

Nov. 30 Organization and functions of the Bureau of  
Supplies and Accounts, by Rear admiral  
Charles Conard.

This lecture is not available

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Discussion Following Lecture of  
Rear Admiral Charles Conard, U S N.  
Chief, Bureau of Supplies and Accounts,  
Navy Department

November 30, 1938

Q. In our supply bureaus in the Army, for some reason or other, the Ordnance doesn't think that the Quartermaster can buy any ordnance material that is satisfactory to them. We Quartermasters know that the Ordnance can't buy our clothing that is satisfactory to us. I haven't heard any criticism of that feeling within the Navy. Would you enlarge on that just a little bit? Why are we faced with that situation in the Army?

A. We had some of that feeling when this general plan of centralizing the procurement and stores was first proposed. In my own time I can remember when in our various navy yards the ordnance was kept distinctly and directly under the charge of an Ordnance officer. It wasn't until the early part of the century that the commandant of the New York Navy Yard, I believe it was, in going over the Navy Yard and seeing this property lying around decided that he would shift it all over to the supply officer. That started quite a furor and was violently opposed, but was accomplished. So today, from that start, all of the ordnance in all of the yards is commonly, like all of the stores, right under the charge of the one custodian. As to its procurement, of course it doesn't make an awful lot of difference under the way we run it. We don't procure anything for Ordnance except just precisely what they want. They furnish their own specifications, and when we get the

proposals from the manufacturers we pass them right over to Ordnance for comment and recommendation. Sometimes they want us to get certain material, and we have to point out to them the legal difficulties. You know that frequently the low bidder is not the man they want to furnish the material, and if they are unable to certify that his material is unsatisfactory we have an awful time trying to find a way to get what we know they want and should have. However, we practically always solve the problem to their satisfaction.

Q Admiral, does the Bureau of Supplies and Accounts undertake the inspection of the quality and quantity of materials purchased for other bureaus?

A That is a very important question. Our set-up indicates that when material of a technical nature is bought it shall be inspected by an officer of one of the technical departments of the yard where it is located and upon his recommendation we either accept or reject. It has lately developed a little beyond that. Each of our establishments, our navy yards, has a group of inspectors who are ostensibly under what we now call the Industrial Division. We have consolidated the industrial work of these yards in one group at the present day instead of having each bureau carry on its own work. This material to be inspected is invariably passed on now by, ostensibly, a representative of the technical user. In actual practice these inspectors have been so developed, their knowledge has been so broadened, that their report is what actually goes,

although we still have the Material Officer in the Industrial Department sign the report That is just for the ordinary routine. Where this inspector is not fully qualified to pass on the material he then goes right back to the head of the Industrial Department or his assistant, known as the Material Officer, who gives the final word as to whether that material has conformed to the specification. We feel that it is much better business for the procuring officer to have an expert outside of his own department inform him as to whether or not the material does conform to the specifications because many times contractors claim that the purchasing officer has made a mistake or doesn't understand or read the specifications correctly, and it is very desirable that the purchasing officer can simply say, "Well, we have an expert here who tells us precisely how this thing is, and we accept his word."

Q Admiral, the Bureau of Supplies and Accounts makes all purchases, with certain exceptions which we have noted You mentioned that the obstinate Ordnance people, of which I happen to be one, still hold on to some of those purchases. As a measure of that obstinacy could you give us a proportion of the funds that are still purchased by these bureaus as compared with those which the Bureau of Supplies and Accounts purchases?

A Are you including ships?

Q Yes.

A. The purchase of ships, of course, is the heaviest item of all and runs very much beyond anything that you could compare As regards

ordnance forgings I haven't the figures in hand I might say 20 percent of the entire ordnance purchase is handled through the Bureau of Ordnance itself That is only a guess.

Q In regard to that specific point, in those exceptional purchases made by the technical bureaus did I understand that actual payment, actual disbursement, is made by the Bureau of Supplies and Accounts, or by the bureau concerned?

A. All payments are made through the Bureau of Supplies and Accounts direct or through its disbursing officer in the field.

Q. As I understand it, every dollar that is spend by the Navy actually passes through the account of an officer of the Bureau of Supplies and Accounts for disbursement?

A Except in the case of Naval attachés who have to spend money abroad and some recruiting officers who have money turned over to them for immediate purposes.

Q. It seems to me, that being general, with the exception of those two, it might be interesting to trace a little of the history of that development. Was that always so or did it develop by degrees, or how did it come about?

