

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

OTHER CATEGORIES—Continued

Findings	Actions taken or under consideration by the Department of Defense	Recommendations by the General Accounting Office
Material: We found that accounting systems employed by contractors did not provide for financial control and, in most instances, acceptable physical inventories of Government-owned material were not being properly taken. We attribute the weaknesses to indefinite instructions existing in the ASPR, deficient physical inventory taking, and departure from good property management practices.	Financial controls for material have been the subject of study for many years, and these studies are being continued. 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.	We are recommending to the Secretary of Defense that ASPR B-304.7 be amended to require financial accounting controls for Government-owned material in the possession of contractors. (See p. 58.)
3. Nonprofit institutions: Our review of property at 2 universities revealed that financial controls were not maintained by the universities and that at 1 university this resulted in the loss of monetary and quantitative control over at least \$52,000 in Government IPE. We also found that periodic inventories were not required by the ASPR, nor were they taken by the universities even though research contracts frequently are in process for several years. When inventories were taken, the procedures employed did not provide necessary internal control. Further, we found that ASPR requirements were not being adhered to with regard to control of property by DIPEC. As a result (1) IPE, at a cost of about \$260,400, was purchased in fiscal year 1966 without 1st screening DIPEC inventories to determine whether acceptable IPE was on hand and available, (2) DIPEC's central inventory files were incomplete because \$1,100,000 worth of IPE on hand at the universities was not reported to DIPEC, and (3) during fiscal year 1965 and 1966, IPE in critical or short supply having a cost of \$104,700 was donated to the universities without screening DIPEC to determine whether the equipment was needed elsewhere in the Government.	1. DOD feels that financial control accounts for IPE at colleges and universities are currently required by the ASPR and it will take necessary steps to insure compliance. 2. A revision to DSA regulations and ASPR will be processed to require IPE costing over \$1,000, at colleges and universities, to be reported to DIPEC for management and control purposes, and IPE of this type will be screened for utilization prior to its donation under provisions of the United States Code (42 U.S.C. 1892). 3. 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.	We are recommending to the Secretary of Defense that the ASPR be revised to clearly establish the need for monetary control accounts for IPE. We are further recommending that standard IPE, now classified as special test equipment, be reclassified and controlled as facility type items. Also, we are recommending that special test equipment be accounted for under monetary control accounts. (See p. 63.)
4. Property management function in the DOD: We found that the value of the approval process of the contractor's property accounting system by Government property administrators as a means to insure adequate control over Government-owned property was questionable because (1) there was little incentive for the contractor to maintain an approved system and (2) contractor systems were allowed to continue in an approved status even though the property administrator had found significant weaknesses in the contractor's control over property which were not subsequently corrected, or when other weaknesses were, in our opinion, apparent and should have been corrected. We also found that for the past 1½ years relatively few internal audits had been made of the effectiveness of property administration at contractors' plants. Further, we found that audits that were made regarding the adequacy of rental payments were, in our opinion, not sufficiently comprehensive to be fully effective.	1. A specific ASPR requirement is being considered which will require annual reviews of contractor and nonprofit institution accounting systems. 2. A joint study project had been established with the Civil Service Commission to evaluate the current position classification standards for property administrators. 3. DOD indicated that scheduled or planned internal audits by agencies and military departments should deliver necessary audit coverage of property administration.	None. Do. Do.