

*Redistribution of industrial plant equipment**Idle IPE not redistributed by DIPEC in some instances*

At DIPEC our examination was directed toward the identification of requisitions for items of IPE which were available in contractor's plants or reserve stocks and were not redistributed. Our examination of 151 requisitions selected at random from an estimated 13,620 requisitions for metalworking and general plant equipment processed by DIPEC during the 6-month period ended June 30, 1966, showed 12 instances where suitable equipment which had been reported as available was not offered to meet the requirement.

Our sample indicated that during the 6 months DIPEC could have offered to fill an additional 1,082 requisitions from metalworking and general plant equipment in its idle inventory. However, because our estimate is based on statistical sampling, the number of additional requisitions that DIPEC could have offered to fill could be as low as 487 or as high as 1,677, with 95 percent assurance that this conclusion is correct.

On the basis of the average unit value of such equipment in the inventory as of December 31, 1966, we estimate that the total value of the additional equipment that could have been offered during this 6-month period was about \$12 million. We also found that additional IPE was purchased to satisfy the requirement in six of the 12 instances. In another instance, equipment on hand was modified at an undetermined cost in order to fill the requirement.

We found in five instances that available equipment was not offered because persons directly responsible for making equipment allocations had not been adequately instructed and were making decisions that certain requisitions should not be filled, even though DIPEC's policy is to allocate available equipment to fill established requirements of any authorized requisitions.

For example, in May 1966, DIPEC received a requisition for a milling machine. The requisition was funded and indicated that the item would be purchased if not available from DOD's idle equipment. DIPEC issued a Certificate of Non-availability and the requestor purchased the item at a cost of \$10,159.

Our review of DIPEC records showed that a similar piece of equipment was in an idle status at the time the requisition was processed. DIPEC representatives stated that the idle equipment was not offered because of a belief that the requesting agency intended to place the item in stock and did not have a specific use for the item. However, our review of the requisition submitted to DIPEC showed that the item was required to supply a high-priority requisition from the Aberdeen Proving Ground, Maryland.

In another instance, we found that a requisition was not filled because a suitable item had not been recovered from DIPEC's excess stocks when requirements computations showed that the item was needed. DIPEC had not issued instructions requiring the screening of items recently declared excess, but still on hand, when later computations showed additional requirements.

For the remaining six requisitions, we were unable to identify any specific reason why they were not filled from the idle equipment inventory. Officials of DIPEC agreed that the items of IPE identified by our review were suitable to meet the requirements shown on the 12 requisitions.

We proposed to the Secretary of Defense that DIPEC's management controls be reviewed and new or additional directives be initiated, where required, to ensure that all equipment which could be utilized to meet anticipated needs is considered and that suitable equipment is offered to authorized requisitioners in each instance when it is available. We proposed that a program of personnel training and supervisory review be instituted to ensure adherence to established policy and procedures.

Agency comments

The Deputy Assistant Secretary advised us that DIPEC had established a training program for all DIPEC commodity managers and that particular emphasis was being placed on the requirement to document the issuance of Certificates of Nonavailability or other specific conditions under which items in inventory are rejected as unsuitable for the intended use.

In view of the action taken by the Department of Defense, we are not making any recommendation at this time.

*Rental of industrial plant equipment—general**Need for uniform terms in IPE lease contracts*

Although uniform rates for rental of Government-owned machines to contractors had been prescribed, we found that the various bases upon which the