

not being effectively and economically used by Defense contractors, so that these items will be declared idle and available for use elsewhere within the Defense complex.

Fourth, DIPEC is being directed to develop, in conjunction with the military departments, tailored usage standards by types of machines. These standards will be utilized as a yardstick to measure the adequacy of machine use, and reports will be prepared for the property administrator, with copies provided to DIPEC. Substandard usage would be cause for enforcing better utilization or for reassignment. Also, these records will furnish the property administrators with data to determine whether such machines should be authorized for use on non-Government work.

(b) *Rental rates for commercial use.*—The Department of Defense is currently reevaluating rental rates with the Office of Emergency Planning to determine an appropriate charge so as to be consistent with commercial lease rates. This action will deter the use of Government tools on commercial work and reinforce the policy that contractors should provide the capital investment required to perform all work.

(c) *Replacement and modernization.*—In conformance with the basic policy of having industry provide its own capital equipment, we plan to install a procedure whereby, before the Department of Defense procures replacement IPE for use in a contractor's plant, the contractor will be required to state in writing his unwillingness to finance such replacement and his financial incapability to do so. When it does become necessary for Department of Defense procurement of replacement machines, every replacement of IPE funded by DOD is subjected to an individual analysis of proposed use of both the existing machines and their replacement. Replacements are authorized only when such use is required for execution of Government contracts, and then only when the savings resulting from increased productivity will result in payback of the investment within 3 years or less. Usually one new machine replaces an average of three old machines, with their attendant operators.

(d) *Management improvements.*—The GAO in its report also recommended that the DOD—

- (1) Place continuing emphasis on efforts to upgrade and improve the quality of property administrators and thus the effectiveness of their control of Government-owned property in the possession of contractors, and

- (2) Initiate an effective program of internal audit of property administration.

The DOD has underway a joint study to evaluate the current position classification standards for property administrators. We are working with the Civil Service Commission on this project.

We concur with the GAO that there should be additional emphasis on the DOD audit of control over the utilization of Government-owned property in the possession of contractors. The Assistant Secretary of Defense (Comptroller), in a memorandum of December 27, 1966, to the military departments and others, established areas of audit responsibility for both contract and internal auditors in Government property audits. This policy guidance, together with the internal audits scheduled by the military departments and DSA, should achieve the audit coverage contemplated by the GAO recommendations.