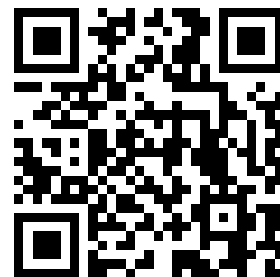

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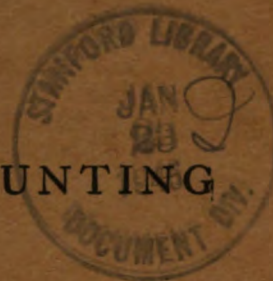
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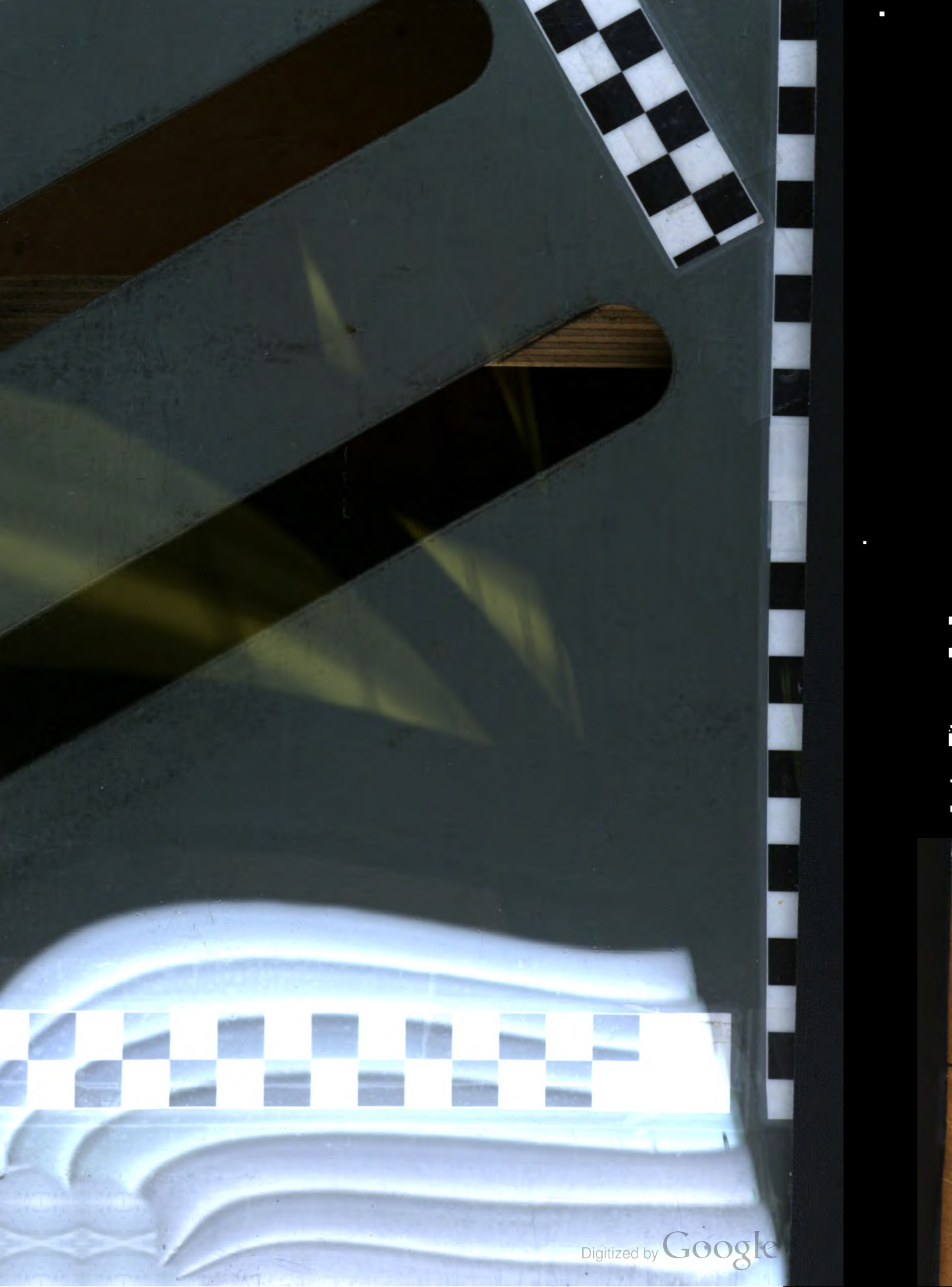
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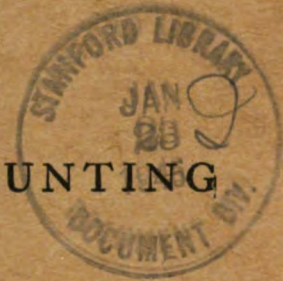
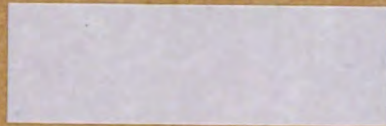


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records will be given consideration, provided advance approval for such action *with regard to class "B" property* is in all cases obtained from the chief of the technical service involved, or in the case of the Air Technical Service Command, Army Air Forces, from the chief of the industrial property accounts sections of the interested ATSC district, and further provided that:

a. The contractor's records meet the accounting requirements set forth herein and are adequate to protect the interests of the Government.

b. The contractor agrees in writing that such records will be subject to review and examination by Government representatives at any time during the period which he is obligated by Section 19a of the Contract Settlement Act or by contract to retain such records.

c. A selective check of the contractor's records as outlined in section XII is made by the accountable property officer.

In respect to existing contracts, nothing in the foregoing is intended to authorize the elimination of any contract clause or other written agreement with respect to the retention or disposition of records.

57. a. Except as provided in paragraphs 58 and 59, cataloged property (class "B") will be accounted for by individual item. Item control is facilitated by property identification numbers (sec. VIII) which will normally be placed on all items of this class of property. Records of class "B" property will include, as a minimum, the following information:

Name and description; accessories; motors and control apparatus (par. 58); size or capacity; manufacturer's serial number (if available); assigned property identification number; date received; property voucher number; building in which the item has been installed or, in the case of movable items, the building to which the item is assigned; and cost, showing, where practicable, a segregation of freight and installation.

b. Identical items of this class of property may be summarized for record purposes on one card or other suitable form. Records will be maintained and filed in a manner permitting prompt

location and identification of each item of class "B" property.

58. In lieu of preparing individual records of motors and control apparatus attached to or installed in other property, such items may be recorded on records of the property to which they are attached. Motors and control apparatus held in reserve for replacement purposes may be recorded on card records or other suitable forms by rated capacity or type. Manufacturer's serial numbers appearing on motors will not be required to be recorded.

59. Where equipment within a building or operating unit is interconnected in a continuous manufacturing process, such equipment may, for property accounting purposes, be grouped as one unit and one property record prepared in lieu of individual records for each article contained in the unit. If this procedure is followed, a general layout drawing of the unit must be filed in support of and cross-referenced to the property record.

60. It should be impressed upon the contractor that an accounting for each individual item of cataloged (class "B") property is required. To expedite the final settlement of contracts, contractors should be required to obtain the approval of the contracting officer prior to the removal of any class "B" property from the plant site, and currently to notify the contracting officer, through the accountable property officer, of each case of loss of class "B" property.

61. Accountable property officers are authorized to use the contractor's records for noncataloged (class "C") property in lieu of establishing Government records for such property, provided the requirements detailed in paragraph 56a, b, and c are complied with. Where the contractor's records of noncataloged property are not considered adequate in their present state for use in lieu of Government maintained records, immediate steps will be taken by the accountable property officer, through the contracting officer, to require the contractor to effect necessary changes in his records to the end that duplication of such property records may be eliminated. It is pointed out that cost-plus-a-fixed-fee supply contracts in general have provided that the system of accounting to be employed by the contractor shall be satisfactory to the contracting officer.

