

The Committee's attention is called to the following statement in our testimony of November 27, summarizing the views of the Department of Defense as follows: "The Secretary of Defense was, for the most part, receptive to our suggestions. However, full concurrence was not expressed by the Department of Defense with respect to:

"1. Requiring contractors to furnish machine-by-machine utilization data and to obtain prior Office of Emergency Planning approval on an item-by-item basis for the commercial use of industrial plant equipment.

"2. Strengthening the controls over special tooling and special test equipment through the use of financial accounting controls.

"We believe that implementation of these proposals or other acceptable alternatives is necessary to effectively administer this property. The Armed Services Procurement Regulation Committee has several alternative proposals under consideration which are directed to the same problem. We will evaluate and make recommendations to the Department on these proposals as they are submitted to us for comment."

We will be glad to furnish any further information in connection with this matter that you may require. As we advised you earlier, we are making follow-up studies of the Government's controls over Government-owned facilities and equipment. These studies should provide information with respect to further corrective action required.

Sincerely yours,

(Signed) ELMER B. STAATS,
Comptroller General of the United States.

NOTE

An asterisk before the contractor's name indicates a written reply had not been received as of January 4, 1968, to the General Accounting Office letter of November 29, 1967, forwarding a copy of their report on "Need for Improvements in Controls Over Government-Owned Property in Contractors' Plants—Department of Defense (B-140389, Nov. 24, 1967)" and requesting comments.

UTILIZATION

The General Accounting Office has questioned the retention of 328 machines costing \$15.9 million at the plants of 12 defense contractors due to their limited usage or their extensive use on commercial work. In addition, quantities of general purpose test equipment not in use were identified at two contractors' plants. This equipment had not been reported for reallocation elsewhere due to inadequacies in Department of Defense regulations and procedures.

In cases where commercial use exceeded 25 percent of the total machine use, the DOD was not requiring contractors to obtain the prior approvals from the Office of Emergency Planning (OEP). Such approvals by existing regulations are required, primarily to preclude contractors from obtaining a favored competitive advantage through leasing Government-owned production equipment.

The GAO concluded that in order for the DOD to properly administer its huge inventory of production equipment at plants across the country, contractors should be required to maintain utilization data for each of the machines above some established dollar level to identify the extent and manner of their use and to provide DOD officials a basis upon which to question its retention and reallocate the equipment if it is needed elsewhere. A screening of 296 of the 328 items questioned for existing need of other locations disclosed 47 instances where the equipment was, in the judgment of DOD technical personnel, suitable to fill equipment requisitions received by the Defense Industrial Plant Equipment Center, but redistribution action was not being taken.

The GAO further concluded that prior approvals should be obtained for commercial use of the equipment not only to satisfy OEP objectives but also to provide DOD with a comprehensive view of the extent to which Government-furnished equipment, by types, are being applied to private commercial purposes. The administration of such approvals was advocated by the General Accounting Office on a machine-by-machine basis. As the program is presently administered, DOD lacks adequate assurance that the most efficient machines are used to process Government work, hence minimizing procurement costs.