

The retention of this equipment under a long-term lease was reviewed and approved by the Office of Emergency Planning, the Secretary of the Air Force, the Department of Defense and congressional committees.

"We were also restricted in our determination of need for 32 items of IPE that we had questioned at one contractor location because the need was based on estimates of expected use rather than on actual use."

Comment: We have not been able to identify these 32 items in the total information furnished to GAO personnel. However, expected use together with cost of removal and reinstallation are of greater significance in the use and management of Government property than current actual use. We have not considered it economically justifiable to maintain machine by machine actual usage data for rental purposes.

Page 36

Contractor.....	E
Number of machines acquired.....	10
Cost of machines.....	\$1, 490, 000
1st year savings:	
Included in justification.....	\$1, 380, 000
Estimated amount realized.....	\$2, 164, 000
Justifications in excess of amounts realized.....	-\$784, 000

Comment: This schedule indicates that the first-year savings realized were in excess of the estimated amounts in the justifications.

Page 36

"For contractor E also, machines usage in later years for commercial work began at 12 percent and, in one instance, reached as high as 97 percent of production time. Most of these machines were subsequently sold to the contractor."

Comment: These machines were sold to Boeing as part of a total plant purchase, which was judged to be in the best interest of the Government.

Page 37

"Among the errors were . . . inclusion of the savings anticipated on commercial production."

Comment: The DD Form 1106 used for computation of anticipated savings did not provide for segregation of savings between Government and commercial work. It should be noted that data submitted with facilities applications did identify estimated savings applicable to Government work and that such data was used by GAO in connection with this examination. In our opinion the justification procedure was not in error and our facilities applications could not have been misleading.

Page 39

"Another contractor had a number of multimillion-dollar incentive-type contracts which had been negotiated before various new machines were added to its facilities contract and were in an active status at least a year after the machines were placed in operation. The prices of these contracts had not been specifically adjusted to reflect modernization savings. The utilization of the machines under a contract could not be determined from the contractor's records. Government contracting officials told us, however, that, during the operating period referred to, the machines were utilized almost entirely on Government programs and that they could have been used on the incentive contracts."

Comment: We consider this paragraph to be wholly misleading. Although utilization of the machines under the contracts could not be determined from the company records, the delivery dates of contract end items furnish compelling evidence that the machines were not used on contracts negotiated prior to the activation of the machines. This evidence is in the General Accounting Office files. The Boeing Company consistently forecasts improvement in operating performance without specific knowledge as to the actions required to achieve such improvements, and it is our opinion that any possible savings resulting from modernization was properly reflected in total required cost improvements, as negotiated.

"At one contractor's plant, we noted that the contractor had prepared a listing of multipurpose tools costing about \$36 million, which were classified as special tooling.