items, a list of all special tooling acquired or manufactured by the contractor for use in the performance of the contract and provides also that, at the option of the contracting officer, the contractor, upon completion or termination of all or a substantial part of the work under the contract, shall furnish a final list in the same form covering all items not previously reported.

If the contracting officer requests a list of special tooling, he is required, among other things, to furnish the contractor information regarding the special tooling to which the Government desires to take title.

Prior to the time when the Government takes title, special tooling manufactured or acquired by a contractor under the provisions of the special tooling clause is not subject to the controls of appendix B and to surveillance by the property administrator. Instead, the contractor is required to follow its normal industrial practice in maintaining property control records for all special tooling. Once the Government has taken title, however, the tooling is subjected to the property control prescribed by appendix B, ASPR, and to surveillance by the property administrator.

Financial controls

The purpose of financial or monetary control accounts is to provide a reasonable measure of assurance that the detailed records reflect all transactions affecting the property and are accurately presented. The monetary control accounts which are maintained by individuals generally independent of those maintaining the detailed property records, summarize receipts, dispositions, and balances on a dollar basis. The assurance is provided by evidence of agreement between the control account and the aggregate of the detailed records.

Through independent inventory procedures, the physical status of the property as presented in the detailed records can be verified or differences disclosed—both in units and dollars—for management investigation and disposition. The ASPR prescribes only the maintenance of individual property records reflecting, among other things, description, price, and quantity of individual items of special tooling and special test equipment.

Our review revealed that the absence of a requirement for monetary control accounts precluded the collection of reliable financial information and, in our opinion, resulted in insufficient internal control for the protection of these assets.

For example, at one contractor's plant, the contractor maintained a perpetual inventory record for special tools acquired for production contracts. Several years ago, the Government had acquired $55 million worth of special tooling at the contractor's plant. The contracts provided that the contractor would follow its normal industrial practice in maintaining property control records. The contractor was not maintaining monetary control accounts and the stock record cards included both contractor-owned and Government-owned tooling without designation of ownership and without indicating unit cost data. We could not determine from the records whether existing tooling is contractor or Government owned. The contractor indicated that, to identify Government-owned special tooling, a physical inventory would have to be taken and that 20 men would be required for such an inventory over a period of 1 full year.

At another contractor's plant, property record cards were prepared by tabulating machines for special tooling and special test equipment and were filed by Government contract numbers. The contractor was not maintaining monetary control accounts for special tooling. We requested the contractor to designate the value of Government-owned special tooling in its possession. The total cost of such property was estimated at $19.2 million. This estimate was based on a count of a measured inch of property records and an estimated average value for each of the items in that measured inch, applied to the total measurement of property records.

We have reviewed Contract Administration Panel Case 64–310 which contains proposed changes to the ASPR, and we find that these changes have not added a requirement for maintenance of monetary control accounts for special tooling and special test equipment.

Need for better identification

ASPR recognizes that special tooling should be properly marked and that records should disclose ownership and contract designation. It provides that, when the tools are commingled with those of a contractor, they be clearly identified and recorded as Government property. Additionally, ASPR states that the contractor's property control system shall provide, for each item of Government-owned special tooling, the contract number or equivalent code designation.

Our review at five contractor plants revealed that Government-owned special tooling was not readily identifiable.