

cost. As mentioned in our comment to recommendation #10, we feel it is not desirable to require financial accounting for [deleted] special test equipment.

We agree that industrial plant equipment costing over \$1,000 a unit, at colleges and universities, should be reported to DIPEC for management and control purposes. Also, available equipment of this type should be screened for utilization prior to donation to the nonprofit contractor under provisions of 42 U.S.C. 1892. A revision to DSA regulations and ASPR designed to meet this objective, will be processed.

13. *Recommendation.*—We are recommending that the DOD (1) place continuing emphasis on efforts to upgrade and improve the quality of property administrators and thus the effectiveness of their surveillance over Government-owned property in the possession of contractors, (2) consider what appropriate incentives should be provided to encourage the establishment and maintenance, by contractors, of an approved system for control over Government-owned property, and (3) initiate an effective program of internal audit of property administration. [Deleted.]

Comment

DOD has established a joint study project to evaluate current position classification standards for property administrators (GS-1103), establish position guidelines supplementing those of the Civil Service Commission, and provide qualification and performance standards. We consider this project of utmost importance. You may be assured that it will receive our close attention.

Under current ASPR procedures the contractor is required to establish and maintain an approved system for accounting and control of Government-owned property. We believe a specific ASPR (Appendices B and C) requirement for annual review of the contractors property accounting system is needed. The ASPR committee is considering adoption of such a requirement for both commercial and non-profit contractors. Motivation should not be in the form of an incentive or an award to accomplish a task otherwise required by the contract and sound industrial practice.

We concur that there should be additional emphasis on the audit of controls over, and utilization of, Government property in the possession of contractors. As noted in the GAO report, ASD(C) memorandum of December 27, 1966, to the Assistant Secretaries of the Military Departments (FM), the Director, Defense Contract Audit Agency, and the Comptroller, DSA, established areas of audit responsibility for both contract and internal auditors in Government property audits. Collaterally, the memorandum established procedures for assist audits as appropriate by either contract or internal auditors. This policy guidance, together with the internal audits scheduled or planned by the internal audit agencies of the Military Departments and DSA, should achieve the audit coverage contemplated by part three of the GAO recommendation.

14. *Recommendation.*—We are recommending, therefore, that the new ASPR section, which defines the duties and responsibilities of Government property administrators, incorporate a policy statement to this effect for the guidance of such officials. [Deleted.]

Comment

DOD agrees it is reasonable to expect that those accounting principles and standards applicable to Government-owned property in possession of contractors should be equivalent to those applied in normal industrial practices. The new ASPR supplement, covering the duties and responsibilities of the property administrator, will be amended to require acceptable accounting principles and standards commensurate with that of sound industrial practices. If more exacting standards than sound industrial practices are necessary, the requirement will be established by contract provision.

Separate Comment

The GAO pointed out in its report that guidelines should be included in ASPR for determining when to capitalize or expense costs incurred on Government real property in possession of Defense contractors. [Deleted.] DOD will develop necessary criteria for capitalizing or expensing costs incurred on Government real property in possession of Defense contractors for inclusion in ASPR.