

SUMMARY OF MAJOR FINDINGS AND ACTIONS TAKEN OR UNDER CONSIDERATION BY THE DEPARTMENT OF DEFENSE TO IMPLEMENT IMPROVEMENTS NEEDED AND GENERAL ACCOUNTING OFFICE RECOMMENDATIONS FOR ADDED CONTROLS OR FOR STRENGTHENING THE DEPARTMENT'S EXISTING OR PROPOSED CONTROLS OVER GOVERNMENT-OWNED PROPERTY—Continued

FACILITIES—Continued

Findings	Actions taken or under consideration by the Department of Defense	Recommendations by the General Accounting Office
5. Modernization: The DOD program for replacement of Government-owned machine tools as presently administered will, in our opinion, tend to perpetuate the large Government investment in general purpose machine tools in possession of contractors and thus defer indefinitely the time when contractors would furnish all facilities in accordance with DOD basic policy. We found instances where contractors had not been encouraged, as prescribed by DOD policy, to privately finance the purchases of new machines and other instances where the approvals to provide new Government-furnished machines had been based on inaccurate information. For example, an approved modernization program for 1 contractor included 4 gearmaking machines estimated to cost \$232,100 based upon repaying the investment through reduced operating costs within 3 to 4 years. To do this the initial year's use would have had to increase 8 times over present levels. As of September 1966 the contractor had no active requisitions for additional gear machine operators; moreover, 1 of the replaced machines had been used exclusively for commercial production. In addition, DOD procedures did not include a contractual provision for recovery by the Government of all savings resulting from use of the modern and more efficient Government-furnished machines. Other: At some contractor locations we noted that the cost of installation and/or transportation associated with the acquisition of IPE was not identified and recorded as prescribed by the accounting principles and standards of the Comptroller General. Also, we found that the Navy was unnecessarily maintaining records of its IPE which were a duplication of those maintained by contractors and DIPEC.	Guidelines to improve the administration of the modernization program will be revised, where applicable, and improvements will be made where existing guidelines are deemed adequate consistent with the improvements needed and cited. 1. A study of the most feasible way of obtaining and recording IPE transportation and installation cost data will be made to insure compliance with this requirement. 2. Duplicate recordkeeping is being discontinued and ASPR is being revised to prevent such duplications in all other Defense agencies.	None. Do. Do.

OTHER CATEGORIES

1. Special tooling and special test equipment: We found weaknesses in the control of this property due to deficiencies in inventory practices, classification, the absence of financial controls, and the absence of a requirement for surveillance by Government property administrators of special tooling in the possession of subcontractors. Also, in some instances, Government-owned tooling, as prescribed by the Armed Services Procurement Regulation, was not identifiable by physical markings or in the property records. At one plant, Government-owned tooling acquired under supply contracts at an estimated cost of \$55,000,000, starting in 1952, was not controlled under a system of monetary control accounts, had never been inventoried, and lacked proper identification in the stock records.	DOD agrees that proper internal control includes segregation of duties of responsible contractor personnel taking physical inventories of Government property and DOD will review ASPR to determine if a procedural revision is necessary. However, DOD felt that the present manner of administering and controlling special tooling, as prescribed in the ASPR, was adequate and it planned no study project with regard to determining the point in the contracting process at which financial control of special tooling should be maintained.	We are recommending to the Secretary of Defense that the Department of Defense establish a study project to determine the procedures to be used and the point in the contracting process at which financial control of special tooling should be maintained. (See p. 55.) We are recommending also that periodic examination and identification be made of special tooling to identify multiuse characteristics and that the items identified be reclassified and controlled as facility type items.
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