

review pertained primarily to those items identified by marginal notations as applicable to the University of Chicago. Following are our specific comments:

1. On page 60 of the report you commented that control over the taking of physical inventories was inadequate because procedures do not provide for the appropriate segregation of duties of personnel. We agree that this is a valid criticism and procedures have been revised so that required physical inventories will now be taken by persons having no responsibility for custody of the equipment.

2. On page 60 you indicated that several items of equipment were purchased in 1966 without "required screening at DIPEC." It is our feeling that failure to obtain such screening was due to misunderstandings concerning when screening was required. In any event, procedures have now been revised by the various DOD agencies to assure such screening and we are complying with these revised requirements.

3. At the bottom of page 60 and the top of page 61 is the comment that IPE purchased by universities was not reported to DIPEC. As in the previous comment, we were not aware that in failing to report certain purchases of equipment we were not complying with ASPR. Our procedures have been revised and all IPE is being reported promptly to DIPEC via the Agency.

4. On page 61 is the comment that title to several pieces of equipment was transferred to the University while DIPEC considered such equipment in short or critical supply. We are unable to effectively comment on this criticism since the determination of the need for various types of equipment by other DOD agencies can only be made by such agencies. It should be mentioned, however, that the fact that title was transferred to the University does not in any sense mean that the equipment was excess to government research being conducted by the University.

5. On page 59 is the comment that financial control accounts were not required to be maintained by universities for IPE and special test equipment, nor were they being maintained by The University of Chicago. We do not agree with this criticism. Actually, financial control accounts are being maintained for government equipment. Admittedly, these control accounts are not maintained independent of the individual responsible for the detail inventory records and, therefore, the procedure does not conform to classic internal control afforded by segregation of duties. It is, however, our belief that adequate financial control does exist over government-owned equipment. Although the establishment of an independent financial control account would, in theory, provide additional control, it is our belief that the special problems concerning the proper identification of government equipment are such as to require considerable involvement by persons closely identified with this equipment. As a result, little if any additional control would, in fact, be established. We would be pleased to discuss this matter in detail with your representatives to see whether additional control can be established in a practical manner. Insofar as we know, no equipment losses have taken place as a result of any inadequacy in financial controls.

We appreciate the opportunity of responding to this report and, if we can be of further assistance, please let us know.

Sincerely,

G. L. LEE, Jr.

SELB MANUFACTURING CO.,
Walnut Ridge, Ark., December 15, 1967.

Re (B-140389) Report to the Congress—Need for improvements in controls over Government-owned Property in Contractor's Plants.

U.S. GENERAL ACCOUNTING OFFICE,
Defense Division,
Washington, D.C.

(Attention: C. M. Bailey, Deputy Director, Defense Division.)

GENTLEMEN: In compliance with your request of November 29, Selb Manufacturing Company is pleased to submit its comments to those provisions of the Report to the Congress on the need for improvements in controls over Government-owned property, which you indicate as applicable. Cited are those specific provisions which you have referenced by marginal check followed by Selb's comments to each.

"We questioned retention of 133 items of IPE, estimated to cost \$3.3 million, which had not been in use for extended periods of time. On the basis of our review