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61. Accountable property officers are authorized to use the contractor's records for noncataloged (class "C") property in lieu of establishing Government records for such property, provided the requirements detailed in paragraph 56a, b, and c are complied with. Where the contractor's records of noncataloged property are not considered adequate in their present state for use in lieu of Government maintained records, immediate steps will be taken by the accountable property officer, through the contracting officer, to require the contractor to effect necessary changes in his records to the end that duplication of such property records may be eliminated. It is pointed out that cost-plus-a-fixed-fee supply contracts in general have provided that the system of accounting to be employed by the contractor shall be satisfactory to the contracting officer.

62. The general nature and volume of class "C" property renders impractical a requirement for an accounting record identifying each piece or unit of this class of property separately as required for class "B" property. Where the contractor's records are used in lieu of Government maintained records, except in unusual cases, the contractor should be required to maintain inventory records showing quantities received, quantities issued for consumption, posting references, and balances available for issue, for all important items of raw materials, purchased and fabricated parts, assemblies, components, and supplies. Dollar volume of consumption, relatively high unit costs and the *sensitive* nature of property will be the governing factors in the selection of classes of property which should be recorded on inventory records. In all cases where inventory records are not required for raw materials, purchased and fabricated parts, assemblies and components, a simple item record of quantities received, showing receiving document reference, will be maintained. Consideration should be given to the desirability of a similar record of quantities received for items of manufacturing, maintenance, and office supplies where inventory records have not been established.

63. Inventory records relating to tools and other items to be issued to workmen for individual use which are in storerooms will be maintained in accordance with the provisions of paragraph 62. When such items have been issued from storerooms to crib attendants or other personnel making individual issues to workmen, such personnel charged with making individual issues will establish and maintain records of each item showing quantities received, quantities scrapped or otherwise satisfactorily accounted for, and balance remaining to be accounted for. Such personnel normally should transfer responsibility for the care and safekeeping of items issued to workmen which are required to be returned, by means of metal or plastic checks or written receipts acknowledging such responsibility.

64. Attention is invited to the provision included in a number of contracts to the effect that all articles of machinery or equipment costing a certain amount or less shall be classed as tools and charged directly to the work. This provision shall not be construed to eliminate the necessity of accounting for items of Government property of a value less than the amounts stipulated, in the same manner as outlined in this manual.

65. Adjustments to class "C" property accounting records necessitated by differences between balances as shown on the records and balances counted on physical inventory will be made by the contractor, subject to check by the accountable property officer as prescribed in section XII. Entries representing such adjustments will be clearly distinguished on the records from entries representing authorized withdrawals of property from stores. A separate file of documents supporting inventory adjustment entries will be maintained by the contractor for review by the accountable property officer.

66. The accountable property officer will maintain or cause to be maintained under his supervision a record of all completed products (end items) produced under the contract involved. The contractor's records of completed products (end items) may be used in lieu of setting up a duplicate set of Government records, provided the requirements set forth in paragraph 56 are complied with. Where there is no lapse of time between inspection and acceptance by the Government and shipment from the plant site, the record will consist of a summarization of quantities shipped. When end items are stored prior to shipment, the record will reflect quantities inspected and accepted, quantities shipped, and balances on hand.

67. The contractor's property records when used in lieu of Government maintained records shall be subject to audit by service command property auditors in the same manner as though maintained by the accountable property officer.

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WASHINGTON 25, D. C., 1 December 1944.

TM 14-910, War Department Industrial Property Accounting Manual for Cost-Plus-A-Fixed-Fee Supply Contracts, is published for the information and guidance of all concerned.

[AG 300.7 (23 Oct 44).]

BY ORDER OF THE SECRETARY OF WAR:

G. C. MARSHALL,
Chief of Staff.

OFFICIAL:

J. A. ULIO,
*Major General,
The Adjutant General.*

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For explanation of symbols, see FM 21-6.

FOREWORD

Changes to this manual will be supplied on a page basis, and will be published as required. As change pages are received they will be inserted in their proper places, and the replaced pages destroyed.

Each page of the manual bears a date in its upper inside corner. This date is the date of the publication. Pages which represent changes will carry the date of the change. For example, "C1," "C2," etc.

Paragraphs are numbered consecutively throughout the manual. Paragraphs carrying decimal suffixes indicate newly added material; for example, a paragraph numbered 12.1 represents the first main paragraph following paragraph 12.

Pages are numbered consecutively throughout the manual. If new pages are added within the manual, the added pages will carry alphabetical suffixes—"A," "B," "C," etc. For example, if a new page is added between 11 and 12, the page will be numbered 11A. A second additional page in the same place would be numbered 11B, etc.

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This manual supersedes War Department Industrial Property Accounting Manual, 16 February 1943

SECTION I

GENERAL

1. This publication represents a revision of the War Department Industrial Property Accounting Manual, 16 February 1943, and while the principles established in that manual have been continued, certain changes in procedures prescribed therein have been effected in this revision. This manual is applicable to all Government property furnished to cost-plus-a-fixed-fee supply prime contractors and their subcontractors, and to all Government property furnished to other supply contractors where it is determined in certain special circumstances by the Fiscal Director, Headquarters, Army Service Forces, that the provisions of the manual are appropriate. For the purpose of application of the manual, cost-plus-fixed-fee air carrier and modification contracts administered by the Army Air Forces shall be considered as supply contracts.

2. At manufacturing facilities under construction for the War Department, accountability for all Government property procured under direction of or furnished to the Corps of Engineers for incorporation, installation, or consumption in the construction of the facilities will rest with that service until the using service accepts the accountability for a "completed plant" or units thereof by formal transfer from the Corps of Engineers. Accountability for Government-owned construction tools and equipment under the control of the Corps of Engineers will likewise rest with that service. The using service and the Corps of Engineers will cooperate in the establishment of property accounting records for units of operating equipment installed under direction of the Corps of Engineers to the extent that records as prepared in the first instance will meet the requirements of and may be used for the purposes outlined in this manual.

3. The provisions of AR 35-6520, 35-6560, 35-6620, 35-6640, 35-6680, and 35-6720, as amended, are not applicable, except as provided

in paragraphs 94, 96, and 98, hereof, to property within the scope of this manual.

4. For the purposes of this manual, terms used herein are defined as follows:

a. "Contract," unless otherwise specifically stated, refers to and includes prime supply contracts, and all subcontracts thereunder; "contractor" refers to and includes the prime contractors and subcontractors under such contracts.

b. "Contracting officer" includes the officer so designated, his successors, or his authorized representatives.

c. "Accountable property officer" refers to the officer or civilian property agent (par. 6) charged with maintaining required property accounting records.

d. "Accountability" means the requirement for carrying out the duties placed upon an accountable property officer by the provisions of this manual including the requirement for maintaining records of Government property as prescribed herein.

e. "Responsibility," in respect to Government property, means a charge for the care, safekeeping, and proper use of such property; responsibility, in case of misuse, loss, damage or destruction, may involve pecuniary liability.

f. "Technical service" refers to the technical services of the Army Service Forces, and to the Air Technical Service Command and the Air Transport Command of the Army Air Forces; the term "chiefs of the technical services" includes the commanding generals of the above mentioned commands of the Army Air Forces.

g. "Government property" refers only to property owned by the Government and administered by the War Department.

h. "Furnished to" refers to and includes all methods whereby Government property comes into the possession or control of contractors pursuant to the terms of their contracts.

i. "Shipping document," includes War Department Shipping Document, Vendor's Shipping Document, and Shipping Ticket, or other authorized forms in use at the installation concerned.

