

was to identify facility-type items that were misclassified as special tooling and to establish appropriate controls for such equipment.

As of February 28, 1965, according to an Air Force report, project TIDE had been completed at 2,079 contractor locations and had uncovered 72,428 items valued at \$84,326,000 that were facility-type or general purpose items which had for various reasons been classified as special tooling. Further, of the items reclassified, 3,286 items valued at \$3,057,000 were determined to be excess to requirements of the holding contractor and were redistributed through shipment to other contractors for use or to Air Force activities for storage or use.

We also observed at one contractor's plant that many standard expendable items had been classified as special tooling. For example, we found that special tooling records were being maintained for general purpose drill bits costing about \$4 each. This practice is in conflict with the ASPR definition of special tooling, which excludes classification of consumable small tools as special tooling. In our opinion, the continued classification of standard expendable items as special tooling may result in unnecessary costs of maintaining records and controls.

The DOD has under consideration a proposal (Contract Administration Panel Case 65-19) to strengthen ASPR regarding the administration of special tooling. The proposal will require reclassification of a special tooling item to a facilities item when it acquires multipurpose characteristics. We believe that, if this proposal is incorporated in ASPR and effectively implemented, control over special tooling will be strengthened.

Conclusions

Special tooling and special test equipment represent a significant portion of the Government-owned property in the possession of contractors. In our opinion, the fact that the Government has taken title to such tooling and test equipment is evidence of its nature as property having sufficient value that it should be subjected to effective accounting control. As previously noted, some tooling is usable for many years—in some cases for commercial purposes. We think that the current and future adaptability of much of this tooling to commercial purposes is persuasive evidence of the need for financial controls over such property.

It is therefore our opinion that it is necessary for tooling and test equipment to be properly classified, identified, and accounted for to prevent unauthorized use and unrecognized loss and to provide information to facilitate intelligent decisionmaking in regard to acquisition, dispositions, rental, and transfers. Although the deficiencies discussed in this report did not exist at all of the contractor plants visited, we believe that their incidence at the locations we reviewed were sufficient to substantiate a need for improvement.

It appears that weaknesses relating to classification, identification, and control of special tooling in the possession of subcontractors can be corrected by greater attention, on the part of responsible Government personnel, to contractor compliance with existing sections of ASPR or inprocess revisions thereof. The need for improved surveillance over Government-owned property by property administrators is discussed in the last section of this report.

It appears also that the weaknesses relating to periodic inventory taking will be corrected if the current proposal to change ASPR is implemented. We note, however, that the proposed change does not impose a requirement for appropriate segregation of duties to ensure independence in inventory taking. Accordingly, we proposed that such a requirement be included either in appendix B of ASPR or in the proposed ASPR appendix which prescribes the duties and responsibilities of the property administrators.

We recognize that financial accounting for special tooling is more complex than for some other classes of property and that an examination into the practical problems which may be associated with installation of such system was not possible within the scope of the current review. It is our opinion, however, that a system incorporating financial control of these assets is desirable and will be valuable as a tool of property management. We proposed, therefore, that the Department establish a study project to determine the procedures to be used and the point in the contracting process at which financial control of special tooling should be established.

Agency comments and our evaluation

The Deputy Assistant Secretary agreed that proper internal control procedures should include segregation of duties of responsible contractor personnel taking physical inventories of Government property and he indicated that the Department would review the desirability of making a revision to ASPR.