

DEPARTMENT OF DEFENSE COMMENTS ON GENERAL ACCOUNTING OFFICE REPORT

"REVIEW OF CONTROLS OVER GOVERNMENT-OWNED PROPERTY IN THE POSSESSION
OF CONTRACTORS"

1. *Recommendation.*—We are therefore recommending to the Secretary of Defense that provisions of proposed ASPR changes be revised to meet the predominant need of providing utilization records and a means of analysis of whether the extent and manner of use of Government IPE is satisfactory. (Page 25).

Comment

The Armed Services Procurement Regulation (ASPR) is being revised to prescribe that the contractor be required contractually to establish and maintain a written system for controlling utilization of IPE. It also establishes the responsibility for each Contract Administration activity, and other DOD components, to conduct property system surveys to insure the effectiveness of such a system, and to show the extent and manner of use of Government-owned IPE. Finally, it provides for control, detection, and reporting of Government-owned IPE which is not being effectively and economically utilized by Defense contractors. This case is now receiving a comprehensive review throughout the Department of Defense (DOD), and by selected industrial associations.

Also, we are studying how to maintain utilization records on a machine-by-machine basis over at least the high value items of IPE. If our study proves the practicality of such an approach the ASPR will be modified accordingly.

2. *Recommendation.*—We are recommending to the Secretary of Defense that DIPEC's management controls be reviewed, and new or additional directives be initiated where required to insure that all equipment which could be utilized to meet anticipated needs is considered, and that suitable equipment is offered to authorized requisitioners in each instance when it is available. In this connection we are recommending that a program of personnel training and supervisory review be instituted to assure adherence to established policy and procedures. Further, we are recommending that the Department follow up on a DIPEC study of the 45-day screening period to insure that the period is extended as determined feasible. (Page 34.)

Comment

Defense Supply Agency (DSA) Manual 4215.1, "Defense Industrial Plant Equipment Center (DIPEC) Operations", contains DOD policies, procedures and systems for reporting idle IPE and for submitting screening requirements. When screening by DIPEC results in a determination of non-availability, or an item is allocated and then rejected for valid reasons, DIPEC issues a Certificate of Non-Availability. During the 45-day period following the certification of non-availability DIPEC continues to screen against new idle reports. If a suitable item is located within this period DIPEC advises the requesting agency. If the contract has been awarded, the requesting agency is required to provide DIPEC a copy of the contract. If procurement action has not been initiated prior to expiration of the 45-day period, re-screening is required. Extension of the screening period may be requested by identifying the initial request number and by indicating the day on which procurement action will be initiated. The examples cited by the GAO involve a failure to comply with established procedures, rather than an inadequacy in procedures. They do not demonstrate a need for a change to current existing procedures.

DIPEC has established a training program for all DIPEC commodity managers. Particular emphasis is being placed on the requirement to document the issuance of Certificates of Non-Availability or other specific conditions under which items in inventory are rejected as unsuitable for the intended use.

3. *Recommendation.*—We are recommending that ASPR 13-405 be clarified to show that prior approval is to be made on a machine-by-machine basis and that the term "25 percent non-Government use" be more precisely defined. In addition, we are recommending that ASPR be clarified to differentiate OEP approvals from local monthly approvals for rental purposes. (Pages 35, 37 and 38).

Comment

A requirement for prior approval by the Office of Emergency Planning (OEP) on a machine-by-machine basis for commercial use over 25 percent per machine would create a substantial administrative burden not commensurate with the