

THE ARMY INDUSTRIAL COLLEGE  
WASHINGTON, D. C.

Course 1930-1931.

THE PROCUREMENT SYSTEM OF THE UNITED STATES NAVY

By

Captain Frederick G. Pyne, (S.C.) U.S.N.  
Asst. Chief, Bureau of Supplies and Accounts.

October 20, 1930.

THE PROCUREMENT SYSTEM OF THE  
UNITED STATES NAVY.

The Department of the Navy was created by the Act of 30 April 1798, which provided

"There shall be at the seat of Government an executive department to be known as the Department of the Navy, and a Secretary of the Navy, who shall be the head thereof."

The duties of the Secretary

"... shall be to execute such orders as he shall receive from the President of the United States, relative to the procurement of naval stores and materials, and the construction, armament, equipment, and employment of vessels of war, as well as other matters connected with the naval establishment of the United States."

The Secretary of the Navy is, in all matters pertaining to his branch of the public service, the exponent of the President, and his acts are to be considered the acts of the President, and have full force and effect as such. The official duties of the heads of Executive Departments, however, are not merely ministerial. They involve the exercise of judgment and discretion. The Secretary of the Navy is appointed by the President, by and with the advice and consent of the Senate, from civil life, and is one of the members of the Cabinet. He is authorized by law to prescribe regulations, not inconsistent with law, for the government of his department, the conduct of its officers and clerks, the distribution of its business, and the custody, use, and preservation of the records, papers, and property appertaining to it. He is required to make an annual report to Congress of the operations of the Navy for the preceding year, of its general condition, etc.

At first the Navy Department consisted of the Secretary's office and the office of the Accountant of the Navy, and many of the details of the procurement and purchase of supplies were handled personally by the Secretary of the Navy.

As the business of the Navy increased, Congress added to the Navy Department a Board of Navy Commissioners by the Act of 7 February 1815. This Board was attached to the office of the Secretary of the Navy, and under his superintendence was

"...to discharge all the ministerial duties of said office, relative to the procurement of naval stores and materials, and the construction, armament, equipment and employment of vessels of war, as well as all other matters connected with the naval establishment."

It was provided, however, that nothing in the act was "to take away from the Secretary of the Navy his control and direction of the naval forces of the United States, as now by law possessed."

The Board of Navy Commissioners remained in existence twenty-seven years, from 1815 to 1842, when, by the Act of 31 August 1842, Congress specifically repealed the law establishing the Board and directed that the business of the Department of the Navy shall be distributed, in such manner as the Secretary of the Navy shall judge to be expedient and proper, among five naval bureaus - Navy Yards and Docks, Construction, Equipment and Repairs, Provisions and Clothing, Ordnance and Hydrography, and Medicine and Surgery.

The naval bureaus were subordinated to the Secretary of the Navy by the enactment that

"All the duties of the said bureaus shall be performed under the authority of the Secretary of the Navy, and their orders shall be considered as emanating from him, and shall have full force and effect as such."

Some of the original bureaus have been subdivided and new bureaus created, and some of the names of the bureaus have been changed, but the principle of segregating the general duties of the Navy under definite heads has not been changed.

The present administrative organization of the Navy Department consists of the Office of the Secretary of the Navy, the Assistant Secretary of the Navy, the Assistant Secretary of the Navy for Aeronautics, the Office of Naval Operations, and the following eight bureaus

The Bureau of Yards and Docks, which is concerned with the design and construction of public works and public utilities of the Navy and their repair, upkeep, and operation.

The Bureau of Navigation, which is primarily a personnel bureau, but is concerned in material and procurement in connection with the Naval Academy, the Naval War College, schools and stations for the training and education of officers and enlisted men, the Hydrographic Office, Naval Observatory, the supply of navigational outfits and instruments, charts, and nautical information, libraries, and material needed for the recreation of personnel.

The Bureau of Ordnance, which is concerned with all that relates to offensive and defensive arms and apparatus, ammunition and war explosives, and the maintenance of naval ordnance establishments.

The Bureau of Construction and Repair, which is concerned with the design, construction and repair of naval vessels.

The Bureau of Engineering, which is concerned with the design, manufacture and repair of machinery used for the propulsion and operation of naval ships, and electrical appliances, radio outfits and the inspection of all fuel for the fleet.

The Bureau of Medicine and Surgery, which is concerned with the upkeep and operation of all naval hospitals, medical supply depots, medical laboratories and all questions connected with hygiene and sanitation affecting the naval service. It has control of the preparation, reception, storage, care, custody, transfer and issue of all supplies of every kind used in the medical department for its own purposes.

The Bureau of Aeronautics, which is concerned with the design, manufacture and repair of naval and Marine Corps aircraft, and the upkeep and operation of naval aeronautic establishments.

The Bureau of Supplies and Accounts, which is concerned with all that relates to the purchase, reception, storage, care, custody, transfer, shipment, issue of and accounting for all supplies and property of the naval establishment, except medical supplies (but including their purchase) and supplies for the Marine Corps.

