

of utilization surveys conducted by Government property officials, we concluded that in many cases undue reliance had been placed on the prospect of future production creating valid needs or desirable utilization levels for the IPE reviewed as illustrated below." Report to the Congress, *"Need for Improvements in Controls Over Government-Owned Property in Contractor's Plants."* p. 13, November 24, 1967.

Selb Manufacturing Company realizes that, at all times, the proper reports as to machine idle time were not submitted.

At the present time, Selb has an ample supply of material which requires machining under Government facility contracts. As a result, all Government-owned machines are in operation and are expected to remain so for quite some time.

Selb Manufacturing Company can assure you that, henceforth, all proper procedures will be followed as to the reporting of Government machinery which is of no more use in Selb's manufacturing operation.

"Our review established that, of the 17 contractors examined, only five contractors maintained adequately comprehensive machine-by-machine utilization data. Two of the five contractors accumulated the data by manual postings and the other three through mechanized procedures (tab card system). One of the contractors was converting from mechanized procedures to an electronic data collection system designed for manufacturing industries. Included among the applications of the electronics data collection system is 'machine and tool utilization,' and we observed that three of the remaining 12 contractors reviewed were in the process of installing similar systems at the time of our review." Id. p. 22

At the time of Government inspection of facility Contractors, Selb Manufacturing Company was in the process of converting from an over all utilization reporting system to a machine-by-machine reporting system. Due to unfamiliarity with the new system in the plant, records, at first, were not kept as accurately as perhaps they might have been. However, now that Selb's employees are more familiar with the machine-by-machine reporting system, Selb Manufacturing Company feels that such a system is much more accurate and positive than an over all reporting system. Therefore, Selb Manufacturing Company will continue to utilize comprehensive machine-by-machine data in the future to report machine usage, as recommended by the Comptroller General.

"We noted instances at three contractor locations where machines were used for commercial work without obtaining prior approval as required by the facilities contracts." Id. p. 29

Under the terms of Selb's present facility contract, the Contractor is entitled to 25% commercial use of Government-owned machinery during any rental period. In order to use Government-owned machinery, permission must be obtained from the ACO and appropriate rent must be paid to the Government.

Selb Manufacturing Company can assure you that if the occasion arises in the future, whereby Selb finds it necessary to utilize Government-owned machinery for commercial use, authority to so use such machinery will be requested from the ACO.

If authority is granted for Selb to utilize Government-owned machinery, such machinery will not be used more than the period of time which is allotted by the ACO, and appropriate rent will be paid for the use of such machinery.

"The maintenance of utilization data for Government-owned IPE, as recommended in our discussion of utilization practices, would provide the basis to more accurately compute rent on an item-by-item basis. The feasibility of maintaining use records, machine-by-machine, has been established by five contractors included in our review, and one of the contractors was computing rent in the manner in which we suggested, as detailed above. Moreover, such a procedure would eliminate discrimination in rates charged to different contractors because the credits would be uniformly computed for each item based on actual machine hours used. Broad allocations are appropriate in those cases where Government versus commercial machine usage cannot be tabulated, such as for certain common support equipment or for IPE below an established value where no utilization records are maintained. Further, the tabulation of utilization data could be expected to disclose commercial use for which approval had not been requested and thus supplement the present complete reliance on floor checks." Id. p. 30

Selb Manufacturing Company concurs with the Comptroller General's conclusion that rent on Government-owned machinery should be computed on an