Since the committee's review last May, intensive work has been carried on in this area, in accordance with DOD instruction 4140.27.

Our principal progress in the past 6 months has been applied to tighter control over the procurement of 40,900 items of this type. Our policy prescribes that procurement must not exceed the quantity firmly projected for use during the shelf life of the item (each item has been coded to reflect its shelf life expectancy). We have recently completed a special sampling of shelf life items in each service and DSA and find that procurement order quantities are being accurately computed in line with this policy, and that losses due to perishability are minimal.

We are now preparing, for implementation by January 1, 1968, special procedures to expedite the screening of any excess quantities identified in the future, in order to insure rapid redistribution to eligible users while remaining shelf life is available. We are likewise requiring the submission of special reports on results obtained under these improved systems so that performance can be carefully monitored.

Fifth: Control of Government-owned property in the possession of Defense contractors.

Your committee recommended that the General Accounting Office cooperate with the Department of Defense in the development of an adequate contractor inventory accounting system, and that a thorough review be made of our controls over Government-owned property in the hands of contractors. As a consequence of your recommendation, the GAO conducted a review of the property control systems in effect for Government-owned property. They made onsite examinations into the manner of use of Government property at a number of contractor locations. Where weaknesses were identified, the Comptroller General recommended procedural changes. Through the cooperative efforts of the GAO representatives, various improvements in property control systems discussed in the report were promptly brought to the attention of both local and departmental officials.

It is our basic policy to have industry finance its own capital equipment where practicable. There have been problems in this regard, and we are taking steps to further reinforce this policy.

In its draft report, the GAO made 14 specific recommendations. I would now like to highlight our actions in respect to them:

(*a*) *Improved utilization.*—One of the most significant recommendations was that provision be made in the armed services procurement regulation to provide for improved recordkeeping on utilization of Government-owned property by contractors. This recommendation also suggested better analysis of the records to show the extent and manner of use by the contractor of Government-owned industrial plant equipment.

First, we are taking action now to establish the Defense Industrial Plant Equipment Center (DIPEC) as a center management point with enhanced authorities.

Second, as a result of a specific GAO recommendation, ASPR is being revised to prescribe that contractors will be required (contractually) to establish and maintain a written system for controlling the utilization of Government industrial plant equipment.

Third, the proposed regulations will provide for appropriate detection and reporting of Government-owned plant equipment which is