In our March 1966 report to the Subcommitee, we referred to the preparation of a comprehensive manual for control of Government property which was in process. This proposed addition to ASPR is still under active consideration. This revision specifies the duties and responsibilities of the Government property administrator and defines the position of property administration within contract administration.

As discussed earlier in our report, the proposed requirements that contractors furnish utilization data for Government-owned IPE would provide an effective tool for management of the property. We believe that the property administrator's guidelines should require that this data be analyzed and compared to usage standards and criteria to identify IPE which should be reallocated to fill other DOD needs.

Also, we believe that the guidelines should include a description of the essential characteristics of an adequate property control system. We believe this is necessary in order to make the required evaluations. For example, one essential of a control system should be to segregate review responsibilities from the recording of transactions, i.e., the physical inventory procedures should include appropriate segregation of duties. Other requirements are the establishment of monetary control accounts, and periodic reconcilement to the detailed records. Further, we note that proposed changes to ASPR, which affect property administration, do not provide incentives for contractors to maintain an acceptable property control system.

During our review we observed instances where apparently qualified personnel had left their positions as property administrators because the field offered no long-term career in the middle management classified grades of GS–12 and GS–13. Adequate internal control over Government property resources goes beyond prescribing policies and comprehensive procedures in regulations and guidelines. It includes personnel having qualifications commensurate with their responsibilities and requisite employee training programs.

In our March 1966 report to the Subcommittee we cited a 1963 management study indicating that the Air Force had been unable to employ and retain the caliber of personnel needed to adequately perform the duties and responsibilities assigned to the property administrator. The study proposed to improve the quality of the work by upgrading the assigned personnel. During our current review we noted that the Air Force has begun a program to upgrade the property administration function through the establishment of revised interim classification standards to provide career development and retention of qualified property administrators. This program also includes training courses in furthering professional development of employees.

We also have noted that the Defense Supply Agency, to which most property administrators are assigned, has been considering a proposed guideline to supplement the Civil Service Commission's standard for the Industrial Property Administration Series of positions.

With regard to internal audit effort, the Office of the Assistant Secretary of Defense (Comptroller) in a memorandum to DSA and the military services, issued on December 27, 1966, established clear lines of audit policy which provided that prime responsibility for audit of the administration of Government property, including that furnished to contractors, is a part of the internal audit mission of the military services and DSA. DCAA's primary role will be to provide accounting and financial management advisory services regarding contracts and subcontracts to all DOD components. We believe that the guidelines, set forth under this policy are essential and, if effectively implemented, will significantly improve the administration of Government property.

Conclusions

Actions taken or contemplated by DOD should, generally, improve the system of control over Government-owned property in the possession of contractors. However, regarding these changes we proposed that:

1. DOD place continuing emphasis on efforts to upgrade and improve the quality of property administrators and thus the effectiveness of surveillance.

2. DOD consider what appropriate incentives should be provided to encourage the establishment and maintenance, by contractors, of approved systems for control over Government-owned property.

3. DOD initiate an effective program of internal audit of property administration.

We believe that, in general, it is reasonable that accounting principles and standards applicable to Government-owned property in possession of contractors should be at least equivalent to the generally accepted principles and stand-