

2. It is the policy of the DOD to have its contractors maintain the official records of Government-owned property in their possession.

3. A Government property administrator is designated for each contract involving Government property.

4. Government-owned property is located at some 5,000 plants operated by contractors. About 50 of these in 1965 were engaged in the manufacture of major weapons systems with the Army, Navy, or Air Force responsible for property administration.

5. The newly formed Defense Contract Administration Services (DCAS) of the Defense Supply Agency (DSA) is responsible for control of property at plants not involving major weapons systems procurement.

6. The GAO report is persuasive in its findings which are confirmed by three surveys by DCAS staff since the issuance of the subcommittee's last report,¹³ that:

(a) There is need to improve the quality of surveillance over the multibillion-dollar contractor controlled inventory of Government properties to protect the public interest. For example, records do not adequately show the extent of use of Government equipment on nondefense work or the need for contractor retention of costly Government equipment in many cases.

(b) There is need to review the policy as to contractor's liability for Government property which is lost, damaged, or destroyed since now under certain contracts no liability attaches unless it can be established that the loss was caused by willful misconduct or lack of good faith.¹⁴

Recommendations. The subcommittee concurs in the recommendation of the GAO¹⁵ "that the DOD undertake a thorough study to determine * * * the most effective and economical method of obtaining adequate control over Government-owned property in the possession of Defense contractors."

It should be added that Assistant Secretary of Defense Ignatius testified "that he was glad that the subcommittee had asked the GAO to make this report" and that it would be carefully studied and acted upon.¹⁶

This is a problem of major importance. There are several billion dollars' worth of Government property involved and there is sufficient urgency that the subcommittee further recommends that the GAO cooperate with the DOD in the development of an adequate contractor inventory accounting system, approve the system when found to be adequate and report thereon to the subcommittee in March 1967.

A thorough review should also be made of any misuse or unauthorized use of Government property in the hands of contractors and proper settlement made as soon as possible.

It is also recommended that the newly organized Defense Contract Administration Services (DCAS)¹⁷ which has already made an impressive record should have its responsibilities extended to other types of contracts as soon as may be practicable.

It is planned to review this subject at considerable depth at our next hearings.

¹³ Ibid., pp. 249-272.

¹⁴ Ibid., pp. 245-248.

¹⁵ Ibid., p. 248.

¹⁶ Ibid., p. 88.

¹⁷ Ibid., app. 8, p. 305.