As a material bureau, the Bureau of Supplies and Accounts, in addition to its duties in connection with procurement and upkeep of stocks of materials for general Navy maintenance, is especially concerned with the rationing of the enlisted personnel of the Navy and with the issue to it of all items of the Navy uniform. It provides all fuel for navy use, mess outfits, office supplies and equipment, galley utensils, and water for all purposes on board naval vessels. It is also concerned with the chartering of merchant vessels for transportation purposes, the loading of supply ships, colliers, and oilers, and with the upkeep and operation of clothing factories and fueling plants.

It has the direction of the sale of condemned and surplus materials, ships, buildings and real estate.

As a financial bureau, the Bureau of Supplies and Accounts is concerned with all that relates to the supply of funds for disbursing officers and the payment for articles and services. It prepares the estimates for appropriations for freight, fuel, provisions and clothing, the maintenance of activities under its cognizance and for the pay of all officers and enlisted men of the Navy.

4

As an accounting bureau, the Bureau of Supplies and Accounts is concerned with the keeping of the property and money accounts of the naval establishment, including accounts of all manufacturing and operating expenses at navy yards and stations, the direction of naval cost accounting and the audit of property returns from ships and stations. It conducts an administrative examination of the fiscal accounts of disbursing officers.

The Office of Naval Operations, while not a material office, is concerned with the coordination of supply activities in connection with the operations of the fleet and its readiness for war and advising the Secretary of the Navy as to matters pertaining to reserves of ordnance and ammunition, fuel, stores and supplies in connection with plans for the use of the fleet in war.

The Marine Corps operates as a separate organization and handles its own procurement and supply.

Each bureau and office estimates for the funds required to carry out its duties.

Each bureau determines upon and requires for all material needed for its own use in carrying out its duties.

Each bureau controls the inspection of all material purchased or manufactured for its use.

The cost of supplies purchased by the Bureau of Supplies and Accounts for other bureaus or branches of the naval establishment is defrayed out of the appropriation provided therefor by law coming under the cognizance of those bureaus or branches.

Originally, in matters of procurement and supply, each bureau acted independently of the others, but as the result of investigation conducted by Secretary Whitney beginning in 1885, Congress provided by the Acts of 2 March 1889, 30 June 1890, 2 March 1891, and 19 July 1892 for the concentration in the Bureau of Supplies and Accounts of the work of making purchases and keeping accounts for all branches of the naval establishment, and this bureau was required to open accounts for the stock and purchases, designed to show the exact condition of the naval appropriation and expenditures.

Under the direction of the Paymaster General of the Navy, the Bureau of Supplies and Accounts is organized into four groups the Administrative, Supply, Finance, and Accounting Groups.

42

The ADMINISTRATIVE GROUP consists of the Supply Corps Personnel Division, the Planning Division, the Civilian Assistant's Division, the Special Assistant's Division, and the Inspection Division.

The Planning Division has a War Plans Section, a Logistics Section, and a Policy, Regulations and Legislative Section. In conjunction with the representatives of other bureaus and the Office of Naval Operations, it assembles all data in connection with logistics in the formation of war plans and maintains records of supplies and materials required by specific operating plans. It is the point of contact for the Bureau with the Joint Army and Navy Munitions Board, the aim being to have procurement methods adaptable to a transition to war conditions with a minimum of change and dislocation of peacetime procurement principles. It maintains contact with other bureaus and offices of the Navy Department on matters of policy, regulations, and legislation, and assembles data for the Paymaster General's annual and special reports.

The Special Assistant's Division has the supervision of preliminary and final estimates and supporting data for submission to the Budget Office of the Department, the Bureau of the Budget, and to Congress. It has the apportionment and the allotment of Supplies and Accounts appropriations. It prepares opinions as to the effect or interpretation of proposed or existing laws.

The SUPPLY GROUP consists of the Purchase Division, the Stock Division, the Provisions and Clothing Division, the Fuel Division, and the Transportation Division.

The Purchase Division has supervision of purchases in the Bureau and by ships and stations, the printing of Navy Standard Specifications and distribution of Navy and Federal Standard Specifications, and the issue of the Navy Department's list of approved materials.

The Stock Division has supervision of storage space ashore, the maintenance and upkeep of stock, inventories of stock, record and approval of requisitions for materials and supplies, allowance lists, surveys of materials, sales of condemned and surplus materials, ships, and property, and the preparation and issue of the Classification Index of Naval Stores and Material.

The Provisions and Clothing Division has supervision of the Navy ration, the Clothing Factory, commissary and ship's stores, specifications and inspection of clothing, uniform materials and provisions, and clothing allowances.

The Fuel Division has supervision of fuel stocks, fueling plants, acceptable lists of mines and fuel suppliers, records of fueling facilities, naval and commercial, and statistical records of fuel consumption by vessels of the Navy and ashore.