A. So far as I know, the actual financial transactions of the Navy have always been conducted by disbursing officers of the Supply Corps. I don't recall any history or any period when actual payments were made by others than the officers of that corps, with the few exceptions that I have quoted, Naval attachés and recruiting officers.

Q. Admiral Conard, with reference to storage after the Bureau of Supplies and Accounts has procured certain technical equipment for the technical bureaus, is the storage of that equipment then turned over to that bureau or does the personnel of the Bureau of Supplies and Accounts continue the responsibility?

A. The stores when purchased are turned over to the representative of the Bureau of Supplies and Accounts, that is, the supply officer of the yard, no matter what its technical nature. There might be certain exceptions for material that is to be used immediately and when delivered is delivered right into the hands of the users, but that is very exceptional and I can't think of any case at the present moment

Q. This particular point I had in mind has been brought out in our studies, that during the war in the Army where they attempted to handle the storage of, for instance, radio equipment by personnel who were not familiar with that particular type of equipment the radio equipment suffered as a result. I wondered if in the Navy experience that had proved to be the case or is the storage personnel of such capacity qualified to handle various types of technical equipment?

A. What we do in radio tubes, for example, is probably a good answer to your question. We receive them into stores We first study, with the advice of the radio people, how those tubes should be handled, how they should be stored, and then we set up the necessary system to preserve them. Our whole purpose is to make sure that the material is cared for in the way that is necessary for its future use.

Colonel Miles I think perhaps the Admiral might want to tell us that cooperation in the Army is quite an important thing after all.

Q Admiral, in connection with standards and specifications, to what extent does the Navy confer with industry in the preparation of specifications, and to what extent does the Navy find it necessary to arbitrarily set up a specification which industry must follow?

A. Of course we go right to industry in the first place for our specifications, that is, for a description of what it is that can be furnished. We have certain requirements of our own which are usually not covered by industrial specifications. The question is solved by having a board in the Navy Department to consider all the angles of the specification and of course under our present Federal specification system, after collecting all the information necessary we pass it on to the Federal Specification Board, and they then issue the proper Federal specification. In many items we have our own specifications. I should say that in general we merely use the commercial people to advise us as to the preparation of the specifications and they are finally put in shape on our own knowledge. The technical end is done by the engineers and inspectors whose advice we follow in the final preparing of these specifications

Q In the case of ammunition, at your ammunition depots is the storage and supervision of that carried on by the personnel of the Bureau of Supplies and Accounts or turned over to the Ordnance?

A. The ammunition is actually turned over to Ordnance representa-

tives for care, preservation and the usual re-working has to be done from time to time The accounts, the money values of it, are kept by the supply officer but the actual custody is in the hands of the technical Ordnance people.

Q. Admiral, would you explain more or less the procedure in the Bureau of Aeronautics and in the Bureau of Supplies and Accounts, particularly in reference to negotiations with the contractor, the procedure that you have in purchasing, say experimental airplanes, and also airplanes in quantity?

A. Of course we have a special law, the law of 1926, that covers the procurement of aircraft, and that law provides in one of its clauses for the purchase of experimental aircraft This is common to both the Army and the Navy. The experimental aircraft can be purchased upon the mere certification of the Bureau of Aeronautics that that particular plane is what they want to experiment with. We can buy for experimental purposes practically any type from anybody. After we have bought and experimented with these planes then we go into the question of quantity purchase. There we follow the usual governmental purchasing system, providing for competition and the acceptance of the product of the lowest acceptable bidder, but there is a wide field for discretion in that particular angle. The Secretary of the Navy is by law authorized to decide, without any recourse by the General Accounting Office, who is the lowest acceptable bidder, so that we have the possibility of buying in quality the exact type that is wanted, and as a matter of actual practice that is what we do.

Q. What I had reference to was who actually negotiated with the contractor, the Bureau of Aeronautics or the Bureau of Supplies and Accounts?

A That is a combination, I should say that most of the negotiation with the contractor is done by the Bureau of Aeronautics, and, on the other hand, the Bureau of Supplies and Accounts makes a very careful study of the particular aircraft factory as to its financial status, what its business has been, and what its profits, if any Upon that study the officers in the Bureau of Aeronautics arbitrate with the contractor and arrive at what they consider a proper price Then when the Bureau of Supplies and Accounts advertises for that, this contractor bids and he has already committed himself as to what he is going to bid We have tried to preserve all of the legal aspects of the situation and at the same time bear in mind that we are going to get the goods, what they want

Colonel Miles. I think that is a rather ingenious method that the Army might look into.

