We found weaknesses in the control of this property due to deficiencies in inventory practices, absence of financial controls, and absence of a requirement for surveillance by Government property administrators of special tooling in possession of subcontractors. Also, in some instances, Government-owned tooling was not identifiable by physical markings or in property records.

In addition, we noted that, as of February 1965, Air Force reviews of tooling at contractor plants disclosed that items classified as special tooling included over 72,000 items valued at about $84 million, which were facility-type or general-purpose items. Much of this property is adaptable to commercial purposes. Although our examination into the classification of tooling and test equipment was limited, we believe that the matter is of sufficient importance, particularly as evidence of the need for financial control of this property, that we have included our general observations in this section.

General information

The ASPR, under section B–103.14 which is incorporated in contracts by reference, defines special tooling, including special test equipment as items

> "* * * of such a specialized nature that, without substantial modification or alteration, their use is limited to the producion of such supplies or parts thereof, or the performance of such services, as are peculiar to the needs of the Government. * * *"

The definition specifically excludes consumable small tools.[1]

The ASPR states that it is the policy of DOD to have contractors furnish and retain title to special tooling required for the performance of Defense contracts wherever practicable. The ASPR points out that Government acquisition of title or the right to title in special tooling creates substantial administrative burdens, encumbers the competitive procurement process, and frequently results in the retention of special tooling without a clear advantage to the Government. which will conform the definition in appendix B to that included in section XIII.

The DOD has directed contracting officers to consider the particular circumstances of each procurement in determining whether the advantages of acquiring special tooling or rights thereto outweigh the disadvantages. In this connection, the ASPR states that, where there is not adequate price competition, the Government typically pays the full cost of the special tooling regardless of who owns or has rights to it and that therefore it is usually appropriate for the Government to acquire special tooling or rights thereto. The regulation states, however, that for fixed-price contracts where a certificate of current cost or pricing data is not required, special tooling or rights thereto shall not be acquired unless the contracting officer determines such acquisition to be advantageous to the Government.

The ASPR provides for varying degrees of control over Government-owned special tooling, depending on the contract under which it is acquired. These provisions are summarized as follows:

1. In formally advertised procurements, each item of special tooling to be acquired by the Government is clearly identified in the invitation for bids by separate item or by category if individual items are low in value. Generally, the Government takes title to such tooling when it is delivered by the contractor.

2. In cost-reimbursement-type contracts, title to all special tooling furnished by the Government remains in the Government and title to all special tooling purchased or fabricated by the contractor, the cost of which the contractor is entitled to be reimbursed, passes to and vests in the Government. Special tooling acquired under cost-reimbursement-type contracts is subject to property controls incorporated in the ASPR. These controls in part require that the contractor maintain records of special tooling and provide that a Government property administrator be assigned to ensure that the contractor does, in fact, maintain adequate control over the property.

3. In other negotiated procurements, each item of special tooling to be acquired is identified by separate item in the contract wherever practicable or by category if individual items are low in value. If such identification is impracticable, title to special tooling may be obtained through use of a special tooling clause prescribed in ASPR.

The special tooling clause provides that the contracting officer may request the contractor to provide, within 60 days after delivery of the first production end-

[1] This definition is somewhat different from that contained in section XIII of the ASPR which is included in the background section of this report. In Contract Administration Panel Case 64–310, a change is proposed to the ASPR which will conform the definition in appendix B to that included in section XIII.