

INVENTORY OF GOVERNMENT-OWNED PROPERTY

DOD has failed to establish adequate controls over the inventory of its approximately \$15 billion of property furnished to contractors. Adequate property accounting records are not available in all of the plants. DOD has made an inadequate number of internal audits regarding the effectiveness of property administration at contractor plants.

Although Assistant Secretary Morris testified that the Defense Supply Agency has central knowledge of an inventory of some 400,000 tools valued at \$4.3 billion, more than half of this equipment is in the hands of contractors who maintain the only use records. In other words, the Government knows where this equipment is located, but only the contractors know how it is being utilized.

GAO, in the investigation requested by this subcommittee, found weaknesses in the control of special tooling due to deficient inventory practices, the absence of financial controls, and the absence of a requirement for surveillance by Government property administrators. In some instances, equipment was not even identified as Government property or in the property records. Contractors' accounting systems were found not providing for financial control. In most instances acceptable physical inventories of Government-owned material were not being taken properly.

Obviously, there have been serious departures from good property management practices.

RECOMMENDATION

12. The inventorying of all Government-owned property on loan to contractors should be expedited by all defense agencies. Proper controls should be established for each class of property.

USE OF GOVERNMENT-OWNED PROPERTY

There has often been a failure on the part of contractors to obtain proper authority for the use of Government-owned equipment on private, commercial work. Since 1957, contractors have been required to request prior approval from the Office of Emergency Planning for more than 25 percent non-Government use of Government-owned equipment. This requirement is not being complied with, nor are DOD contracting officers requiring compliance. A spot check has revealed instances in which contractors have used Government equipment for as much as 97 percent of actual production. In one case, an ammunition facility was used during the 9-year period ending September 1966, 80 percent of the time for commercial work.

These practices not only violate Government regulations, they constitute unwarranted subsidies to defense contractors who are thereby enabled to unfairly compete with others who have to purchase their own equipment, and to make excessive profits.

In addition, there is significant lack of uniformity in rental rates actually charged, inequities between contractors, and in some cases, reduced rent payments to the Government. In many instances, the Government is not receiving equitable compensation for the use of its property, especially where it is used without proper authorization.