and installation. It was found that these costs had, in some cases, been computed as a percentage factor of the acquisition cost of IPE being rented by contractors. One contractor added a factor of 3.5 percent, another contractor added a factor of 1 percent. At another contractor location where these costs had not been recorded, rent was computed without the addition of a factor for these costs.

Contractors agreed that the rental base should include transportation costs, but contended that appropriate factor for transportation can be determined statistically.

It is the General Accounting Office position that actual transportation costs should be recorded, not only for rental purposes, but also to provide reliable cost experience data for property management decisions involving economic considerations such as acquisitions, redistributions and disposals of these assets.

The following contractors were included in the above finding:

FMC Corporation, Northern Ordnance Division
Harvey Aluminum (Incorporated)
Menasco Manufacturing Company, Texas Division

SPECIAL TOOLING AND SPECIAL TEST EQUIPMENT

Special tooling and special test equipment in the possession of contractors represent a significant investment by the Government. The estimated cost of this class of property at the contractors' plants the General Accounting Office visited amounted to more than $347 million, or over one third of the cost of Government property in the possession of those contractors.

In addition, as of February 1965, Air Force reviews of tooling at contractor plants disclosed that items classified as special tooling included over 72,000 items valued at about $84 million, which were facility-type or general-purpose items. Much of this property is adaptable to commercial purposes.

The General Accounting Office found weaknesses in the control of this property due to deficiencies in inventory practices, absence of financial controls, and absence of a requirement for surveillance by Government property administrators of special tooling in possession of subcontractors. Also, in some instances, Government-owned tooling was not identifiable by physical markings or in property records.

One contractor agreed that annual inventories of special tooling and test equipment have not been taken but stated that they would be taken in the future. One contractor indicated that the danger of loss is small due to adequate plant security even if inventories were not properly taken. The contractor agreed that some special tooling was not properly marked but did not consider this a significant lack of controls since the tooling allegedly could be identified by reference to drawings. The contractor also considered the reported instances of improper inventories to be minor in nature.

The GAO proposes that the Department of Defense establish a study project to determine the procedures to be used and the point in the contracting process at which financial control of special tooling should be maintained. It believes that measures of control over this property should be at least equal to generally accepted principles and standards applied in normal industrial practices. The GAO proposes also that periodic examinations of special tooling be made for purposes of identification and reclassification as general purpose plant equipment, where appropriate.

The following contractors were included in this finding:

Kelsey Hayes Company, Heintz Division
Raytheon Company, Missile Systems Division
FMC Corp., Northern Ordnance Division
Sikorsky Aircraft Division, United Aircraft Corp.
*Sperry Gyroscope Company, Division of Sperry Rand Corp.
Curtiss-Wright Corp., Wright Aeronautical Division
*TRW, Inc.
Menasco Manufacturing Company, Texas Division
The Boeing Company, Wichita Division

MATERIAL

GAO reported that the accounting systems employed by the contractors examined did not provide for financial control and acceptable physical inventories of Government-owned material. The weaknesses were attributed to indefinite