41

The Transportation Division has supervision of the transportation of materials, the issuing of shipment orders, the routing of freight and priority of shipments, the procuring and movement of railroad equipment, the issue of the Navy Shipping Guide, rate and classification matters, packing and shipment of household effects, loading and discharge of Navy cargo carriers, charters for commercial carriers, and records of vessels taken over in time of war.

The FINANCE GROUP consists of the Disbursing Division, the Allotment Division, the Retainer Pay Division, the Claims and Allowances Division, the Administrative Examination Division, and the Officers' Accounts Division.

The Disbursing Division pays public vouchers based on Navy Department, Bureau of Supplies and Accounts contracts, and Bureau of Yards and Docks public works contracts, pays travel expense claims of officers and civilian employees, and settles passenger and freight transportation bills.

The Allotment Division pays allotments registered by officers and enlisted men of the Navy.

The Retainer Pay Division handles and pays the accounts of retired enlisted men and members of the Naval Reserve in an inactive status.

The Claims and Allowances Division is the point of contact with the General Accounting Office, bureaus of the Navy Department, and other Departments relative to disbursing procedure. It handles reports of deficiency in disbursing officers' accounts, prepares recommendations regarding relief acts and legislation affecting pay and allowances, acts on all claims for pay and allowances, losses of clothing due to marine disasters, and travel claims of enlisted men on discharge. It establishes fuel and light allowances for public quarters. It prepares recommendations for requests for decisions on disbursing matters by the Comptroller General of the United States, and maintains the record of decisions made by the Comptroller General and the Court of Claims.

The Administrative Examination Division makes an examination of the accounts of disbursing officers of the Navy prior to submission to the General Accounting Office, and reviews statements of differences and final balances stated by that office.

The Officers' Accounts Division keeps the accounts and pays officers on duty in the Navy Department or residing in Washington. It keeps the accounts of deserters and pays mileage to officers at Washington.

The ACCOUNTING GROUP consists of the Appropriations Division, the Cost Division, the Audit Division, the Property Accounting Division, and the Cost Inspection Division.

50

The Appropriations Division has cognizance of advances of funds to disbursing officers, bills of exchange, and disbursing officers' bonds, and maintains the ledgers of appropriations and general ledgers. It is the fiscal office of the Bureau.

The Cost Division has cognizance of industrial accounting, maintains the plant accounts of naval stations, audits cost reports of foundries and manufacturing plants, prepares accounting instructions, and maintains records of expenditures from yards and vessels.

The Audit Division audits property returns of ships and stations and maintains the equipage ledgers.

The Property Accounting Division has supervision of collections for work done for other Government Departments and contractors, maintains the records of sales of stores, and accounts for materials furnished by the Government on Navy contracts.

The Cost Inspection Division inspects contractors' plants and accounting systems and supervises the cost inspectors in the field. It makes financial and accounting examinations in connection with proposed or cancelled contracts. It cooperates with the Department in prosecution and defense of suits. It conducts examinations of accounts of contractors for aircraft.

At navy yards and naval stations, an officer of the Supply Corps of the Navy is, under the direction of the Commandant, detailed for duty by the Navy Department as Supply Officer in charge of the Supply Department. The supply officer has charge of the receipt into store, custody, shipment, transfer, and issue from store of all supplies, material, manufactured articles, and all other articles subject to invoice. The supply officer is also charged with the purchase of supplies and materials and procurement of services at those yards and stations where a Navy Purchasing and Disbursing Officer has not been specially detailed for such duty. At the present time, purchasing and disbursing officers are only stationed at New York, Newport, San Francisco, and Shanghai, China.

On board ships of the Navy, the supply officer is the senior officer of the Supply Corps attached thereto and has charge of the procurement of stores and material for the ship, the maintenance at all times of sufficient materials and supplies, the accounts and the custody of all supplies and equipage not issued for use, except fuel, ammunition, Marine Corps, and medical stores. He is also the Commissary Officer and in charge of the ship's store, and if he has no assistant for disbursing has charge of the accounts of the personnel and of the disbursement of funds in connection with the general operation of the ship. On ships not carrying officers of the Supply Corps, such as destroyers, submarines and other small craft, the duties other than purchasing and handling funds are performed by the commanding officer or heads of the ship's departments, the stores accounts of such small vessels being concentrated under officers of the Supply Corps in central offices ashore.

Stores and materials used by the naval establishment are classified according to their physical characteristics to segregate the various raw materials and manufactured articles into general groups or categories. This is done for convenience and control in purchasing, inspecting, storing, transporting, and issuing stores and materials. The classification of naval stores and material conforms with the classification of federal property established by the Chief Coordinator in Bulletin 110, of 10 April 1930. There are seventy-four general classes, and provision is made for special classes in which may be grouped for convenience in storekeeping and accounting special materials for specific purposes, such as specially procured material for construction of new ships. A few examples of the general classification are Class 7 - Fuel, Class 39 - Lumber, Class 52 - Paints, Class 53 - Stationery.

