

machinery on which complete utilization records are maintained represents a minimum of 70 percent of all Government-owned equipment in our plants. An average use percentage based on the actual utilization of this group of equipment, is determined and the average percentage is applied to 100 percent of the Government equipment to compute our commercial use rental payment and to report our overall average utilization percentages. In the interest of economy, we are constantly striving to minimize administrative costs by utilizing existing established systems for as many reports as possible consistent, of course, with the reporting requirements. We believe our system is an exceptionally good one and we do not understand why this was identified as a questionable example in the report.

The last problem concerned the type of inventory control required for special tooling.

Prior to the audit it was our interpretation that a perpetual inventory was sufficient to comply with the requirements as set forth in the ASPR. Therefore, we did not have a written procedure that directed our personnel to perform an annual physical inventory of special tooling. However, in January, 1967, we incorporated such a requirement into our standard practices and we are now complying with this directive.

In summary we believe that Rohr has abided by the terms of our contracts in an exemplary manner. We have maintained the equipment in better than average condition. Rental charges based on the ASPR established rates have been paid. Commercial usage percentages have been computed based on actual hours of use, which is considered by many a most equitable and economical method for such computation.

Unfortunately a straight statistical report can be very misleading when the myriad of other factors in the overall production picture are not considered.

In an effort to minimize our ratio of commercial work on Government equipment, we are acquiring capital facilities to the maximum of our ability to meet the increased demands. In addition we have returned and are continuing to make every effort to return Government-owned facilities when military requirements no longer exist.

We also recognize that economy in Government is of utmost importance. We would, therefore, hope that a thorough analysis of the contemplated changes in regulations be made to assure that the cost of their implementation does not exceed the savings which might be obtained.

Very truly yours,

F. E. McCREERY,
Executive Vice President.

HEINTZ DIVISION, KELSEY-HAYES Co.,
Philadelphia, Pa., December 19, 1967.

Your Ref: B-140389.

Mr. C. M. BAILEY,
*Deputy Director, Defense Division,
U.S. General Accounting Office, Washington, D.C.*

DEAR MR. BAILEY: Your letter of November 29, 1967 addressed to Mr. W. D. MacDonnell, President of Kelsey-Hayes Company, with reference to the recent report made by your office to the Congress relative to Government-owned facilities, has been forwarded to this office for reply.

We are enclosing copies of two letters from Mr. J. F. McMahon, dated December 9, 1966 and February 9, 1967, addressed to the GAO supervisory personnel who were responsible for the review at our plant in Philadelphia. These two letters cover many of the areas which are referred to in your report and, in addition, they state our position more clearly with regard to control of the facilities in our plant.

With particular reference to the marginal notes made in the copy of the report which we received from you, we submit the following comments for your consideration:—

IPE Not In Use—(Page 13): Utilization Surveys conducted by DCASR representatives within the past year have resulted in our declaring surplus nineteen (19) items covered by our Air Force Contract and thirty-seven (37) items covered by our Navy Contract. This is a continuing program and as additional items become surplus to our needs, they will also be disposed of.