sonnel has not been corrected under the proposed ASPR change. We proposed, therefore, that the ASPR be strengthened by providing for appropriate segregation of duties of personnel participating in the physical inventories of materials.

Agency comments and our evaluation

The Deputy Assistant Secretary indicated that financial controls for material have been the subject of study for many years in DOD and that these studies are being continued. In addition, he stated that a proposal will be submitted for consideration by the ASPR Committee for criteria to establish contractor requirements for accounting for contractor-acquired Government material. He further indicated that a segregation of duties of responsible contractor personnel will be required during the physical taking of inventories.

We were also advised by the Deputy Assistant Secretary that DOD is currently revising its procedures to exclude from the previous definition of Government-furnished material those items sent to contractors for processing and return. Accounting for these items will be performed by the cognizant inventory control point or other activity of the DOD component, in both quantitative and monetary terms. Although the contractor will be required to keep item records for scheduling purposes, he will be relieved of financial property accounting.

We acknowledge that DOD has taken constructive steps to improve the administration of Government-owned material in the hands of contractors, but we believe the records and controls maintained by the contractor over this property should be at least as good as those maintained over its own material. Also, since DOD studies have been proceeding for many years, a timetable should be established and responsibility fixed for a solution to the problem.

Recommendation

We recommend to the Secretary of Defense that ASPR B-304.7 be amended to require financial accounting controls for Government-owned material in the possession of contractors.

Nonprofit Institutions

Property administration at universities

Our review revealed that financial control accounts were not required by ASPR to be maintained by nonprofit institutions, including universities for IPE and special test equipment, nor were they maintained by the two universities we visited. At one university this resulted in the loss of monetary and quantitative control over at least $52,000 worth of Government property. We also found that periodic inventories were not required by ASPR, nor were they taken by the universities even though research contracts frequently had been in process for several years and that, when inventories were taken, the procedures employed did not provide necessary internal control.

Further, we found that ASPR requirements were not being adhered to with regard to control of property by DIPEC. As a result (1) IPE at a cost of about $260,400 was purchased in fiscal year 1966, without DIPEC's inventories first being screened to determine whether acceptable IPE was on hand and available; (2) DIPEC's central inventory files were incomplete because $1.1 million of IPE on hand at the universities was not reported to DIPEC, and (3) during fiscal years 1965 and 1966, IPE in critical or short supply having a cost of $104,700 was donated to the universities, without first screening DIPEC records to determine whether the equipment was needed elsewhere in the Government.

Property accounting system needs improvement.—We found that ASPR does not require monetary control accounts and such accounts were not maintained. As stated previously in this report, monetary control accounts are accounts which are maintained by individuals independent of those maintaining the detailed property records, and the accounts summarize receipts, dispositions and balances on a dollar basis to ensure of accuracy and completeness of the detailed records. We also found that internal control was lacking in the inventory procedures used by the universities.

At one of the universities we reviewed, we tested acquisitions of Government-owned property amounting to $156,000 and we found that $52,000 of this amount had not been recorded on property cards. As a result, quantitative control over this property was also lacking. If a monetary control account had been maintained by the university, this omission would probably have been discovered when postings on detailed property records were reconciled with the monetary control account balance.

We have reviewed Contract Administration Panel Case 64-310 which contains proposed revisions to ASPR and we found that a change is being contemplated