An alphabetically arranged list of items under the various classes, entitled "Classification Index of Naval Stores and Material", is published by the Bureau of Supplies and Accounts. This publication gives the standard nomenclature of materials and shows the bureau or bureaus using and having cognizance of the material, and whether the material is expendable (consumable) or non-expendable.

In 1914, the Bureau of Supplies and Accounts published a Standard Stock Catalogue, which was designed to include all supplies and materials regularly carried in store at navy yards and stations. The Navy Standard Stock Catalogue is now being merged with the Federal Standard Stock Catalogue, which is being published by the Federal Catalogue Board under the supervision of the Chief Coordinator. The catalogue furnishes ample data relative to the various articles shown therein, such as stock numbers, specification numbers, weights, dimensions, cubic measurements, standard packages, approximate unit costs and code words for each item for use in telegrams and despatches. As a part of the catalogue, there is a comprehensive chapter on storekeeping methods containing valuable suggestions regarding storing, marking, and packing supplies, which tends to establish uniformity of practice in the various supply activities of the Government. The nomenclature used in the catalogue makes for uniformity also in descriptions of materials in requisitions, allowance lists, and invoices. A general description of the Federal Standard Stock Catalogue can be found on page 71 of the September, 1930, issue of the Commercial Standards Monthly issued by the National Bureau of Standards, Department of Commerce.

For all ships of the Navy, there is prepared by each bureau concerned an allowance list of equipage and supplies under its cognizance considered necessary for the proper operation of the ship. The materials listed in these allowance lists may be issued to the ship and charged to the bureau concerned. Materials not so listed may only be issued by special authority of the bureau concerned. Copies of the allowance lists are furnished the ship, the supply officer of the outfitting yard, and the Bureau of Supplies and Accounts.

For the guidance of officers in requisitioning, purchasing, and inspecting naval supplies, and for the information of bidders and contractors, the Bureau of Supplies and Accounts issues Navy Standard Specifications giving in detail the quality, type of manufacture, and essential features of the materials covered by the specifications. These specifications are prepared by the bureau having cognizance of the material - where more than one bureau uses the material, cognizance is decided by mutual consent of the bureaus concerned. When prepared, a specification is submitted to the Navy Department Specification Board, composed of representatives of all material bureaus, for approval. Upon approval, the specification becomes a standard for the naval establishment. The Federal Specifications Board, under the supervision of the Chief Coordinator, is now engaged in the preparation of federal specifications controlling on all Departments of the Government. These federal specifications are being printed as a part of the Federal Stock Catalogue, and in the course of time will supersede many of the Navy Department standard specifications, which will be confined to materials primarily intended for naval purposes.

For those materials that can only be satisfactorily procured after tests extending over a considerable period of time, the Bureau of Supplies and Accounts publishes to the naval service an "Acceptable List of Approved Materials" showing the names of manufacturers, brand names, and other data covering materials which have been tested and approved for Navy use. These tests are made under direction of the cognizant bureaus at naval experimental stations, navy yards, and on ships of the Navy. Manufacturers are requested to submit materials for test and approval in order that the list of approved materials may not unduly restrict competition. The materials on the approved list include such items as lubricating oils, fire brick, tool steel, packings, special tools and instruments.

For accounting purposes, all materials and supplies are made a charge to various titles. All materials in store are carried in Title A. Upon issue from store for use, they are charged to appropriate titles indicating the purpose for which they are used. Materials used in the construction of new ships are a charge to title A and no further property accounting is required, the value of the ship being carried in the ship account of the Bureau of Supplies and Accounts. Equipage necessary to make ships manageable, habitable, and serviceable as naval vessels is a charge to title E and is not expendable except after survey or other authority, and property returns are required from supply officers of the vessels concerned. Consumable supplies used by ships are a charge to title C, and no further property accounting is required, as this title is intended to show the operating expenses and cost of maintenance of ships in commission. Materials used for plant additions at industrial navy yards are a charge to Title E, and the value carried in the plant account of the yard concerned. There are a number of other titles used to show charges for particular purposes, but the titles mentioned will indicate the object and use of title accounting.

53

Also for accounting purposes, materials and supplies are carried in several accounts, made necessary through the fact that supplies for the Navy are purchased directly from appropriations or special funds. Certain material, particularly for the Bureau of Ordnance and Aeronautics, and special materials required by bureaus for particular purposes, are purchased directly under the appropriations concerned. These materials are held in store in Title X, Appropriation Purchases Account, and upon issue no further appropriation charge is necessary, they having been already paid for out of the specific operating appropriation. On 30 June 1930, there was held in this account in store ashore, or on the books of accountable officers afloat, material to the value of \$487,000,000, of which approximately \$400,000,000 is ordnance material and ammunition, ashore and afloat.

