conscientiously attempting to comply with all of the requirements. We believe that we have a good property control system here at Raytheon. We are in the process of making it better, and I assure you we will continue to strive for improvement in this very important area.

I hope this reply is responsive to your request. Should you need any additional information, please feel free to contact Mr. Stephen W. Rowen, who is our Corporate Director of Government Contracts.

Sincerely,

THOMAS L. PHILLIPS.

This attachment identifies each section of the General Accounting Office Report by page and paragraph number with the Raytheon position stated directly beneath.

Raytheon maintains its control of Government property through the use of Property Administrators at each plant or laboratory. The basic policy for the administration of Government property is issued by the Corporate Director of Government Contracts in the form of a Government Property Manual. Each division implements the basic policy instructions with detailed procedures suited to the particular location.

Page 16, para. 4

(a) Raytheon Company had not screened the Defense Industrial Property and Equipment Center (DIPEC).

Partial Concurrence: The screening of DIPEC for items of special test equipment did not become a contractual requirement until early 1966. Upon receipt of the initial contracts requiring DIPEC screening, procedures were drafted to insure proper compliance with the new requirements. There was, however, an interim time when items of special test equipment were procured and screening of DIPEC had not been accomplished. We now have procedures to insure that all items of special test equipment valued at $1000 or more are being screened through DIPEC and certificates of nonavailability are received prior to the placing of any purchase orders for special test equipment.

Page 16, para. 5

(b) Raytheon Company had over 2400 items of test equipment on hand which were not presently needed but were being held for possible future use.

Nonconcurrence: The 2400 items which were stated as being held for future use were, in fact, items of test equipment which were required to maintain a specific production capability for the HAWK Program; including Basic HAWK, Self-Propelled HAWK, HAWK Improvement Program and Saudi Arabian HAWK. This requirement is contained in Contract No. DA–19–020–ORD–4030, Modifications 16 and 25. There may have been a misunderstanding concerning equipment not presently being used, but being held in reserve as spares. This equipment may have little utilization, but is necessary to maintain a pool of spares to replace equipment requiring calibration or repair. Whenever a determination is made that any item becomes excess to the needs of production and spares requirements, the proper disposition action is initiated through the local Government Property Administrator, and in turn to DIPEC is applicable.

The GAO Report states that these items were not reported to DIPEC. After a careful review, the greater percentage of items were found to be under $1000 in value and, therefore, not reportable to DIPEC.

(c) No system of use data had been maintained for industrial plant equipment.

Concurrence: We do not consider that it is the general industry practice to record and collect usage data on test equipment of this type through a formal and rigid reporting system. It has been determined that the cost associated with the initiation and maintenance of such a system would exceed the benefits derived. We will periodically review this position considering future business and the types of equipment involved.

Page 50, para. 2

(d) Policies provide for a complete inventory of special tooling at least once a year. We found that physical inventories had been taken only at the completion of contracts. Therefore, yearly inventories were not accomplished in accordance with the procedures.