING**  
**ACTIVITIES DISCUSSED IN THIS REPORT**

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<b><u>DEPARTMENT OF DEFENSE</u></b>		
<b>SECRETARY OF DEFENSE:</b>		
Dr. Harold Brown	Jan. 1977	Present
Donald H. Rumsfeld	Nov. 1975	Jan. 1977
James R. Schlesinger	July 1973	Nov. 1975
William P. Clements, Jr. (acting)	Apr. 1973	July 1973
<b>DEPUTY SECRETARY OF DEFENSE:</b>		
Charles W. Duncan, Jr.	Jan. 1977	Present
William P. Clements, Jr.	Jan. 1973	Jan. 1977
<b>ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS):</b>		
Dale R. Babione (acting)	Jan. 1977	Present
Frank A. Shrontz	Feb. 1976	Jan. 1977
John J. Bennett (acting)	Mar. 1975	Feb. 1976
Arthur I. Mendolia	June 1973	Mar. 1975
<b>ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER):</b>		
Fred P. Wacker	Sept. 1976	Present
Terence E. McClary	June 1973	Aug. 1976
<b><u>DEPARTMENT OF THE ARMY</u></b>		
<b>SECRETARY OF THE ARMY:</b>		
Clifford Alexander	Feb. 1977	Present
Martin R. Hoffman	Aug. 1975	Jan. 1977
Howard H. Callaway	July 1973	Aug. 1975
<b>UNDER SECRETARY OF THE ARMY:</b>		
Vacant	Jan. 1977	Present
Norman R. Augustine	May 1975	Jan. 1977
Vacant	Apr. 1975	May 1975
Herman R. Staudt	Oct. 1973	Apr. 1975

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF THE ARMY (continued)</u>		
ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS):		
Edwin Greiner (acting)	Dec. 1976	Present
Harold L. Brownman	Oct. 1974	Dec. 1976
Edwin Greiner	Aug. 1974	Oct. 1974
Edwin Greiner (acting)	May 1974	Aug. 1974
Vincent P. Huggard (acting)	Apr. 1973	May 1974
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT):		
Hadlai A. Hull	Mar. 1973	Present
COMPTROLLER OF THE ARMY:		
Lt. Gen. John A. Kjellstrom	July 1974	Present
Lt. Gen. E. M. Flanagan, Jr.	Jan. 1973	July 1974
COMMANDING GENERAL, UNITED STATES ARMY MATERIEL DEVELOPMENT AND READINESS COMMAND:		
General J. R. Deane, Jr.	Feb. 1975	Present

DEPARTMENT OF THE NAVY

SECRETARY OF THE NAVY:		
Gary D. Penisten (acting)	Feb. 1977	Present
Joseph T. McCullum	Feb. 1977	Feb. 1977
David R. MacDonald	Jan. 1977	Feb. 1977
J. William Middendorf	June 1974	Jan. 1977
J. William Middendorf (acting)	Apr. 1974	June 1974
John W. Warner (acting)	May 1972	Apr. 1974
UNDER SECRETARY OF THE NAVY:		
Vacant	Feb. 1977	Present
David R. MacDonald	Sept. 1976	Feb. 1977
John Bowers (acting)	July 1976	Aug. 1976
Vacant	Mar. 1976	June 1976
David S. Potter	Aug. 1974	Mar. 1976
Vacant	June 1974	Aug. 1974
J. William Middendorf	June 1973	June 1974

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF THE NAVY (continued)ASSISTANT SECRETARY OF THE NAVY  
(FINANCIAL MANAGEMENT):

Gary D. Penisten	Oct. 1974	Present
Vacant	May 1974	Oct. 1974
Robert D. Nesen	May 1972	May 1974

DEPARTMENT OF THE AIR FORCE

## SECRETARY OF THE AIR FORCE:

Thomas C. Reed	Jan. 1976	Present
James W. Plummer (acting)	Nov. 1975	Jan. 1976
Dr. John L. McLucas	July 1973	Nov. 1975

ASSISTANT SECRETARY OF THE AIR  
FORCE (INSTALLATIONS AND  
LOGISTICS):

Richard J. Keegan (acting)	Feb. 1977	Present
Hon. J. Gordon Kapp	Mar. 1976	Jan. 1977
Frank A. Shrontz	Oct. 1973	Feb. 1976
Richard J. Keegan (acting)	Aug. 1973	Oct. 1973
Lewis E. Turner	Jan. 1973	Aug. 1973

ASSISTANT SECRETARY OF THE AIR  
FORCE (FINANCIAL MANAGEMENT):

Everett T. Keech	Sept. 1976	Present
Francis Hughes	Mar. 1976	Sept. 1976
Arnold G. Bueter (acting)	Aug. 1975	Mar. 1976
William W. Woodruff	Apr. 1973	July 1975

## COMPTROLLER OF THE AIR FORCE:

Lt. Gen. Charles G. Buckingham	Sept. 1975	Present
Lt. Gen. J. R. DeLuca	Oct. 1973	Sept. 1975
Lt. Gen. D. L. Crow	Apr. 1969	Oct. 1973