5. An accountable property officer must be designated for each *prime* contract under which Government property is to be furnished to a contractor. The same accountable property officer may be designated for contracts with more than one contractor. The designation of more than one accountable property officer for a prime contract may be authorized by chiefs of technical services where operations under the prime contract are conducted at more than one location. Except where accountable property officers specifically have been designated for subcontracts pursuant to the provisions of paragraph 10, the accountable property officer for a *prime* contract will be charged with the duty of maintaining property accounting records for Government property connected with all subcontracts of the prime contract under which Government property is furnished to the subcontractor. In all cases the contractor will be appropriately notified of the official station of the accountable property officer designated for his contract and of any change in such station.

6. The chiefs of technical services are authorized to designate civilians as property agents to assume and maintain accountability for Government property furnished to contractors provided bond is furnished by the civilians as prescribed in AR 35-220, as amended before entering on such duty.

7. Where a contractor is working under more than one contract with the same technical service, the same person may be designated as the accountable property officer for all contracts involved. In such cases, with the approval of the chief of the interested technical service, or the procurement district supervisor in the case of the Air Technical Service Command, a common set of property records may be maintained for all the contracts.

8. Where a contractor is engaged simultaneously upon work under contracts with more than one technical service and where conditions warrant, the same person may be designated as accountable property officer for all the contracts. Requests for authority to make such an arrangement will be forwarded through channels to the Fiscal Director, Headquarters, Army Service

Forces. In all cases of this nature a separate set of property records must be maintained for each technical service.

9. The provisions of paragraphs 7 and 8 shall apply also where the contractor is engaged upon work under fixed price and cost-plus-a-fixed-fee contracts, except that in no case will a common set of property records for a fixed price and a cost-plus-a-fixed-fee contract be authorized.

10. The designation of a separate accountable property officer for a subcontract may be authorized by the chief of the interested technical service only in those cases where Government property is regularly supplied to the subcontractor from sources other than the prime contractor, or where the number of items and quantity of property involved are such that a more complete and accurate accounting control over the property can be accomplished under the supervision of an accountable property officer stationed at or near the subcontractor's plant than would be possible by requiring the prime contractor to account for the property under the supervision of the accountable property officer at the prime contractor's plant. The designation of more than one accountable property officer for a subcontract may be authorized by chiefs of technical services where operations under the subcontract are conducted at more than one location.

11. a. To relieve himself of the duties of an accountable property officer with respect to a subcontract under conditions outlined in paragraph 10, the accountable property officer for the prime contract will, in accordance with procedures prescribed by the chief of the interested technical service, request the procurement district, or similar agency in which the subcontractor's plant is located to—

(1) Designate an accountable property officer for the subcontract.

(2) Advise the fiscal director of the interested service command of such designation.

(3) Notify the accountable property officer for the *prime* contract involved as to the person designated, the effective date, and action with respect to (2) above.

b. The accountable property officer for the *prime* contract will not be relieved of his duties with respect to a particular subcontract unless advice is received from the appropriate procurement district as provided in (3) above and, when

necessary, transfer of accountability is accomplished pursuant to the provisions of section X, or special procedures authorized by the Fiscal Director, Headquarters, Army Service Forces.

12. *a.* In every case where a property account is initially established, a copy of the letter or order appointing the accountable property officer will be forwarded by the authority making the appointment to the fiscal director of the service command in which the new account is located. The letter or order will contain the following information:

- (1) The name of the account.
- (2) Name, grade, branch, and serial number of the accountable property officer.
- (3) Official mailing address of the accountable property officer.

b. It is not necessary to supply this information for each contract, but only when the designation or appointment involves the establishment of a *new* or *separate* property account.

13. The accountable property officer will familiarize himself with the provisions of the contract relating to property matters, particularly with regard to quantities and description of facilities, unit or total quantities of components to be furnished, and the degree of responsibility placed upon the contractor. Such information will be given consideration in determining the manner in which the property shall be accounted for.

14. It is recognized that in many cases the property account of an accountable property officer may include records of Government property other than that furnished to contractors. In such cases, the accountable property officer is authorized to treat the records relating to Government property furnished to contractors as a separate section of his account, and to establish and maintain property voucher number series for this section separate and distinct from series for other Government property for which he is accountable. The provisions of this manual apply only to property accounts or sections thereof covering Government property furnished to contractors.

15. In carrying out his duties, the accountable property officer will be obliged, in many cases, to delegate certain duties to assistants. Where circumstances warrant it, an accountable property officer may authorize such assistants to sign property vouchers and papers for and in the name of the accountable property officer, providing that the authority in each case is given in writing. One copy of this authority will be given to the authorized assistant, one copy retained by the accountable property officer, and one copy given to the interested contractor. When required by AR 35-1040, as amended, a copy accompanied by the authenticated specimen signatures of the assistant will be forwarded to the disbursing officer concerned. The accountable property officer is charged with supervision of his assistants to the extent necessary to insure that the duties assigned are executed in a manner which adequately protects the interests of the Government.

16. Problems arising in the interpretation of provisions of this manual, or those which cannot be solved by reference to it, should be referred to the chief of the technical service concerned. Requests for authority to deviate from procedures prescribed in this manual will be addressed, thru channels, to the Fiscal Director, Army Service Forces. In this connection, chiefs of technical services are authorized to publish instructions to implement this manual to the extent necessitated by problems peculiar to their service. Only instructions of a wide or general application will be included. Each such instruction will be serially numbered in a separate series for each technical service and concurrence of the Fiscal Director, Headquarters, Army Service Forces, will be obtained prior to publication.

17. When contracts under which Government property is furnished to War Department contractors have been completed and the related property records have been audited and cleared, the accountable property officer's records and papers may be stored as prescribed by the chiefs of the technical services. Such records will not be destroyed without prior approval of the Fiscal Director, Headquarters, Army Service Forces.

SECTION II

ACCOUNTABILITY AND RESPONSIBILITY

18. Government property is usually furnished to contractors by one of the following methods:

- a. Direct purchase by the contractor for the account of the Government.
- b. Withdrawal from contractor-owned stores for direct charge to the contract.
- c. Shipment from another War Department installation or contractor's plant.
- d. Direct purchase by the Government for shipment to the contractor's plant.

19. Accountability for property purchased by a contractor for the account of the Government will inhere in the designated accountable property officer for the contract involved when the Government receives executed copies of the receiving reports covering such property. The burden shall be upon the accountable property officer to determine that he has been furnished with executed copies of receiving reports for all such property. This determination may be made by review of the Government files of Public Vouchers (Standard Form 1034), covering reimbursement to the contractor for the cost of property purchased by him for Government account.

20. Accountability for property withdrawn from contractor-owned stores for direct charge to the contract will inhere in the designated accountable property officer for the contract upon receipt by the Government of the contractor's claim for reimbursement.

21. Accountability for Government property shipped to the contractor's plant from a War Department installation or plant of another War Department contractor (regardless of the type of contract involved at the shipping plant) will inhere in the designated accountable property officer upon delivery of the property to the carrier by the shipping installation or plant; and the receiving accountable property officer must initiate and follow to conclusion necessary action

with respect to any discrepancies in shipments. The accountable property officer will determine by means of advance copies of shipping documents received, observation of the presence of property in the contractor's plant, and the contractor's routines with regard to routing of documents acknowledging receipt of property, that he has been furnished copies of shipping documents for all such property. When shipping documents are missing, he will take action to secure copies.

22. Accountability for Government property furnished to a contractor by direct Government purchase and shipment to the contractor's plant will inhere in the designated accountable property officer for the contract involved when he receives an executed copy of the receiving report covering such property.

23. The contractor has responsibility for Government property furnished to him. In general the extent of his responsibility and the consequent standard of care to be exercised by him are governed by the terms of his contract. The contractor's liability, if any, for loss, damage, or excessive use or consumption of property in a given instance will necessarily depend upon all the circumstances surrounding the particular case and must be considered and determined in accordance with and pursuant to the provisions of the applicable contract. In no event will a report of survey be necessary to determine the *liability of a contractor*. (See par. 103.)

