

incentive to contractors to return IPE to the Government as soon as it becomes excess.

Conclusions

In our opinion, the determination of rent on a machine-by-machine basis and similarly applying the rent credit for Government rent-free use to each machine above an established dollar value in its ratio of Government versus commercial machine hours of use would be more accurate and more equitable than the various methods presently in use.

The maintenance of utilization data for Government-owned IPE, as recommended in our discussion of utilization practices, would provide the basis to more accurately compute rent on an item-by-item basis. The feasibility of maintaining use records, machine by machine, has been established by five contractors included in our review, and one of the contractors was computing rent in the manner in which we suggested, as detailed above. Moreover, such a procedure would eliminate discrimination in rates charged to different contractors because the credits would be uniformly computed for each item based on actual machine hours used. Broad allocations are appropriate in those cases where Government versus commercial machine usage cannot be tabulated, such as for certain common support equipment or for IPE below an established value where no utilization records are maintained. Further, the tabulation of utilization data could be expected to disclose commercial use for which approval had not been requested and thus supplement the present complete reliance on floor checks.

The DOD proposal to assign a rental charge to all Government IPE in a contractor's plant could, dependent upon the form in which it may be finally implemented, be expected to provide an incentive to dispose of or to redistribute IPE which was poorly utilized. However, the proposal retains the choice of various methods of allocating the use between Government and commercial work which, we believe, will produce inequities of the type discussed in this report. We proposed, therefore, that further study of this proposal include consideration that actual use be determined on a machine-by-machine basis.

Furthermore, it appears to us that the DOD-proposed method would be exceedingly complex to administer, particularly as to the effect of contract changes after the negotiation of rental credits under the contracts, and we proposed consideration of this question if not previously considered. Industry reaction to the DOD proposal has not yet been obtained, and therefore we are unable to complete our evaluation of this alternative.

The present ASPR clause, which would make a contractor liable for the full monthly rent for use of Government IPE without authorization, was apparently intended to prevent such unauthorized use. We believe that the penalty concept is appropriate since a penalty, or even normal rent, can be assessed only in those instances where unauthorized use is detected by Government property administrators. However, in the few instances where we noted that unauthorized use had been detected, the penalty had not been imposed because of the "reasonable care" limitation in the clause. We proposed that, in order to improve control over the use of Government IPE, the Department consider the need for more stringent language in the present ASPR clause.

Agency comments and our evaluation

The Deputy Assistant Secretary indicated that several alternative proposals concerning conditions for use of Government plant equipment were being considered by the ASPR Committee, none of which contemplate a determination of actual equipment use on a machine-by-machine basis. With respect to the need for more stringent language in the present ASPR clause, the Deputy Assistant Secretary has stated that DOD has continuously taken the position that contractors should be held liable for any unauthorized use; however, he has indicated that the Department will consider the need for stronger language in paragraph (e) of the "use and charges" clause (ASPR 7-702.12) to ensure adequate control over the use of Government-owned IPE in possession of Defense contractors.

Our proposal to compute rent on a machine-by-machine basis is the most accurate system within our knowledge, and it also provides data for management determination of the contractor's continued need for the machines. Moreover, our report points out the existing inequities caused by basic differences in the rental formula applied at different locations.

Recommendation

We recommend to the Secretary of Defense that the ASPR Committee closely examine the feasibility of computing rent on a machine-by-machine basis and