

to properly classify tooling and test equipment since some items have multiuse characteristics and should be classified as facility-type items.

At nonprofit institutions we observed similar discrepancies in property controls.

Chairman PROXMIRE. How many nonprofit institutions did you investigate?

Mr. STAATS. There were only two in this report.

Chairman PROXMIRE. Two universities; is that right?

Mr. STAATS. I believe that is right.

Financial controls were not maintained for facility-type items of industrial plant equipment. Equipment of the type controlled by the Defense Industrial Plant Equipment Center was being donated to universities without screening the Center's records to see if like equipment was needed at other locations.

A further weakness is that the Government's approval of contractors' property accounting systems is of questionable value since contractor systems are allowed to continue in an approved status even though the Government property administrator had identified significant weaknesses. Also, DOD had made an inadequate number of internal audits regarding the effectiveness of property administration at contractor plants.

As stated earlier, the Secretary of Defense was, for the most part, receptive to our suggestions. However, full concurrence was not expressed by the DOD with respect to—

1. Requiring contractors to furnish machine-by-machine utilization data and to obtain prior Office of Emergency Planning approval on an item-by-item basis for the commercial use of industrial plant equipment.

2. Strengthening the controls over special tooling and special test equipment through the use of financial accounting controls.

We believe that implementation of these proposals or other acceptable alternatives is necessary to effectively administer this property. The Armed Services Procurement Regulation Committee has several alternative proposals under consideration which are directed to the same problem. We will evaluate and make recommendations to the Department on these proposals as they are submitted to us for comment. We have not yet seen these.

CONTRACT VERSUS IN-HOUSE METHODS OF ACQUIRING GOODS AND SERVICES

Earlier this year we advised your subcommittee that we were reviewing the area of contractor versus in-house methods of acquiring goods and services to meet the Government's needs.

The Bureau of the Budget revised Circular No. A-76, effective October 2, 1967,⁴ to incorporate some of the changes recommended by the General Accounting Office and other interested Government agencies. There was no change in the Government's general policy, which is to rely upon private enterprise to supply its needs; that is, Government's needs, except under specific conditions, where it is determined

⁴ See app. 11, p. 611, for text.