Q. Admiral, to what extent does the Navy enter into formal and informal contracts?

A We have a law that provides that purchases under \$500 can be carried on in a manner common among business men, and we avail ourselves of that pretty liberally At the same time we are very anxious to maintain the equity of the situation so far as contractors are concerned. When buying items that are of value less than \$500 we usually go through the same process of advertising and awarding to the lowest bidder, but we reserve the right to go out in the market and pick them up without advertising if the occasion demands it If it gets down to smaller amounts,

around \$50 or \$100, we feel that the carrying on of a very wide advertising results in an expense which is much greater than any possible saving which could be obtained by pursuing the competition theory too far.

Q. About two years ago before Congress there was a bill to give the Secretary of War authority to relieve Army disbursing officers from certain over-payments In a write-up on that bill in the Army-Navy Journal it stated that the Secretary of the Navy did have authority to give Naval disbursing officers relief from certain payments Is that true, sir? How is it used, if at all?

A. It is used very, very seldom. The case has to be absolutely ironclad that the loss was due to no fault of the officer and could not have been avoided, that the officer could have taken no other action than he did take, and that it has gotten to the point where the General Accounting Office cannot take action within its legal limits, and when we have satisfied ourselves thoroughly along that line we recommend to the Secretary of the Navy to relieve this officer

Q Is there any limit to the amount?

A. I don't think the law specifies any limit whatever. Since I have been Chief of the Bureau, which is almost three and a half years, I can only recall two occasions when that has ever been referred to, and then after, you might say, careful prayer and hope that we are not going too far.

Q. Admiral Conard, sometime in the past there were arrangements made between the Army and the Navy to make inter-departmental inspection. To what extent has the advantage been taken of that by the Army as far as the Navy inspection is concerned, and what items in particular are

inspected by the Navy for the Army?

A. Of course I see the picture more from the Navy side, that is, the amount of inspection that the Navy does for the Army, and I know that our inspectors in the field in certain cases, perhaps electrical material or steel, do make inspections for the Army, for which they duly send them a bill. Whether we have much occasion to ask the Army to make inspections for us I don't know I recall no cases in the United States. In Hawaiian Territory occasionally that situation arises. That is usually handled on an unofficial basis, no particular financial transaction. Of course out there the Army and the Navy try to work pretty nearly as one organization as they possibly can.

Q. Admiral, in the Navy I imagine it is true that a large part of your appropriations must of necessity be spent for subsistence, if I may go back to that subject once more I feel that in the Army we are weak on the inspection of subsistence. I wonder what the Navy has done to train inspections of that nature and whether you rely on Government inspections, for example, the Bureau of Animal Industry to inspect beef for you.

A. Yes, that is an interesting point We rely almost entirely on the Department of Agriculture for all our meat products except, of course, in very outlying places where we can't get hold of their services We rely on the Bureau of Agricultural Economics for inspection of vegetables, not to the same extent, though, as we do for meat products. Of course there are certain articles of subsistence that we have our own experts on, coffee for example, I think we have our own on flour. All fresh meats and things of that sort we do rely entirely on the Department of Agriculture

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for inspections.

Commander Thorp: Those fresh provisions are further inspected when they arrive at the ultimate destination.

Admiral Conard: Yes, I was thinking more of the deliveries for storage purposes. When the provisions for consumption are placed aboard ship they are again inspected by the Medical officers, and even the officer of the deck passes his opinion on them, I think. They don't take much chance of anything getting into consumption that hasn't been thoroughly gone over.

Colonel Miles: Do any of our guests have any questions or statements to make?

Captain Daubin: I think the Admiral has been too modest in describing the functions of the Bureau of Supplies and Accounts in the Navy establishment. The line officers depend very much on the Bureau of Supplies and Accounts, and here in the Navy Department in war planning we depend very much upon the Bureau of Supplies and Accounts; in fact it is the one bureau that the line officers depend upon whenever they can't do anything themselves. Some paymasters tell us all the regulations as to why they can't do a thing, others say, "I don't know how I can do it but I will find some way of doing it." As I say, it is the one bureau that is permitted to do everything. At shore establishments and on board ship you will always find the disbursing officers and the supply officers helping out the line officers, and I think the Admiral is really a little bit modest in