property for about 175 contractors. Similarly, the Naval Training Center, Great Lakes, Illinois, maintains records involving 22,600 items of Navy-owned IPE, which duplicates those of about 100 contractors.

Paragraphs 025307 and 036050 of the Navy Comptroller's Manual provide for this property accounting responsibility and paragraph 025307 indicates that there are a total of 21 naval activitites which maintain records of Navy-owned IPE in the possession of contractors. We were told that these records serve as a control over Navy-owned IPE. Moreover, naval accounting activities are authorized to prepare monthly reconciliations of plant account (NAVCOMPT Form 167) which are sent to contractors, DIPEC, and the respective naval regional finance centers when changes occur during the month. Otherwise the reconciliations are prepared on a semiannual basis.

Conclusion

This recordkeeping, while required by Navy procedures, appears to be in conflict with ASPR B–301(a) which relates to control records maintained by a contractor for Government property. This section states, in part, that:

"* * * It is the Government's policy to designate and use such records as the official contract records, and not to maintain duplicate property control records * * *".

We proposed that a study be made of methods by which DIPEC records could be used for Navy property management purposes, with the objective of eliminating duplicate recordkeeping by the Navy, and that DOD investigate the possibilty of similar duplications in the other military services.

Agency comments

The Deputy Assistant Secretary advised us that duplicate recordkeeping related to Navy-owned IPE in possession of contractors was being discontinued and that the requirement for records would be satisfied by reliance upon both the contractor and the DIPEC property records. He futher stated that ASPR (apps. B and C) was being revised to prevent duplication of property records in all Defense agencies and, if other duplications were found in the military departments, corrective action would be initiated.

Real property

Our review of the accounting and control of Government-owned real property facilitites being used by contractors was very limited. We did find in a few instances that capital improvements to Government-owned real property were not properly reflected in asset accounts.

For example, replacement of a portion of the plant's electrical distribution system costing about $104,100 was determined not to be of a capital nature because is replaced an existing system. We noted, however, that the capacity of the system to provide service was significantly greater after its installation and that the useful life of the property was extended by at least 10 years.

In another instance, an atmospherically-controlled room was constructed at a cost of about $37,800 to house four gear machines and related test equipment but the cost was expensed because the room did not alter the exterior dimension of the plant.

In accounting for changes as described above, the accounting principles and standards prescribed by the Comptroller General provide that the cost of replacement property will be capitalized and that the cost of features superseded or destroyed in the process will be removed from the property accounts.

We believe that it is important that guidelines be prescribed in sufficient depth to achieve accurate and uniform accounting treatment of such costs, so as to minimize inconsistencies in the records because of varying personal opinions.

Agency comments

The Deputy Assistant Secretary advised us that DOD would develop for inclusion in the ASPR necessary criteria for capitalizing or expensing costs incurred on Government real property in possession of Defense contractors.

Special Tooling and Special Test Equipment

Weaknesses observed in controls over special tooling and special test equipment

Special tooling and special test equipment in the possession of contractors represent a significant investment by the Government. The estimated cost of this class of property at the contractors' plants we visited amounted to more than $347 million, or over one third of the cost of Government property in the possession of those contractors.