

APPENDIXES

APPENDIX I

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., August 7, 1967.

Mr. WILLIAM A. NEWMAN, JR.,
Director, Defense Division,
U.S. General Accounting Office,
Washington, D.C.

DEAR MR. NEWMAN: This is in response to your letter dated May 1, 1967 to the Secretary of Defense enclosing copies of a draft report to the Congress of the United States, on Review of Controls over Government-owned Property in the Possession of Contractors. (OSD #2803)

The report is designed to assist the Department of Defense (DOD) in improving the accounting and control of Government-owned property in the possession of contractors. Our comments on each of the 14 recommendations are attached for your consideration prior to submitting the final report to Congress.

We appreciate your interest and help in this matter.

Sincerely yours,

W. W. SNAVELY,
Brigadier General, USAF.
for J. M. MALLOY,

Deputy Assistant Secretary of Defense (Procurement).

GAO Note: Portions of this letter have been deleted because they are no longer relevant to the matters discussed in this report.

APPENDIX II

DEPARTMENT OF DEFENSE COMMENTS ON GENERAL ACCOUNTING OFFICE REPORT REVIEW OF CONTROLS OVER GOVERNMENT-OWNED PROPERTY IN THE POSSESSION OF CONTRACTORS

1. *Recommendation.*—We are therefore recommending to the Secretary of Defense that provisions of proposed ASPR changes be revised to meet the predominant need of providing utilization records and a means of analysis of whether the extent and manner of use of Government IPE is satisfactory. [Deleted]

Comment:

The Armed Services Procurement Regulation (ASPR is being revised to prescribe that the contractor be required contractually to establish and maintain a written system for controlling utilization of IPE. It also establishes the responsibility for each Contract Administration activity and other DOD components, to conduct property system surveys to insure the effectiveness of such a system, and to show the extent and manner of use of Government-owned IPE. Finally, it provides for control, detection, and reporting of Government-owned IPE which is not being effectively and economically utilized by Defense contractors. This case is now receiving a comprehensive review throughout the Department of Defense (DOD), and by selected industrial associations.

Also, we will study the feasibility of maintaining utilization records on a machine-by-machine basis, as for example, IPE of selected high value. If our study proves the practicality of such an approach the ASPR will be modified accordingly.

2. *Recommendation.*—We are recommending to the Secretary of Defense that DIPEC's management controls be reviewed, and new or additional directives be initiated where required to insure that all equipment which could be utilized to meet anticipated needs is considered, and that suitable equipment is offered to