Clothing and small stores are purchased from the Clothing and Small Stores Fund, carried in the Clothing and Small Stores Account. On issue, the fund is reimbursed by checkages on the pay roll against individual accounts, and by check in cases where issues are made to other Government Departments or establishments. On 30 June 1930, the Clothing and Small Stores Fund amounted to \$18,000,000 in stores on hand and \$5,000,000 available cash in the Treasury.

Materials purchased under Reserve Material, Navy, such as evaporators, searchlights, radio material, and navigational instruments, and held as a reserve for the purpose of fitting out vessels of the Fleet and merchant auxiliaries in time of war or national emergency, are carried in the Reserve Material, Navy, Account, and may only be issued from this account without charge to other appropriations when a state of war or national emergency exists. To prevent deterioration, reserve material stores may be transferred to other accounts on reimbursement from the current applicable appropriation. These stores at the present time amount to a value of \$995,000.

There are also special accounts for fuel oil reserves, medical stores, and Marine Corps supplies.

One of the most important factors in the Navy's procurement system is the Naval Supply Account Fund. This fund, originally created by the Act of 3 March 1893, was designed to permit the procurement of ordinary supplies required for the use of several bureaus in such quantities as to permit economical purchase and to provide a stock available for prompt issue to any bureau requiring it. Upon issue, the appropriation of the bureau concerned reimburses the fund. From a small beginning amounting to \$200,000 in 1893, the fund has grown by subsequent legislation into the present Naval Supply Account Fund, authorized by the Act of 1 March 1921, and on 30 June 1930 it consisted of supplies in store valued

34

at \$81,000,000 and cash in the treasury in the sum of \$14,000,000. Through the medium of the Naval Supply Account Fund, the Navy is able to procure supplies and materials for general issue as a charge to any appropriation without regard for the limitation of fiscal years or annual appropriations. It permits the purchasing of articles in large lots at suitable times, and holding them for issue at any call. Supplies purchased under the Naval Supply Account Fund are held in store and accounted for in Title X, Naval Supply Account. This account is made the medium of a flexible accounting system for the Navy in handling many of the financial transactions of the various bureaus.

The Naval Working Fund provides a revolving account through which work for other Government Departments, sales of naval material, and miscellaneous transactions are handled.

To provide funds for the payment of materials drawn from store for work ashore, bureaus make allotments to the Commandants of the various navy yards and stations from their appropriations. All ships of the Navy are by general order granted quarterly allotments under the various appropriations to pay for all equipage and supplies issued to them.

The quantity of supplies to be carried in store ashore and afloat is decided by the Bureau of Supplies and Accounts from experience in past issues, the time required for replacement, and necessity for maintenance of an adequate reserve to meet emergencies. The advice and prospective plans of the various bureaus are secured, and appropriate instructions are issued to supply officers at the various yards and stations. Stock is maintained at the principal supply activities, such as the Naval Supply Depots at Brooklyn and Hampton Roads, and at the various navy yards and stations.

Because of manufacturing or commercial conditions, certain stations have been designated as distributing points where the principal reserve is stored and supplied to other stations. For example, Boston is the manufacturing and distributing yard for cordage, Norfolk the manufacturing yard for paints, gasoline engines, and metal furniture for ships, Naval Supply Depot, Brooklyn, clothing, stationery, and mess gear, New York and Ware Island, flags and bunting, Philadelphia, tool steel, etc.

Stock replenishment periods have been designated by the Bureau of Supplies and Accounts covering the various classes of stores. To distribute the work of stock replenishment as evenly as possible throughout the year, the periods have been so set that there is a constant flow of replenishment requests from the shore stations to the Bureau of Supplies and Accounts. In determining the dates of stock

replenishment periods, consideration is given to the times of the year most suitable for the purchase of certain items, and in the case of materials the price of which is subject to market fluctuations due to speculative conditions or irregularities in supply and demand, the market quotations are followed and purchases made when prices seem advantageous to the Government - for example, tin, copper, shellac, Manila fiber, kapok, varnish gums, horsehair, etc.

Certain other materials not subject to market fluctuations can be procured in quantity on short notice, and the maintenance of large reserve stocks is not necessary nor advisable. These materials are purchased on running contracts for a period of one, three, six, or twelve months for delivery as required - for example, lubricating oils, packings, fuel oil, gasoline, and fresh provisions. Many of these running contracts provide for the requirements of other Government Departments which have made requests to be included in Navy contracts.

With the exception of materials requiring special consideration, stock replenishment requests are submitted to the Bureau of Supplies and Accounts twice a year. The requests show the quantity on hand, the actual issues for the past twelve months, the quantity due on contracts or shipment from other stations, the quantity obligated for issue or shipment to other stations, and the quantity required to restore the stock to the supply required to be carried. At the same time as requests for replenishment of stock are submitted, supply officers report the supply on hand in excess of requirements and available to meet the needs of other stations, thus permitting transfers of excess stock and substitution of acceptable non-standard articles for standard, thus often avoiding the purchase of new stock.

