ment. It provided further that, when general or multipurpose components of special test equipment are no longer required, they would be reported to DIPEC in the same manner prescribed for facilities.

Our review included two contractors who had large quantities of electronic test equipment.

One of the two contractors had not requested the contracting officer to have DIPEC fill requisitions for test equipment prior to having the purchase of new equipment authorized because, in his opinion, the test equipment in DIPEC's inventory was too old, lacked warranty, and would result in lost time if found to be unacceptable. Although the Government property administrator had notified the contractor of the screening requirement in April 1966, we noted that the contractor requested that DIPEC inventories be screened only on the ocasions when the acquisition was applicable to a cost-reimbursement contract.

This contractor had over 2,400 items of test equipment on hand which, according to the responsible contractor official, were not presently needed but were being held for possible future use. No system of use data had been maintained for this IPE and the Government property administrator had not required the contractor to report any of the items to DIPEC as excess. The contractor stated that the equipment had been acquired for production of a weapons system about 8 years ago and that he doubted its usefulness to anyone else at this time.

It seems evident that screening actions could not be initiated by DIPEC because the property was not reported.

At the second contractor we observed that contractor personnel were maintaining usage reports applicable to test equipment furnished under one of five facilities contracts. The usage reports were posted on a daily basis and disclosed whether the IPE was in use and, if so, the applicable sales order or contract. The data was summarized monthly, and department heads were required to justify retention of those items indicating usage below 25 percent.

We observed that the procedure resulted in periodic declarations of test equipment as excess. After our tests revealed excess items of test equipment controlled under other facilities contracts at this plant, the contractor expanded the tabulation of this data to the remaining four facilities contracts.

Property accounting systems not adequate for effective management

For the most part our findings were derived from machine utilization records prepared by contractors to compute periodic rent payments. The records sometimes were confined to a group of machines where they were necessary to make the rent computation; were of limited value because hours of machine usage were not shown; did not show commercial and Government use separately; or were not maintained at all because rent was determined on some other basis. Therefore, we lacked data, for a number of the contractors we visited, on which to base our review and our questioning of retention of the IPE.

The conditions outlined in this report were due primarily, in our opinion, to the absence of a requirement that the contractors' property accounting systems furnish meaningful utilization data as a tool for property management. Also lacking were clear and specific criteria for acceptable usage levels and provisions for its periodic measurement against utilization data furnished by the contractor.

Proposed changes to ASPR now in process (ASPR Case 66--314) place the primary responsibility with the property administrator to insure that the contractor has an effective IPE utilization system. Facilities contracts under guidelines proposed (ASPR Case 66-314) will recognize a need for maintenance of IPE utilization records in accordance with sound industrial practices and will afford the Government adequate opportunity to inspect all such records. The contracts would require that the contractor establish minimum standards of utilization and that he review the need for IPE items when utilization falls below the established standard.

Industry representatives have expressed the view that application of a rigid standard may be impractical since many factors have a bearing upon the logical point below which IPE cannot be considered economically used. However, they are in agreement that appropriate standards should be established for required degrees of utilization as suited to the item or family of items.

Prior approval not obtained although prescribed for use of IPE for non-Government purposes

The Office of Emergency Planning (OEP), in June 1957, established a requirement for contractors to request advance approval to use Government-owned machine tools on commercial work exceeding 25 percent of the total usage. OEP established the procedure for prior approval primarily to preclude contractors