

CONTROL OF GOVERNMENT-OWNED PROPERTY

I turn now to a specific item in your report—and there are so many—but I shall confine myself in the brief time I have left to the matter of control over Government-owned property and defense contracts.

This is a problem which has plagued us back through the years, and it seems to me we are making progress slowly—slower here than we have, perhaps, in other areas.

\$11 BILLION CONTRACTOR CONTROLLED GOVERNMENT PROPERTY

You say we now have Government-owned facilities and materiel in the possession of contractors of the approximate value of \$11 billion located in 5,500 plants? This does not include the value of special tooling, special test equipment and military property of the Defense Department, and it does not require contractors to report the value of such property in that position. My question is why not—why don't they?

WHY NO CONTROL OF SPECIAL PROPERTY?

Mr. NEWMAN. They should have control over it and get reports.

Senator JORDAN. They should, but they do not.

Mr. NEWMAN. Well, that is the way the regulations are today.

Senator JORDAN. Yes.

Mr. NEWMAN. I think we covered that in our report sent to the committee.

RESPONSIBILITY?

Senator JORDAN. Yes; but where does the main responsibility lie for inventory control?

Mr. NEWMAN. Well, the first thing, of course, is to get regulations out to the contractors, contracting officers, and the Defense Contract Administration Service. Until the policy is established topside nothing much can be done about it. We have to get the ASPR changed so it will include the accounting system. DOD is now working to get on top of this job. It will cover, we hope, special tooling, special test equipment, and military property.

So, any assets in the hands of contractors will be under good accounting and financial reporting system.

Another thing, more emphasis and attention has to be given in this area to the property administrator. I believe this will come under the Defense Contract Administration Service.

It is a new organization just getting started, but it should have specialists who will keep on top of this area, Senator Jordan. It has been neglected for years and years. We can go back to World War II on this one.

Senator JORDAN. Indeed it has, and it requires a lot of attention and a lot of fact-finding, and perhaps some hard and fast criteria and guidelines set down to bring it into line.

Mr. NEWMAN. But back to your specific question of who is responsible, it has got to be the contractor. When he signs for a piece of equipment it starts at that point. He must be required to maintain an acceptable accounting, adhere to proper standards of accounta-