

APPENDIXES

- I. Letter dated August 7, 1967, from the Deputy Assistant Secretary of Defense (Procurement) to the General Accounting Office.
- II. Principal officials of the Department of Defense, the military departments, and the Office of Emergency Planning responsible for the administration of activities discussed in this report.
- III. Approximate cost of Government-owned property at contractors' plants included in our review as of reporting dates in fiscal year 1966.

REPORT ON NEED FOR IMPROVEMENTS IN CONTROLS OVER GOVERNMENT-OWNED
PROPERTY IN CONTRACTORS' PLANTS, DEPARTMENT OF DEFENSE

INTRODUCTION

The General Accounting Office has made a review of the adequacy of controls over Government-owned property in the possession of contractors. The review was performed pursuant to recommendations made by the former Subcommittee on Federal Procurement and Regulation (now the Subcommittee on Economy in Government), Joint Economic Committee, in its May 1966 report on the "Economic Impact of Federal Procurement." The review was also made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), the Accounting and Auditing Act of 1950 (31 U.S.C. 67), and the authority of the Comptroller General to examine contractors' records, as set forth in contract clauses prescribed by the United States Code (10 U.S.C. 2313(b)).

In performing our review, we visited—

1. Various offices of the Department of Defense (DOD) at the Assistant Secretary of Defense level and at the military department headquarters and field levels;
2. The headquarters of the Defense Industrial Plant Equipment Center (DIPEC);
3. The headquarters and some field agencies of the Defense Contract Administration Services; and
4. The plants of 21 defense contractors and the campuses of two universities.

Government-owned property in the possession of 17 of the 21 defense contractors we visited and the two universities had an acquisition cost of about \$944 million; comparable data were not obtained at four contractor locations. The contractor locations at which we made our reviews were selected impartially except that selections were limited to contractors which, according to available preliminary information, had Government property in their possession. We included contractors which had large, moderate, or small amounts of Government-owned property in their possession. The contractors selected are engaged in a variety of defense work; e.g., airframe, aircraft engine, electronics, and ordnance. Our selection included both large and small prime contractors and subcontractors.

The contractor locations selected for our review included 15 plants under the administrative cognizance of the Defense Contract Administration Services (DCAS), a component of the Defense Supply Agency (DSA). The other six plants were under the administrative cognizance of the military services. Government property we reviewed at the two universities was administered by the Office of Naval Research (ONR).

We examined DOD policies and implementing military service and DCAS regulations relating to the administration of Government-owned property. We did not examine into all aspects of property management; however, we selected for evaluation those policies which appeared, from our preliminary inquiries, to warrant particular attention. Further, we reviewed pertinent audit reports, agency management reports, workpapers generated by the property administrator, DIPEC records, and the contractors' written procedures and related records. We reviewed records of utilization of Government-owned property maintained by the contractor to assist us in examining into the adequacy of the bases used in arriving at rentals due the Government, and the extent to which such property was being utilized.