For the storehouses ashore, there has been specified a standard system which provides for an orderly arrangement of stock, permitting rapid and accurate inventories and adjustment of values of stock on hand with the bookkeeping records. Inventories are made at prescribed intervals, and have been productive of most satisfactory results. Supplies are segregated in storehouses by classes and numerically and alphabetically arranged within the classes, following the arrangement of the Federal Standard Stock Catalogue. This permits rapid and exact issues and inventories, and efficient stock control as well.

In the case of materials not covered by stock replenishment requests, such as special materials for ship construction, machine tools, and materials required for use by one bureau for specific work, requisitions are prepared by station supply officers and submitted to the bureau concerned for approval and thence to the Bureau of Supplies and Accounts for purchase, either by the Bureau or by one of the field purchasing officers. The bureaus themselves frequently initiate requisitions for work directly under their cognizance.

56

When replenishment requests and requisitions are received, the Stock Division of the Bureau of Supplies and Accounts scrutinizes them, directs the transfer of excess stock to other stations, makes any necessary changes in quantities to be purchased, places orders with other Government Departments that can supply the material, such as the War Department for certain ordnance and aeronautical material and the Department of Justice for articles to be manufactured in federal prisons, and then transmits the requests and requisitions to the Purchase Division for purchase action. The Purchase Division consolidates stock requests into schedules for the information of bidders. These schedules show the quantities required for each delivery point and are arranged in classes of similar items in such a manner as to attract the widest competition and most favorable prices. The proper preparation of schedules is one of the most important features of purchase, and requires a broad knowledge of commercial conditions and practices. Specifications are fully stated, or reference is made to the applicable Federal or Navy Standard Specification, delivery and inspection requirements are clearly and completely set forth, and all possible information is given to enable the bidder to quote intelligently.

The general authority to purchase and contract for services and supplies for the Navy is vested in the Secretary of the Navy by Sections 417 and 3714, Revised Statutes. The business of purchasing and contracting has been distributed by the Secretary of the Navy as follows:

The Bureau of Yards and Docks prepares schedules, opens bids, and makes contracts for public works involving both labor and material in their construction.

The Bureau of Ordnance has cognizance of the purchase of certain items of arms, ammunition, and gun forgings for the Navy.

The Office of the Judge Advocate General of the Navy purchases lands, buildings, and vessels. It prepares contracts for the building of ships and charters vessels for other than cargo purposes. It prepares leases for property and deeds covering purchases thereof when consummated. This office also prepares contracts for certain equipment in which the labor of installation is involved, although in these cases the Bureau of Supplies and Accounts advertises for and opens bids, referring all papers to the Judge Advocate General with proper recommendations in the premises.

In cases of purchases made by the Bureau of Ordnance and the Office of the Judge Advocate General of the Navy, contracts are signed by the Secretary of the Navy.

The Marine Corps performs all of its own purchase and procurement functions, including payments.

7

The Bureau of Supplies and Accounts is charged with all duties that relate to the contracting for and purchasing of all supplies and materials for the naval establishment, excepting as previously noted. These duties include the preparation and distribution of schedules and proposals, and advertisement connected therewith, the making of awards and placing of contracts and Bureau orders.

With the exception of payments for the Marine Corps account, all payments for Navy contracts are made under the direction of the Bureau of Supplies and Accounts.

The duties of the Bureau of Supplies and Accounts relative to purchase and procurement are carried on either directly by the Bureau or by its representatives in the field, afloat and ashore. While the greater number of purchasing officers in the field are officers of the Supply Corps, the commanding officers of ships to which no supply officers are attached, recruiting officers, naval attachés, and other officers assigned to special duty may make purchases under proper authority. Payments covering such purchases are, however, made by regularly designated disbursing officers.

The great bulk of the purchasing which comes under its supervision is done in the Bureau of Supplies and Accounts. By thus centralizing purchasing, the Bureau of Supplies and Accounts has available for consultation the commodity experts, the technical experts of other bureaus, and the legal advisers of the Department.

A considerable amount of purchasing is done by field purchasing officers afloat and ashore to cover emergencies and strictly local requirements of comparatively minor importance, such as contracts for fresh provisions, trucking, gas, water, and electricity, and materials and services required for immediate use locally.

Whether the purchase is made by the Bureau or in the field, the same purchasing principles apply. Advertising either in the public press or by distribution of proposals and notices posted in a public place, a public opening of bids, award to the lowest bidder meeting the requirements of the specifications, and purchase by written contract or order.

Commandants of yards and stations are authorized to direct purchase by the local purchasing officer within specified limitations as to value of materials required at once for duly authorized work or to fill properly approved ships' requisitions, and for the purchase of articles of small value.

In emergencies, commandants and commanding officers are authorized to direct immediate purchase. In these cases, the officer ordering the purchase or procurement of services exercises

the authority of the bureau concerned and the Bureau of Supplies and Accounts, as delegated to him by Navy Regulations, and is responsible to the bureaus for his action.