24. It is recognized that except in unusual circumstances an accountable property officer is not charged with and, in practice, is unable to exercise control over Government property furnished to contractors. Accordingly, an accountable property officer does not have responsibility for Government property furnished to a contractor unless in addition to his duty of accountability for the property he has also been charged specifically with its care and safekeeping. Likewise, an ac-

countable property officer in the absence of collusion on his part would not be pecuniarily liable in the event of improper care, handling, disposition, or use of Government property by a contractor.

25. Relief of an accountable property officer from accountability will be effected in accordance with the provisions of section X.

26. It is the administrative function of the chiefs of the respective technical services to prescribe the duties of contracting officers or other Government personnel with respect to measures to be taken by contractors for the protection of Government property and precautions against its careless use or mishandling. (See letter, War Department, AG 461 (7 Dec 43) OB-P-SPFCK-MB-A 14 December 1943, subject "Administrative

duties with respect to care and handling of Government property in hands of contractors.")

27. Contracting officers as such do not have responsibility for Government property furnished to contractors. A contracting officer who fails to carry out the duties prescribed in this manual, as well as any other administrative duties which may be placed upon him with respect to the contractor's care and handling of Government property (par. 26), may, in appropriate cases, be subjected to disciplinary action for dereliction of duty.

28. In the event an accountable property officer is unable to obtain within a reasonable period of time the necessary action of a contracting officer as prescribed in this manual, the accountable property officer is authorized to report such occurrence to higher authority.

SECTION III

CLASSIFICATION OF PROPERTY

29. All Government property furnished to contractors, for purposes of this manual, will be treated according to property classifications prescribed in this section.

30. Class "A"—plant and grounds.

This classification includes land, buildings, structures, roads, bridges, culverts, sidewalks, railroad tracks, utility systems, and utility plants. Fixtures, appliances, and equipment such as lighting fixtures, ventilating units, radiators, water systems, etc., *which have been permanently incorporated in or attached to buildings or structures*, will become a part of the specific building or structure involved and will be accounted for on class "A" property records. (See sec. VI.)

31. Class "B"—cataloged property.

This classification consists of all the larger units of property, other than that falling in class "A," which may easily be traced. This class includes such items as machines, motors, locomotives, cranes, tractors, automobiles, platform scales, etc. It also will include all equipment, office furniture, appliances, instruments and tools for use in manufacturing, operating, construction, and laboratory activities, which are not placed in class "C" in accordance with the provisions of paragraph 32. In this connection, master inspection gauges (gauges used to calibrate standard and special inspection gauges) will in all cases be classified as class "B" property.

32. Class "C"—noncataloged property.

This classification includes all raw materials, parts, components, assemblies, subassemblies and manufacturing, operating, maintenance, office, cafeteria, laboratory, dormitory and hospital supplies. In general, class "C" will include all property for which it is not practicable to account by individual pieces or which will be consumed or will lose its identity by being incorporated in or attached to other property in manufacture, repair, maintenance, operation, or construction. The

following types of tools, equipment, and other property, within the limitations indicated, will be considered as class "C" property:

a. All special tooling equipment and special inspection gauges. This will include tooling equipment and inspection gauges designed for and limited to use in production of the particular product contracted for. Examples of tooling equipment which in most cases may be considered as "special" are templets, jigs, patterns, fixtures, and punching, forming and drawing dies, and tools.

b. Standard tooling equipment and standard inspection gauges where the cost of each tool or gauge, or set of tools or gauges is \$50 or less. Standard tooling equipment will include items which are designed for broad use in machining or other manufacturing operations. Examples are cutting, grinding, drilling, and polishing tools.

c. All guard force and other uniforms and safety clothing such as gloves, coveralls, rubber aprons, safety shoes, etc.

d. Items of property as detailed below when the unit price does not exceed \$25:

(1) Portable power and hand tools such as hammers, drills, wrenches, etc.

(2) Laboratory equipment such as beakers, test tubes, clamps, balance scales, testing devices, etc.

(3) Cafeteria equipment such as tableware, trays, kitchen utensils, etc.

(4) Hospital equipment such as surgical instruments, enamelware, cots, etc.

(5) Office equipment, except for office furniture such as chairs, desks, tables, costumers, and filing stationery, and clothing cabinets. In this connection, items of nominal value such as waste baskets, desk mail trays, transfer cases, small card file boxes and articles such as chairs, stools, etc., which are fabricated locally and will in all probability be scrapped upon completion of work will, for the purpose of property classification, be considered as class "C" property.

(6) Miscellaneous shop equipment such as waste containers, stools, hand trucks, dollies, etc.

33. Where the classification of property is dependent upon its dollar cost, the costs may vary as between individual lots because of quantity discounts or price changes. Costs of the first lot received will govern in classifying lots subsequently received. Any cash discounts and transportation charges involved will be disregarded in determination of costs for purposes of classification. In the event unit costs or prices are not available, engineering estimates may be used in determining classification.

34. When any part of the contractor's property records are used in lieu of maintaining a duplicate set of Government records (sec. VI), the contractor's routines should provide for classifying

all Government property received by him for use on his contract. This may be accomplished by placing on receiving documents the symbol "B" opposite those items of property which are determined to be class "B" property. This marking must be shown on copies of receiving documents intended for the Government property voucher files as well as those to be retained by the contractor for property accounting purposes. All other items listed on receiving documents and not so marked will be considered as class "C" property. Classification of property as determined by the contractor will be reviewed by the accountable property officer or his designated assistants and will be subject to their final approval.

SECTION IV

RECEIVING AND INSPECTION

35. In connection with the receipt of property purchased by the contractor for Government account which will involve the accomplishment of Public Voucher (Standard Form 1034) by the *contracting officer*, the preparation of War Department receiving report forms is not mandatory since these forms are not required as supporting evidence for the Public Voucher, and the contractor's receiving report may be used in lieu of Government forms provided:

a. Such receiving report, in the opinion of the contracting officer, is suitable in form.

b. Sufficient copies of the receiving report are made available to meet the Government's needs in its administrative audit, the maintenance of property records, and other requirements as may be established by the contracting officer.

36. Where Public Voucher (Standard Form 1034) covering property purchased by the contractor for Government account is accomplished by the contracting officer, disbursing officers will not require the submission of copies of individual receiving reports related thereto. In all such cases; contracting officers must furnish currently to the disbursing officer, a memorandum copy of each such public voucher without attachments. Disbursing officers will transmit these copies to the fiscal director of the interested service command.

37. With respect to the receiving and inspection of materials and other property, it is unnecessary for the contracting officer to require Government employees designated by him to duplicate completely the quantity check and quality inspection performed by the contractor in connection with materials and other property received for use on a contract provided:

a. Written evidence of quantity receipt, quality inspection, and acceptance is obtained from the contractor in accordance with the provisions of paragraph 42. When the contractor's quality inspection functions are not conducted simultane-

ously with the quantity check, the contractor's routines should provide for advising the accountable property officer of the results of such inspections when completed.

b. The contracting officer satisfies himself that the contractor's technical methods of quality inspection are competent, that the contractor's procedures with respect to quantity receipt and physical and accounting control of such materials and property conform to good commercial practice and that all such methods and procedures are adequate to protect the interests of the Government.

c. The contracting officer, by frequent observation, assures himself that such procedures and methods are being effectively carried out.

