BACKGROUND

This review was undertaken at the direction of the former Subcommittee on Federal Procurement and Regulation (now the Subcommittee on Economy in Government), Joint Economic Committee, in its May 1966 report on "Economic Impact of Federal Procurement." Among the recommendations the Subcommittee included in its report were (1) that the General Accounting Office cooperate with DOD in the development of an adequate contractor inventory accounting system and approve the system when found to be adequate and (2) that a thorough review also be made of any misuse or unauthorized use of Government property in the hands of contractors and proper settlement be made as soon as possible.

The Government's inventory of property in the hands of contractors consists of property which the Government has furnished and property procured or otherwise provided by contractors for the account of the Government. Basic policies governing the control of this property are set forth in the ASPR. As prescribed in this Regulation, there are five classes of Government property.

Facilities.—This term refers to industrial property for production, maintenance, research, development, or test, including real property and rights therein, buildings, structures, improvements, and plant equipment. Plant equipment includes personal property, such as furniture, machinery, equipment, machine tools, and accessory and auxiliary items, which is used or capable of being used in the manufacture of supplies or in the performance of services. DOD records show that as of June 30, 1966, the cost of facilities in the hands of contractors was $6.2 billion.

Special tooling.—This is defined as being all jigs, dies, fixtures, molds, patterns, taps, gages, other equipment and manufacturing aids, and replacements thereof, which are of such a specialized nature that, without substantial modification or alteration, their use is limited to the development or production of particular supplies or parts thereof or the performance of particular services.[1]

Special test equipment.—This means electrical, electronic, hydraulic, pneumatic, mechanical, or other items or assemblies of equipment, which are of such a specialized nature that, without modification or alteration, the use of the items (if they are to be used separately) or assemblies is limited to testing in the development of production of particular supplies or parts thereof or in the performance of particular services.[1]

Material.—This class includes all property which may be incorporated into or attached to an end-item to be delivered under a contract or which may be consumed or expended in the performance of a contract. DOD records show that as of June 30, 1966, the cost of material in the hands of contractors was at least $4.7 billion.

Military property.—This class consists of military personal property, such as an airplane, which is provided to the contractor to assist in performing a contract but which is not consumed or incorporated in the end-items produced.[1]

In our report we make extensive reference to a type of facility referred to as IPE. The term is not specifically defined by the ASPR. However, DIPEC, a component of DSA, defines IPE as severable, general-purpose equipment used to develop, produce, maintain, and test defense material. The four major groupings of this equipment are test, metalworking, electronical and electronics, and general equipment.

The responsibility for the administration of Government-owned property in the possession of DOD contractors was vested in the property administrators of the military services until the establishment of DCAS in September 1964. Since that time, DCAS has expanded to include 11 regions and over 23,000 personnel, approximately 450 of which are property administrators. DCAS has cognizance over the administration of Government-owned property at about 5,000 contractors' plants. The individual military services have retained cognizance at 508 plants, 48 of which were major weapon systems plants.

In 1966 the Office of the Secretary of Defense (OSD), Installations and Logistics (I&L), designated ONR as the cognizant activity for field contract administration of DOD contracts with educational institutions numbering 293 as of October 1966.

DIPEC is responsible for management of idle IPE which has a unit acquisition cost of $1,000 or more. DIPEC controls the allocation and reutilization of such

[1] DOD does not collect financial data regarding the value of this class of property.