which appears to require a monetary control account for facilities. However, no such requirement is included for special test equipment.

With regard to inventory taking, ASPR permits the Government property administrator to request the universities to perform periodic inventories, but physical inventories are mandatory only upon contract completion. We found that the Government property administrators had not requested periodic physical inventories and that generally they had not been taken even though research contracts frequently had been in process for several years. Physical inventories were generally taken only upon completion of the contract as prescribed.

We also found that, when physical inventories were taken at the completion of contracts, procedures did not provide for appropriate segregation of duties of personnel. At both locations inventories were taken, by personnel having custody of the property, through verification of a list of the property, prepared in advance from the property records and furnished to participating personnel. Thus independent verification, an important element of internal control of the assets, was absent.

A proposed change to ASPR which is incorporated in Contract Administration Panel Case 64–310 would require the universities to periodically physically inventory Government property and prescribes that the type and frequency of physical inventory and the procedures therefor shall be established by the contractor and approved by the property administrator.

We note, however, that the proposed change does not require appropriate segregation of duties of personnel participating in the inventory taking.

Need to coordinate IPE purchase, dispositions, and inventory on hand at universities with those of DIPEC.—DOD has established an extensive system, administered by DIPEC, to ensure maximum reutilization of IPE, prevent unnecessary procurement of IPE, and maintain a central inventory of IPE, including listings of critically short items. To operate this system, ASPR requires (1) screening of DIPEC assets prior to acquisition of IPE and (2) reporting IPE on hand to DIPEC.

Our review has shown that (1) DOD agencies generally approved the universities requests to purchase IPE, without first determining whether like items were available for use from the DIPEC inventory, (2) all Government-owned IPE in the possession of the universities had not been reported to DIPEC, and (3) DOD agencies were donating IPE to universities, without first screening DIPEC records for a determination as to whether the equipment could be utilized elsewhere.

DIPEC inventory not screened prior to acquisitions.—Our review showed that, generally, DOD agencies approved the universities' requests to purchase IPE without determining whether acceptable IPE was available through DIPEC.

At the two locations reviewed, we identified 56 items purchased in fiscal year 1966 at a cost of about $260,400 for which DOD components had not required screening at DIPEC even though screening is required by Section XIII of ASPR. We were informed by DOD and university officials that it was their belief that DIPEC could not supply the equipment required by the universities, especially within the delivery time desired. The 56 items we identified are of the type that is reportable to DIPEC.

Inventory on hand not reported to DIPEC.—We found that Government-owned IPE purchased by the universities at a cost of about $1.1 million was not reported to DIPEC, even though reporting is required by ASPR, for inventory and control purposes.

We also found that, at one location, the Government property administrator had discussed with university officials the omission of reporting but had not obtained assurance that the equipment would be reported. In another case we were told that IPE had not been reported to DIPEC because at semi-annual intervals the university requested and obtained title to certain of the items.

IPE was donated to universities, without DIPEC's records first being screened.—DOD is permitted, under the authority of 42 U.S.C. 1892, to vest in nonprofit institutions title to certain equipment purchased with research funds. Our review of the House Report 2640, dated August 15, 1958, revealed that the provisions of the law were intended to minimize the cost of maintaining property records and needlessly circularizing lists of highly specialized equipment, particularly minor equipment. Further, testimony given in the House of Representatives' hearings states that 42 U.S.C. 1892, was not intended to increase Federal expenditures or to subsidize the recipients, nor was it intended that title to