38. When the provisions as outlined in paragraph 37 have been met, the contracting officer shall require only such counts and inspection by Government employees as in his judgment are suitable in the circumstances. The contracting officer will designate in writing a Government representative to be charged with the administration of the Government selective test count and inspection procedure. Ordinarily, this function should be assigned to the accountable property officer. This Government representative is authorized to rely upon quality inspection performed by Government technical inspection personnel assigned to the contract. The following procedures with respect to quantity check and quality inspection will be complied with.

a. QUANTITY CHECKS. (1) A Government checker will obtain the accountable property officer's copy of the contractor's receiving report prepared by the contractor on the basis of counts made by his employees and independently check the count on a surprise basis. In exceptional circumstances where the contractor's routines do not provide a copy of the receiving report for quantity checking purposes, the Government checker will prepare an independent tally-in sheet and will obtain the record of the count performed by the contractor's checker for comparison.

(2) All differences will be immediately reconciled and, where correction has been required, the Government checker will sign the contractor's record and the contractor's checker will sign the Government's record as evidence that the counts are in agreement. If a Government tally-in sheet is prepared, it will be attached to the related property voucher in the Government's file. If the check has been made against the copy of the contractor's receiving report which serves as a property voucher, a suitable notation indicating the results of the check will be made thereon by the Government checker.

b. **QUALITY INSPECTION.** (1) Where the quantity check includes quality inspection by a Government employee, the extent of such quality inspection will be noted on the Government tally-in sheet or receiving report copy.

(2) Where "delayed" inspection of material is made by a Government employee the extent of such inspection will be noted on an inspection report or on an inspection copy of the contractor's receiving report which will be signed by the Government employee making the inspection and furnished to the Government representative charged with the administration of the Government selective count and inspection procedure for subsequent attachment to the related property voucher in the Government's files. In this connection, the burden is upon the accountable property officer to determine that adequate procedures are in effect to insure that the Government administrative auditor is apprised of all instances of rejection of material by inspection personnel.

c. **APPROVAL OF RECEIVING REPORTS.** (1) The Government representative, or his delegate, charged with the administration of the Government selective count and inspection procedure will review *all* receiving reports to determine that Government personnel are appropriately carrying out the test count and inspection procedure. Based

on such review and relying on the procedure authorized in paragraphs 37 and 38, he shall execute the following certificate on all receiving reports which are approved by him:

"Approved in accordance with the requirements of the Industrial Property Accounting Manual.

_____"
(2) The foregoing certificate, for Government purposes, is required only on the copy of the receiving report to which the Government auditor refers in carrying out the administrative audit of the contractor's claim for reimbursement.

39. The procedure as outlined in paragraphs 37 and 38, is considered adequate to permit the accomplishment of Public Voucher (Standard Form 1034) by the contracting officer in connection with the receipt and inspection of materials and other property which involve the preparation of public vouchers. These procedures will be observed with respect to the receipt of all Government property regardless of the method by which it is furnished to a contractor.

40. The contracting officer will require the contractor to furnish appropriate notification of all tools, machinery and equipment fabricated by the contractor for use on the contract. This may be accomplished by use of copies of the contractor's work order or other appropriate form. Advise as to actual unit costs of such items will not be required for property accounting purposes. Engineering estimates may be used when unit costs are required to determine property classification, etc.

41. The receipt of materials and other property withdrawn from contractor-owned stores and charged directly to the contract will be recorded on the contractor's stores requisition or other suitable forms.

SECTION V

CONTRACTOR'S RECEIPT

42. The accountable property officer must obtain written acknowledgment of receipt of all Government property furnished to the contractor. The contractor's receiving report, shipping documents, or other forms listing the property, as prescribed herein, may be used to obtain the contractor's acknowledgment of receipt and in all cases these documents must be signed by persons authorized by the contractor to receive and accept property on behalf of the contractor. A written statement listing the names of persons so authorized will be obtained from the contractor by the accountable property officer and he will review the documents to ascertain that they are appropriately receipted.

43. It is imperative that these receipted documents be obtained since they represent the Government's basic records of Government property furnished to the contractor. Except as provided in paragraph 44, the accountable property officer will retain the receipted documents in his own files.

44. Where the contractor's routines have not provided for furnishing copies of the contractor's receiving reports and stores requisitions used to record property withdrawn from *contractor-owned* stores, to the accountable property officer for his own files, the accountable property officer is authorized to rely upon the files of such documents maintained by the Government administrative auditor *provided* these files are readily available to the accountable property officer for use in carrying out the duties imposed upon him by the provisions of this manual.

45. War Department instructions require that when Government property is shipped to a War Department contractor for use on his contract, the shipping officer, in addition to furnishing a copy of the shipping document to the accountable property officer for the contract, will forward a minimum of two copies to the contractor and instruct him to acknowledge receipt of property on

one copy and furnish it to the designated accountable property officer for the contract. The contractor will retain the other copy. When it is the regular procedure to obtain the contractor's acknowledgment of receipt on copies of the shipping documents and no copies of such documents have been received, the accountable property officer should request that acknowledgment of receipt of the property be furnished on the contractor's receiving report, tally, or equivalent form.

46. Acknowledgment of receipt of Government property received from another War Department installation or contractor may be accomplished on a copy of contractor's receiving report or on the accountable property officer's copy of the shipping document. Where the former procedure is followed, the accountable property officer's copy of the shipping document furnished to him by the shipping station will be attached to his copy of the contractor's receiving report.

47. Tools, machinery, and equipment manufactured in the contractor's plant for use on the contract will be receipted for by the contractor on copies of his own work orders or other appropriate forms furnished to the accountable property officer.

48. The accountable property officer will request the contracting officer to furnish him periodically with lists of all tools and tooling equipment, which were charged to cost-plus-a-fixed-fee contracts through overhead and the title to which is in the Government. The accountable property officer will obtain the contractor's acknowledgment of receipt on such lists.

49. If a prime contractor has furnished a receipt for Government property shipped to a subcontractor under a subcontract for which the accountable property officer for the prime contract is also accountable, it will not be necessary for that officer to secure acknowledgment of receipt from the subcontractor. Shipments from a prime contract

to a subcontract for which a separate accountable property officer has been designated will require a transfer of accountability. (See par. 97.) In such cases the accountable property officer for the subcontract will comply with the provisions of paragraph 42.

50. Access to Government's files containing the contractor's acknowledgment of receipt as prescribed herein will be restricted to Government personnel. Use of these files by the contractor will be under the direct supervision of Government personnel.

SECTION VI

ACCOUNTING FOR PROPERTY

51. The provisions of this section refer only to those statistical, engineering, or accounting records upon which data with regard to property are summarized, as distinguished from documents evidencing receipt or disposition of property, or registers in which such documents are listed. The records will be maintained in the manner prescribed in this section and must be kept in such condition that, at any stage of completion of work under a contract, adequate information will be readily available to disclose the amount of any loss, damage, destruction, or excessive use of Government property.

52. Contractors must of necessity maintain some form of accounting records for all Government property furnished to them in order to satisfactorily prosecute the work. Detailed records of buildings, machinery and equipment are necessary for routing production, planning changes in plant lay-out, controlling maintenance activities, etc. Inventory records of raw materials, components, tools, manufacturing and operating supplies, etc., are required for such purposes as coordinating purchases with scheduled production and the accumulation of cost data. It is imperative that duplication of records and the resulting increase in costs be minimized, taking into consideration the necessity of adequately protecting the interests of the Government. This can be accomplished by using the contractor's records to a large extent in lieu of maintaining a duplicate set of Government records.

53. Records of class "A" property shall consist of maps, drawings, plans and specifications supplemented, where necessary, to reflect building installations such as heating, electrical, sanitary, ventilating, drainage, and sprinkler systems. The records will be maintained in such condition that information required to complete the OCE Forms 290 series will be readily available. (Reference: Circular letters and other instructions of the Office of the Chief of Engineers on the subject of trans-

fers of new construction, and paragraph 104 of this manual.) Where the maps, drawings, plans, and specifications do not adequately reflect descriptive data as to building installations, supplemental records thereof will be maintained. The foregoing records will be appropriately indexed to insure their completeness.

