

the overall, we believe that the rent so calculated exceeds the actual time usage of the machines on commercial business.

*Page 14—last paragraph*

At the time of the review, the equipment questioned in this paragraph was located in our Tooling Department and due to the type of equipment had a low but vital usage at that particular time. This equipment is presently being used two full shifts per day on a government ordnance contract. This illustrates the difficulty of drawing accurate conclusions from an equipment review at any one time when the contractors government business is made up of various types of programs with relatively short production periods.

*Page 29—first paragraph*

In accordance with the contractual agreement, Beech Aircraft Corporation pays rental on government owned facilities used on commercial work. The rental payments are charged to the commercial programs utilizing the equipment.

Government contracts are in no way penalized by the use of government equipment on commercial programs. As a matter of fact, they are helped because the equipment is maintained and available when needed for government programs. The method of calculating rental due for commercial use, in our opinion, results in a higher cost to commercial programs than is justified by the hours of usage of the equipment. We have been willing to accept the contract formula, however, rather than set up an elaborate timekeeping system on each machine.

*Page 56—second paragraph*

The Contractor's records comply with ASPR requirements. We seek to perform our task at a budgeted cost and the inclusion of monetary values would increase these costs to the contractor and consequently to the government.

*Page 57—second paragraph*

The government review indicated they believed our procedures inadequate in that we do not physically inventory all materials both government and contractor owned. It is the Beech policy to periodically inventory government furnished materials and reconcile with the inventory record cards. We do physically inventory and reconcile all materials held in stores accounts. We do not, nor do most contractors, inventory work-in-process. The Beech work order system and parts control system provides adequate control of work-in-process inventory.

*Third paragraph*

A strict control is maintained on government furnished materials, which is reviewed by the Property Accountability Officer. It appears to the contractor that a physical inventory, to determine that government furnished material is on hand, fulfills accountability requirements. We do not believe it practical or required to physically inventory all contractor owned material. It must be pointed out that government furnished material is a minute portion of total material in the Beech plant.

*Fourth paragraph*

Beech purchases all materials for the account of the government in accordance with detail contract requirements and schedules. The Beech work order and parts control system accurately accounts for all materials after they are put in process. This system has been in use for over 25 years on both commercial and government contracts and has been found satisfactory on all types of contracts.

Beech does not maintain detail parts cost for the parts in work-in-process inventory. The work order system provides contract and lot costs which are adequate for the contractors purposes. Parts accountability is maintained and we do not believe pricing the parts adds any value or ensures any more accurate material accountability.

We believe our accounting procedures to be adequate to account for the use of the equipment and for materials furnished by the government. At the same time, our procedures provide for a great measure of economy and simplicity of records which result in less cost to the government. We believe that our interest in economy and efficiency of operation should be noted and that the regulations should stress such an approach.

In reviewing your report, we note some manufacturers have purchased from the government the facilities previously furnished to them. We have tried numerous times to purchase the government facilities in our plant. Each time we have