Three, to assure proper utilization of industrial plant equipment by contractors, industrial specialists of our Contract Administration Services organization visit facilities of Defense contractors to assess the use of Government-owned industrial plant equipment loaned to the contractor; to evaluate the development of current and projected use controls by which the contractors can plan more effective use of Government equipment; and to identify items of Government-owned equipment no longer required for Government contract performance so that such equipment can be reported to the Defense Industrial Plant Equipment Center as idle and available for other use.

We are also conducting a one-time equipment inventory reconciliation program. The program will provide adequate and compatible central inventory records of the industrial plant equipment located at contractor facilities under Defense Contract Administration Services' cognizance. This 2-year program envisions a reconciliation of approximately 83,444 industrial plant equipment items in the hands of 1,081 contractors. At the conclusion of the first 3 months of 1967, 18,000 industrial plant equipment items reported to be or found to be in the possession of 248 contractors had been reconciled and records corrected.

Mr. Chairman, this concludes my prepared statement. I shall be happy to respond to your questions.

Chairman PROXMIRE. Admiral, are you familiar with the letter which was written to the Secretary of Defense on May 3, by Director Newman of the General Accounting Office?

Admiral LYLE. Not by those terms.

GAO REPORT INVENTORY CONTROL

Chairman PROXMIRE. I wish to ask you some questions from that particular letter and from the report which he sent, a draft report he sent on May 3, because it does raise some questions as to your responsibility. The question in the first place:

> The reliability and usefulness of the inventory record control depot levels of inventories—

that is wholesale inventories—

> within the Department of Defense. We found that substantial differences existed between stock record balances and the actual quantities of items in inventories throughout the depot supply system. Depot supply activities in the Department of Defense adjusted inventory records up or down an average of $2.4 billion annually in fiscal year 1965 and 1966, in order to bring the stock record balance within physical quantities.

He goes on to say:

> These imbalances result from inadequate control over documentation affecting the inventory record as well as the overall physical assets. This necessarily has an adverse effect on the total supply mission. These inventory records must be accurate and current and relied upon to use requisitions to be satisfied, and whether procurement actions are necessary.

What is your answer to this?

Admiral LYLE. Mr. Chairman, I have seen the draft of that report. I have not had time to review it in detail. I would say that I generally agree as far as DSA is concerned, with its findings and recommendations. They fairly closely parallel our own resulting from a study which we undertook starting last December.