54. Contractors will maintain class "A" records under the supervision of the accountable property officer and will make appropriate changes in the records to reflect alterations, additions or extensions to class "A" property.

55. Certain contracts provide that the contractor will be reimbursed by the Government for the cost of specified modification, or rearrangement, of contractor-owned plant or facilities necessary for commencement of work under the contract, and also for the cost of installing Government furnished facilities. To provide information in a form necessary to effect satisfactory settlement under such contracts, accountable property officers and contracting officers will make a joint review of the Government property involved to determine, so far as possible, those items which may have salable or utility value to the Government either in their original state or as salvage. Detailed records will be established for items of Government property having salable or utility value, and only descriptive summary records will be prepared for items of no apparent salable or utility value. With respect to projects under contracts which have provided the Government with only a lien or other nontitle interest, descriptive summary records of the property should be prepared. For the purpose of this manual, property described in this paragraph will be designated as class "B," but no marking of the property for identification will be required.

56. The possibility of using the contractor's records of cataloged property (class "B") in lieu of maintaining a duplicate set of Government

SECTION VII

NUMBERING AND REGISTERING VOUCHERS

68. The purpose of assigning property voucher numbers and maintaining voucher registers is to provide—

a. A basic Government record of all documents reflecting property furnished to the contractor or his relief from responsibility therefor.

b. Control over the use of such documents retained in Government files to insure that the accountable property officer will have indexed and available documents showing the numbers used as posting references on the property records and bearing the contractor's receipt for all Government property which is furnished to the contractor under his contract.

c. A system for assuring that all property documents required for Government files are received, properly authenticated, and filed.

69. Each receiving report, shipping document, written advice of the contracting officer, report of survey, or other document constituting a voucher to the property account will be assigned a property voucher number in consecutive order within the proper series. These numbers will be used as posting references for entries to the property accounting records or a suitable cross reference will be established which will effect a ready reference from the vouchers to the postings in the case of debit documents and from the postings to the documents in the case of credit documents. Where such action will facilitate the processing of documents, without defeating the purpose set forth in paragraph 68, accountable property officers are authorized to establish more than one series of property voucher numbers. It will not be necessary to establish new series at the beginning of each fiscal year.

70. Where more than one series of property voucher numbers is established, an identifying prefix or suffix will be included in each series, or the posting reference will readily distinguish the series of documents from which the posting was made.

71. Where the contractor's receiving report forms are serially prenumbered, the serial numbers appearing on such forms may be used for property accounting purposes in lieu of assigning separate property voucher numbers, provided the receiving report numbers are maintained in unbroken series.

When this procedure is followed, the maintenance of a register of property vouchers is not considered necessary for this type of document provided they are filed in binder files in consecutive order and all numbers accounted for currently.

72. If, in accordance with paragraph 44, the accountable property officer relies upon the files maintained by the Government administrative auditor instead of maintaining separate copies of receiving reports and requisitions from *contractor-owned stores* in his own files, it will not be necessary to register such documents in a voucher register.

73. Where documents evidencing receipt and acceptance of end items containing class "C" property are controlled by means of consecutive shipment numbers under the contract, the assignment of property voucher numbers to and the registration of such credit documents is not required.

74. Lists of tools and tooling equipment, and copies of work orders covering tools, machinery, and equipment fabricated by the contractor from materials withdrawn from either Government-owned or contractor-owned stores, which are furnished to the accountable property officer pursuant to the provisions of paragraphs 47 and 48, will be assigned property voucher numbers and will be treated as vouchers to the property account.

75. a. A register of property vouchers for each series of voucher numbers will, except as provided in paragraphs 71, 72, and 73, be maintained by the accountable property officer on WD, AGO Form 10-140 or its equivalent. Vouchers will be recorded in the register in numerical order showing:

- (1) Date.
- (2) Description, such as receiving report, shipping document, etc.
- (3) Contract number.
- (4) Document number assigned by the originator.
- (5) Class of property (if desired).

b. Where the accounting records are maintained by the accountable property officer, the procedures will provide for proper notation upon the register of the accomplishment of posting of data on the vouchers to the property records and for the prompt investigation of vouchers not so completed.

SECTION VIII

MARKING PROPERTY FOR IDENTIFICATION

76. Except as provided in paragraph 82, all Government-owned machinery, tools and equipment furnished to contractors will be marked, where practicable, with the letters "U.S." or other Government ownership designation, such as the name or abbreviation of the technical service, procurement district, or installation. Property should be marked before it is placed in use, preferably at the time of or prior to receipt. (See par. 80.) Markings will be placed on property in such a way that they will not be easily obliterated.

77. To facilitate current control, final inventory, and ultimate disposition of class "B" property, a property identification number will be assigned to and included in the marking of each article. Where special drawing or part numbers have been assigned to class "B" property such numbers may be used for property identification purposes. When more than one of the same article are associated with a special drawing or part number, individual identification will be accomplished by the addition of numerical suffixes -1, -2, etc. In all other instances of property required to be identified by number, the numbers need not be restricted to a single series for a given property account, provided the numbers used in marking are supplemented by distinctive numerical or letter symbols to preclude duplication.

78. Motors and control apparatus which are or will be installed in or attached to other class "B" property need not be assigned an individual property identification number. Marking with the letters "U.S." or other Government ownership designation will be sufficient.

79. Assigned property identification numbers will be shown on all applicable receiving reports, shipping documents, or other vouchers to the property account.

80. The assignment of identification numbers in advance of receipt of property will facilitate both the work of tagging and recording the property. In instances where the contractor purchases property for Government account, the contractor, where practicable, should provide for the assignment of identification numbers at the time purchase orders are placed. Appropriate identification tags for affixing to property prior to shipment will be supplied when required.

81. Marking property may be accomplished by etching, stamping, or attaching metal or plastic tags. Except in unusual cases, the work of marking property will be done by the contractor and it will be subjected to check by the accountable property officer. (See par. 119.)

82. The marking of perishable tools falling within the classification of noncataloged class "C" property may be omitted at the discretion of the contracting officer in those cases where—

a. No tools of the same type owned by the contractor, his employees, or other agencies are in use in the plant.

b. Adequate physical control over Government-owned tools is maintained through the use of tool checks or similar devices, and by plant protection methods.

SECTION IX

CONTROL OF SCRAP

83. "Scrap" includes the following which originate from Government furnished property:

a. Cutting and processing waste, such as chips, cuttings, borings, turnings, short ends, circles, offal, trimmings, clippings, and remnants.

b. Spoiled partially manufactured materials, parts, and assemblies, including parts and assemblies damaged in handling or installation.

c. Damaged and obsolete supplies, packing materials, and containers, small tools, and special equipment originally classified as noncataloged property.

84. The provisions of this section are not applicable where the terms of a fixed-price prime contract or subcontract provide for the retention by the contractor of the scrap produced with due allowance for its value in prices to be billed.

85. Except for the provisions of paragraph 90, this section shall not apply to these classes of scrap produced where—

a. Adequate data are available, based on experience under similar contracts, to determine the reasonableness of the quantities of the scrap and further provided, that the Government's procedures include computations, or review of prime contractor's computations in the case of subcontracts, based on such data and that adequate procedures for proper recovery of the value of the scrap by the Government are provided in all cases.

b. The value of the scrap resulting from operations under the contract is insignificant considering the cost of instituting procedures prescribed herein.

86. The contracting officer will assure himself that the contractor's procedures regarding the physical control of scrap and the related accounting records conform to good commercial practice and are adequate to protect the interests of the Government.