Purchasing oficers, both ashore and afloat, prior to making a purchase or entering into a contract, must possess specific authority therefor in the form of a duly approved requisition bearing the written order of an officer competent to direct such action. The autographic signature of an officer empowered to approve a requisition or to direct the necessary action thereunder is required, and no delegation of this authority is authorized.

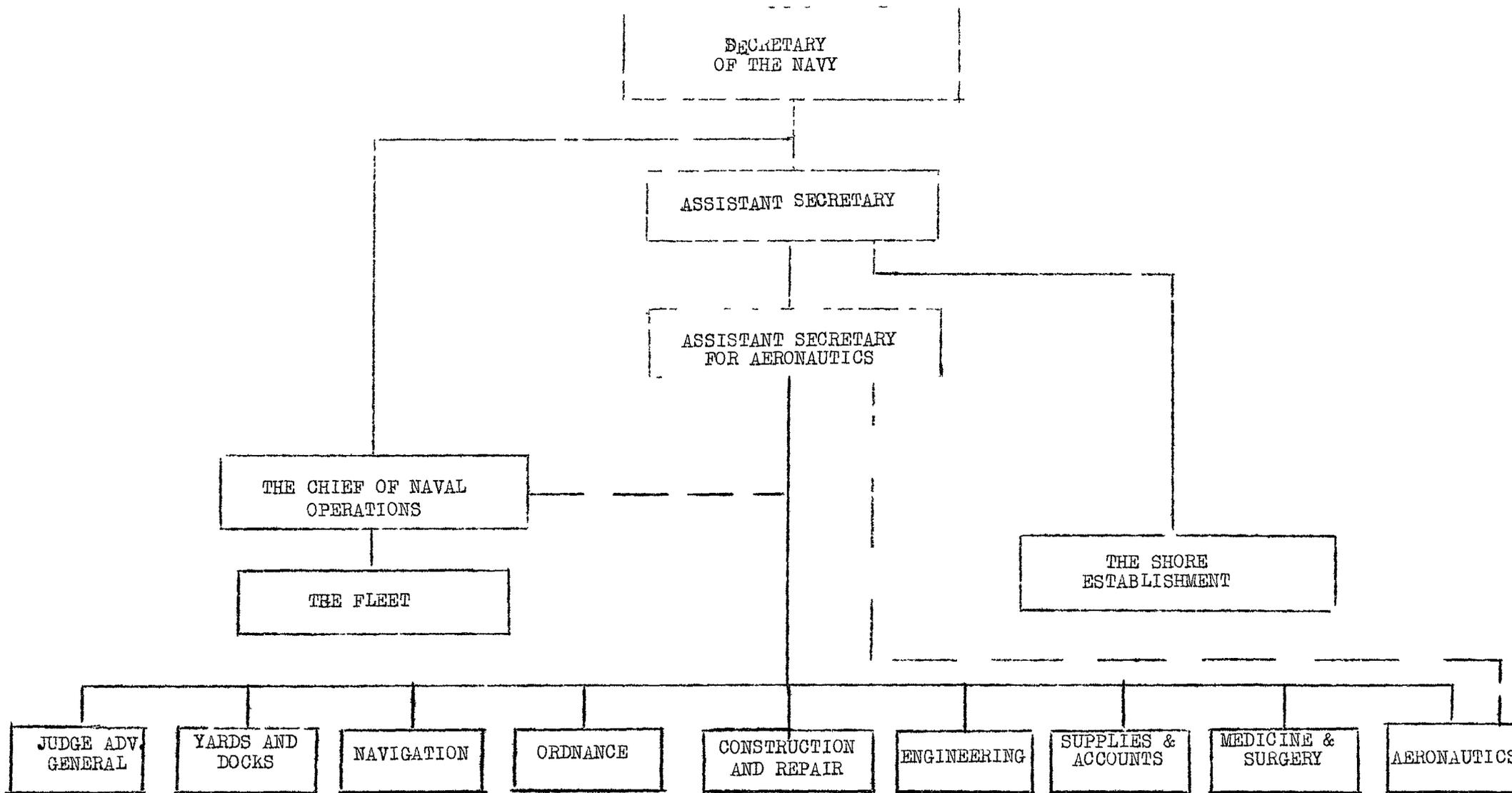
The forms of bids and contracts used by the Navy conform to the standard government forms approved by the President.

The Bureau of Supplies and Accounts and shore purchasing officers distribute in the service bulletins and circular letters giving information relative to monthly, quarterly, and annual contracts, such as fresh provisions, packings, coal, gasoline, and lubricating oils, etc., for the information of supply and other officers authorized to place orders for deliveries under these contracts.

