cated that current procedures would be modified to require the specific consideration of and a statement as to, the contractor's inability or unwillingness to finance equipment modernization.

The Deputy Assistant Secretary advised us that the Department would review the need to revise its guidelines as they apply to both new and existing major defense programs. He indicated that the problems highlighted in our report stemmed primarily from administration of the modernization program rather than from inadequate guidelines. He stated that such deficiencies would be corrected through a program to improve the technical competency of Government property administrators, which would require more detailed evaluations of the validity and review of justification and experience data at the local levels and workload projections far enough in the future to allow for administrative and procurement lead time.

The Deputy Assistant Secretary indicated also that the subject of recovery of savings under all types of contracts had been under consideration by the ASPR Committee for some time and that the views expressed by the General Accounting Office on recovery of savings in the repricing of incentive-type contracts were being considered by the Committee.

Transportation and installation costs

We noted at some contractor locations that the costs of installation and/or transportation associated with the acquisition of IPE had not been identified and recorded.

These circumstances are not in accordance with the accounting principles and standards prescribed by the Comptroller General of the United States providing that the basic costs of property shall reflect all costs associated with acquiring the assets in the place and form they are to be used and managed.

The ASPR, section 7–702.12, provides that, for rental computations, the cost of facilities shall include the cost of transportation and installation. We found that these costs had in some cases been applied as a percentage factor to the acquisition cost of IPE being rented by contractors. One contractor added a factor of 3.5 percent, another contractor added a factor of 1 percent. That these costs can be significant is illustrated by the fact that, in one case, a contractor increased the rental base for IPE by as much as $800,000 through the addition of a factor for transportation and installation. At one contractor location where installation and transportation costs had not been recorded, rent was computed without the addition of a factor for these costs.

The ASPR authorizes contractors to use DD form 1342 as the subsidiary property record for IPE, but the form does not provide for the costs of transportation and installation to be accumulated and recorded. Contractors sometimes rely on this record as a means of accounting control and as a basis for reporting.

Conclusions

We believe that the recording of such costs is necessary to provide reliable and visible cost experience data for property management decisions involving economic considerations such as those related to acquisition, redistribution, and disposal of these assets, as well as for rental calculations. In order to provide an accurate and uniform basis for accounting for Government-owned property, for management decisions, and for rental charges, we proposed that contracting practices and ASPR provisions be studied with the objective of providing a method for appropriately accumulating, recording, and reporting transportation and installation costs which are borne by the Government.

Agency comments

The Deputy Assistant Secretary agreed that, as a general principle, the cost of plant equipment should include the cost of transportation for delivery to the current installation site, including the cost of installation. Further, he stated that compliance with ASPR 7–702.12 made it necessary that the cost of plant equipment include the cost of transporting and installing plant equipment in the present location in Defense contractors' plants for the purpose of determining charges for use of the equipment. He stated that action would be taken to ensure compliance with this requirement by amending ASPR after study of the most feasible way of obtaining equitable cost data by accounting or statistical methods.

Duplicate recordkeeping

The Navy is maintaining records of its IPE, which duplicate those maintained by contractors and DIPEC. The Naval Supply Center located in Bayonne, New Jersey, maintains records of Navy-owned IPE involving nearly 13,000 items of