87. The contractor's procedures must include the following:

a. In the case of defective material, determination of an appropriate charge to the vendor.

b. Appropriate inspection and study to determine the possibility of reworking or converting the scrap resulting from operations under the contract.

c. Prompt accumulation and storage of the scrap produced, under adequate protection.

d. Recording the scrap on accounting records, as it is accumulated at the contractor's plant or reported by a subcontractor, to provide the basis for an accounting control over weights or other units of measure.

e. Sorting of scrap, including segregation of the various analyses of metals where involved, to prevent contamination.

f. Recording of shipments out of the plant on the accounting records, with adequate internal control to insure proper recovery by the Government of the value of all scrap so removed.

88. In addition to satisfying himself that the contractor's established procedures are adequate, the contracting officer will assure himself by actual observation and frequent review that procedures are effectively being carried out to protect the interests of the Government.

89. The relative value of scrap produced under the contract, together with local circumstances, will govern the extent of safeguards to be provided to insure protection of the Government's interests. In some instances provisions should be made by the contracting officer for requiring Government employees to verify weights or other units of measure of scrap as accumulated and to report the weights to the accountable property officer for use in ascertaining that equitable recovery by the Government is made.

90. Contractors will be required to report scrap accumulations to the contracting officer at the intervals and in the manner prescribed by the contracting officer.

91. The administrative duties of the contracting officer with respect to the control of Government-owned scrap as outlined in this section, in all cases where practicable, should be delegated to the accountable property officer since such duties bear a close relationship to the functions performed by the accountable property officer in accounting for property furnished to the contractor.

92. Where a contractor is engaged upon work involving both Government-owned and contractor-

owned material from which scrap of a uniform nature is produced, the physical segregation of Government-owned and contractor-owned scrap may be impracticable. In such cases it will be necessary for the contracting officer to determine the respective credits by a proration on the basis of weight of material consumed, preferably by classes, or some other basis which will result in an equitable recovery by the Government. In such cases the provisions of this section are applicable.

SECTION X

RELIEF FROM ACCOUNTABILITY

93. a. Relief of an accountable property officer from accountability for property furnished to contractors may be accomplished by one of the following methods:

- (1) Adjustment of discrepancies in shipments received.
- (2) Shipment of Government property from a contractor's plant.
- (3) Report of Survey.
- (4) Sale of property.
- (5) Transfer of nonrepairable property to salvage officers.
- (6) Consumption of property in performance of the contract.
- (7) Transfer of records to another accountable property officer.
- (8) Written advice of the contracting officer.
- (9) Relief from accountability at contract completion or termination.

b. Each of the above methods is described in paragraphs below.

94. Adjustment of discrepancies in shipments received.

Discrepancies in quantities or evidences of damage disclosed upon the receipt of Government property which is shipped on a Government bill of lading from another War Department installation or contractor's plant, will require action prescribed in AR 35-6640, as amended, and in section IV, War Department, Circular 147, 1943, as amended. These procedures will be incorporated in TM 14-904 (when published).

95. With respect to property purchased direct by the contractor for the account of the Government which is shipped on a commercial bill of lading, the burden of adjusting any discrepancies disclosed upon receipt of such property rests with the contractor.

96. Where property acquired by the contractor

for the account of the Government is purchased under an agreement providing for title to the property to vest in the Government at the vendor's plant, discrepancies in quantities of evidences of damage will be adjusted as provided below:

a. If it is *obvious* that the carrier is not responsible for a *shortage* disclosed in connection with a shipment received at the contractor's plant from a vendor on a Government bill of lading or on a commercial bill of lading for conversion to a Government bill of lading (par. 33b, AR 55-150), in accomplishing the prescribed notation on the reverse of the bill of lading pursuant to the provisions of paragraph 28e, C1, AR 55-150, a statement will be included to the effect that the carrier is not responsible for the discrepancy, and the instructions set forth in paragraph 28d of the cited regulation with respect to weights to be receipted for, will be observed. The contractor should prepare his receiving report to reflect only the actual quantity of property received and payment to the vendor by the contractor should be governed by the facts reflected on such receiving report. Under the circumstances outlined in this subparagraph a Report of Survey is not necessary.

b. In those cases where doubt exists as to who is responsible for a shortage incident to a shipment received and in all cases where damage is involved, discrepancy notation should be made on the Government bill of lading and a Report of Survey initiated. The question as to whether the vendor is to be paid in full by the contractor before final determination as to responsibility for the discrepancy is a matter for determination by the interested contracting officer, taking into consideration, among other things, the reliability of the vendor concerned. In this connection, such a problem is common under those cost-plus-a-fixed-fee operations where the contractor follows the practice of "delayed" quality inspection.

(1) If decision is made to authorize payment of the vendor in full pending final determination

as to responsibility for the discrepancy, notation should be made on the Government's copies of the contractors' receiving reports as to the discrepancy and the fact that a Report of Survey has been initiated. Where the survey proceedings result in a determination that the vendor is responsible, recovery from the vendor should be effected by the contractor and a statement that such action is to be taken should be made on the Report of Survey. The accountable property officer through the Government administrative auditor should determine whether or not satisfactory settlement is effected and in those cases where it appears impossible for the contractor to recover from the vendor, report of the circumstances, including reference to the Report of Survey previously forwarded, should be sent to the Property Accounting and Audit Branch, Office of the Fiscal Director, Headquarters, Army Service Forces, for appropriate action.

(2) If the vendor has been paid for only the quantity of the property received in good condition and in the survey proceedings it is determined that the vendor is not responsible, then a receiving report covering the balance of the shipment involved should be initiated and payment therefor made by the contractor to the vendor. If it is determined that the vendor is responsible he should be so notified. In either case, the Report of Survey should indicate the action taken.

c. In those unusual cases where the carrier has acknowledged responsibility for shortage or damage (par. 28e (3) (b), AR 55-150), discrepancy notation should be made on the Government bill of lading and a Report of Survey initiated. In such cases, the contractor may pay the vendor in full for the shipment and the Government in turn may reimburse the contractor for such payment. Notation will be made on the Government's copies of the contractor's receiving report as to the discrepancy, the fact that the carrier has acknowledged responsibility, and that a Report of Survey has been initiated.

d. The provisions of section V, War Department Circular 165, 1944, should be observed in all cases of discrepancies incident to shipments received from Army and Navy Consolidating Stations.

e. In processing Reports of Survey on cases discussed in this paragraph, the procedures prescribed in paragraph 4, AR 35-6640, as amended by section IV, War Department Circular 147, 1943, should be followed to the extent applicable

and necessary correspondence with the vendor should, where practicable, be handled by the contractor for the Government. In this connection, the preparation of over, short, and damaged reports as provided in paragraph 2a, section IV, Circular 147 is not required.

97. Shipment of Government property from a contractor's plant.

Where Government property is shipped to another contractor or a War Department installation, transfer of accountability, where necessary, will be accomplished by means of shipping documents or other forms authorized for use in lieu thereof. For shipments to contractors, a minimum of four copies of the shipping document will be necessary. One copy will be sent to the receiving accountable property officer, one will be retained by the shipping officer, and two copies will be sent to the receiving contractor. The receiving contractor will be instructed to sign and forward one copy to the receiving accountable property officer. With respect to shipments to other than contractors, a minimum of two copies will be necessary. One copy will be forwarded to the receiving officer, and the other will be retained by the shipping officer. When accountability for property in an unserviceable condition is to be transferred to another accountable property officer the accountable shipping officer must list the property on a separate shipping document and include the following statement on it:

The property listed hereon is in an unserviceable condition. Appropriate inspection by those concerned with determination of responsibility for its condition has been made.