Inspection of materials purchased is made under the direction of the bureau having cognizance of the use of the material. Specially manufactured material is generally inspected at the place of manufacture by the field inspection service, supplemented by the services of the chemical and physical testing laboratories at the various stations. Material not inspected at the place of manufacture is inspected on delivery to the navy yard, station, or ship. The services of inspecting associations are made use of in purchasing lumber, manila fiber, and other products purchased in conformity with association rules. This tends to uniformity of inspection and conforms to commercial practice, resulting in wider competition and better understanding between the Navy and the commercial world. After inspection and acceptance, payment vouchers are prepared by the receiving supply officer and transmitted to the designated disbursing officer, either in the Bureau of Supplies and Accounts or locally, for payment, and the material is taken up on the accountable officer's books for issue or disposition.

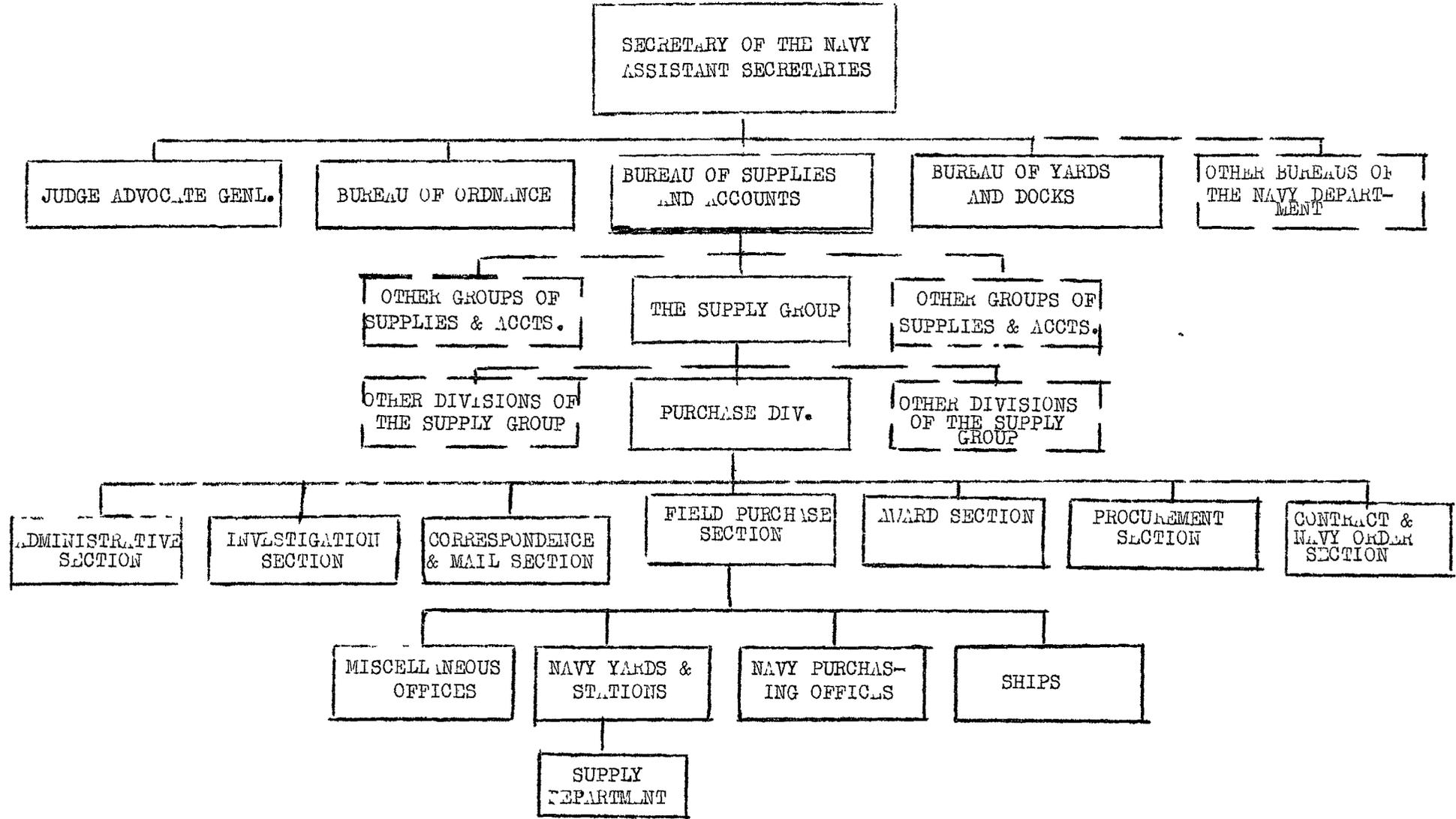
In describing the Navy's procurement system, it has been necessary to go into a considerable amount of detail to give a reasonably complete picture of the system, which I trust has been sufficiently clear to show the part played by the various bureaus working together to maintain a properly equipped operating fleet in peace or in war.

ORGANIZATION OF THE NAVY DEPARTMENT



1.5

NAVY PURCHASING ORGANIZATION



BUREAU OF SUPPLIES AND ACCOUNTS

