were occasions, however, when the prime contractor had requested the subcontractor to verify special tooling in its custody.

Contract Administration Panel Case 64–310 which contains proposed changes to ASPR requires that the property administrator at the prime contractor's plant obtain from the contractor an agreement to utilize the services of a supporting property administrator having cognizance at the subcontractor's plant or a statement that the prime contractor elects to perform the property surveillance function at the subcontractor's plant with its own personnel.

Classification

An important aspect of control over tooling and test equipment is the classification assigned to such property, both initially and as it may be affected by subsequent changes in the manner of use.

We observed that the classification of general-purpose items as special tooling or special test equipment could result in the loss of rental payments for commercial use and in inadequate utilization. We also noted the classification of expendable items as special tooling and special test equipment may result in unnecessary costs of maintaining records and controls.

At one contractor's plant, we noted that the contractor had prepared a listing of multipurpose tools costing about $36 million, which were classified as special tooling.

A report issued in March 1966 by the Air Force property administrator located at this plant stated:

"It was observed that identical items sitting side by side carried facility property tags in one instance and special tooling tags in another instance. This would reemphasize the need for a comprehensive review and reappraisal of the criteria for determining how and at what point these items were sorted into facilities or special tooling. The existence of complete machines built as special tools, articles attached to facilities or real property on a permanent or semi-permanent basis, items so general in nature and so obviously nonspecialized, and yet identified as special tooling makes an ambiguous and untenable situation."

The property administrator stated that the tooling in question was being used by the contractor on all programs without payment of rent and recommended that it be transferred to the facilities contract. Apparently as a result of the property administrator's recommendation, a pending lease agreement between the contractor and the Air Force provides for the payment of rent for commercial use of special tooling and test equipment costing about $3.6 million. This amount was determined by the contractor by reviewing the list of standard tools comprising the $36 million total previously mentioned and estimating the quantity and value of such tools that could be used for commercial purposes.

Because there was no itemized listing of the $3.6 million of tooling which the contractor intended to use, it appears to us that any amount of the $36 million of tooling could be available to the contractor for commercial use. Although the lease agreement had not been executed at the time of our review, it appears that the standard tools are to retain their special tooling classification.

It should be noted that there may exist at numerous contractor plants conditions where Government-owned special tooling is common to both commercial and Government production requirements. For example, in a letter addressed to our office, a contractor stated in part:

"Aircraft engine production for the Defense Department in the late '50's softened considerably and the engine manufacturers, no doubt, sought further use of their product in Commercial aircraft. It must be remembered that these engines were almost identical to the Military versions and were made, for the most part, off of the same production tooling. In fact, parts could be made on the same line that would be used for either Military or Commercial aircraft."

Regarding the overall problem of proper classification, we found that the Air Force in 1962 recognized that large amounts of general purpose items were incorrectly classified as special tooling and initiated a comprehensive program to correct the situation.

In a letter dated September 17, 1962, the Director of Procurement Management, Headquarters, United States Air Force, stated that a review at five major contractor plants had disclosed that the Air Force had acquired a sizable inventory of facility-type items under supply contracts as special test equipment or other special equipment but that the Air Force lacked a program to control their use and ultimate disposition or to adequately control future acquisitions of such equipment. To correct this situation, the Director initiated a project called tooling inventory and disposal evaluation (TIDE). The purpose of project TIDE