

Concurrence: A physical inventory of special tooling is taken at the completion or termination of a contract. However, it should be noted that production equipment and plant equipment are inventoried on a cyclical basis. We are currently undertaking a program to inventory special tooling during the Year 1968. Special tooling history cards are also maintained in accordance with ASPR requirements and IBM reports are available reflecting additional information that may be desired concerning the special tooling.

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(e) There were occasions, however, when the prime contractor had requested the subcontractor to verify special tooling in its custody.

Concurrence: We are pleased that the GAO Report takes note of the fact that we maintain a policy of periodically requiring a physical inventory of special tooling at subcontractors' plants to be taken by the vendor and that the results of such inventory are reported to Raytheon. IBM reports are maintained to reflect the inventory verification as well as tool history records containing the subcontractor's name and the tools for which he is accountable.

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MATERIAL

(f) Financial accounting controls not maintained.

Nonconcurrence: Raytheon Company agrees that individual stock record cards as maintained by Inventory Control personnel for material in stores do not reflect the total value of the quantity of items in the stockroom according to the data reflected on the stock record card.

There is no requirement in ASPR to include such information on stock cards, nor has Raytheon found it necessary to establish a duplicate set of accounting records in this manner. Physical movement of material from such stockrooms is recorded on material control documents by personnel within the inventory control area. The pricing of such action is performed on a controlled basis by personnel within the Controller's Department to insure that the dollars for cost purposes flow with the material from stores to the appropriate account established to collect costs for the item being manufactured and/or shipped.

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(g) Physical inventory taking is ineffective.

Nonconcurrence: Physical inventory of Government material at the Andover Plant is accomplished on a cyclical basis by storekeepers. The stock record cards are maintained by the Inventory Control Section, and the personnel associated with this section are separate and not connected with the storekeepers who take the inventory. Raytheon also maintains a separate internal audit staff that periodically verifies physical inventories of Government material. The physical inventory procedures are so structured that one individual may not make any improper adjustments, and any adjustment required is reviewed by responsible management.