(Signed) _____
Accountable shipping officer

98. Report of Survey.

In addition to Reports of Survey prepared under the provisions of paragraphs 94 and 96, the Report of Survey procedure, as provided in AR 35-6640, as amended, and TM 14-904 (when published), will be followed in all instances of property lost, destroyed, or damaged beyond repair (except when the contractor assumes the liability) where the accountable property officer is unable to exhibit an acknowledgment of receipt by the contractor of the property involved. Any question as to the contractor's liability in such cases will be referred to the contracting officer for action as prescribed in paragraph 103 and his

written findings will be attached as an exhibit to the Report of Survey.

99. Sale of property.

Government property which is sold or exchanged by the *contractor* at the direction of the contracting officer within the scope of appropriate authority, receipts from which have been credited against reimbursements due to the contractor, may be dropped from accountability by the accountable property officer by means of Government shipping documents or copies of the contractor's shipping documents (when such transactions are processed by the contractor) bearing appropriate reference to the contracts of sale or exchange, or purchase orders involved. When a sale of property is made by the *Government* to a third party, the following procedures will be observed:

a. Except as provided in b below, when the sale is made by the contracting officer under the contract to which the accountable property officer is assigned, WD Form 325 (Account of Sealed Public Property at Public Auction or on Sealed Proposals) will be prepared. The original and three copies will be forwarded to the disbursing officer, together with the proceeds of the sale; one copy will be retained by the accountable property officer as a temporary voucher to his account; and, in accordance with the provisions of AR 35-780, one copy, signed by the officer turning over the funds, will be forwarded by him to the appropriate Army Audit Branch of the General Accounting Office. The disbursing officer will be requested to return a signed copy of WD Form 325 to the accountable property officer in acknowledgment of receipt of the funds. Such receipted copy will constitute a valid credit voucher to the property account.

b. AR 35-6660, as amended, requires that when property is sold under a contract or agreement which provides for delivery from more than one point of storage, or for deferred payments, an individual officer will be designated by the activity administering the sales contract to maintain a record of the property so disposed of. When property is shipped under such a contract, the accountable property officer will list the property on a shipping document, prepared in quintuplicate, stating thereon the date of sales contract under which the property was sold, the name of the purchaser if other than the consignee, and the official designation of the activity by whom the contract of sale was made. Copies of the shipping document will be distributed as follows:

(1) One copy retained by the accountable property officer as a temporary voucher to his account.

(2) One copy forwarded to the consignee.

(3) Two copies sent to the officer charged with accounting for the property, as provided in AR 35-6660, as amended, with the request that he receipt one copy and return it to the accountable property officer. This receipted copy will serve as a valid credit voucher to the property account.

(4) One copy sent to the Fiscal Director of the Service Command in which the station of the officer charged with accounting for the property under the provisions of AR 35-6660, as amended, is located.

100. Transfer of nonrepairable property to salvage officers.

When nonrepairable property is transferred to a salvage officer pursuant to the provisions of section IV, Procurement Regulation No. 7, the lists of the property supported by the order of the contracting officer directing the transfer as provided in the cited regulation will serve as an acceptable credit voucher. In such circumstances where there is any question of a contractor's liability for condition of the property, the written advice of the contracting officer must also be obtained. (See par. 103.)

101. Consumption of property in performance of the contract.

No clear-cut or concise method for relief from accountability, such as an acceptable credit voucher, is provided for class "C" property consumed by the contractor in the normal process of manufacture and plant operation in performance of the contract. Although detailed records of productive materials and manufacturing and other supplies are not required to be maintained for property accounting purposes after issuance of such items from stores, selective checks as prescribed in section XII are required to determine that such items are used for proper purposes and in reasonable amounts in performance of the contract. As to such items of class "C" property, accountability may be stated to terminate upon satisfactory compliance by the accountable property officer with all applicable provisions of the manual.

102. Transfer of records to another accountable property officer.

a. When an accountable property officer is relieved from such duty by appropriate authority, transfer to his successor of accountability for Government property in the possession or control of contractors and which is included in the property account will be affected by the execution of the following certificates:

(Place)	(Date)
<p>I certify that to the best of my knowledge and belief records of Government property furnished to contractors under contracts for which I have been designated the accountable property officer have been established and that such records reflect a true accounting of all Government property so furnished. These records, which constitute (a part of *) the property account of.....</p> <p>(Designation of account)</p> <p>and accountability for the property involved, have been transferred on this date to</p> <p>.....</p> <p>(Name of successor)</p> <p>pursuant to.....</p> <p>(Order directing transfer)</p> <p>(Signed).....</p> <p>(Officer transferring accountability)</p> <p>*Delete if not appropriate.</p> <p>I certify that I have this date accepted the records and assumed the accountability for property as described above for which my predecessor was accountable.</p> <p>(Signed).....</p> <p>(Officer receiving accountability)</p> <p>Approved:</p> <p>.....</p> <p>Commanding</p>	

b. Three copies of the certificate of transfer will be made. One copy will be retained by the officer who is relieved of the accountability, one will be filed with the property records, and one copy, together with a copy of the orders directing the transfer, will be sent immediately to the fiscal director of the service command concerned.

103. Written advice of the contracting officer.

Any question as to the contractor's liability for loss, damage, destruction, wear, or excessive use or consumption of Government property will be determined in accordance with the applicable terms and provisions of the contract. Ordinarily this will involve a dispute concerning questions of fact to be determined by the contracting officer under the appropriate contract clause. (See par. 326, Procurement Regulations.) Report of Survey procedure will not be used to determine the contractor's liability. Relief from accountability for Government property involved will be accomplished as prescribed in this paragraph.

a. When class "B" property is lost, destroyed, or damaged beyond repair while in the contractor's possession or control, the contracting officer will require that such occurrences be reported to him as they become known. The contracting officer will advise the interested accountable property officer in writing of the items and amount of loss involved, his findings regarding the contractor's liability, the amount of liability assumed by the contractor, if any, together with a brief statement of the facts surrounding the loss.

b. Certain contracts under which Government-owned facilities are furnished to a War Department contractor for use on work under the contract, have provided that the contractor will keep the facilities in good operating condition and repair, and that he will make repairs and replacements to the extent the necessity for repairs and replacements is due to wear and tear resulting from operations. When property in the possession of a contractor under terms of contracts outlined above is to be returned to the Government by the contractor because it is no longer needed or because it is unsuitable for further use, the contracting officer will advise the accountable property officer in writing of his findings with respect to the contractor's liability, if any, under the applicable contract provisions.

c. The nature and volume of class "C" property renders impracticable the handling of each case of loss or damage of such property in the manner prescribed in a above, for class "B" property. Reasonable losses of and instances of damage to property of a nature of that classified as class "C" are expected in any manufacturing or processing operation. An exact determination of individual losses or instances of excessive consumption of class "C" property normally cannot be made until quantities in the possession or con-

trol of contractors are determined by physical count. Inventories will be taken as frequently as practicable and in the manner prescribed by the contracting officer. When inventory adjustments or usage checks disclose losses or when instances of damage are discovered by the accountable property officer, which in his opinion are unreasonable and which have not been reported by the contractor, the accountable property officer will prepare a statement of the items and amount of the loss involved, the evidence upon which the statement is based, and the reasons for considering the loss unreasonable. Such statements will be submitted to the contracting officer who will advise the accountable officer of his findings regarding the contractor's liability, the amount of liability assumed by the contractor, if any, together with a brief statement in support of his findings.

d. Where losses, instances of destruction, or damage beyond repair, of definite lots of class "C" property occur in other than manufacturing operations while such property is in the possession or control of a contractor, the contracting officer will advise the accountable property officer of his findings in the manner prescribed in *c* above.

c. When completed products (end items) are lost, destroyed, or damaged beyond repair while in the possession or control of the contractor, action as prescribed in *a* above, will be required.

f. Except as prescribed in paragraph 98, the contracting officer's written advice of his findings will serve as an acceptable credit voucher provided:

(1) Such advice is supported by or appropriately cross referenced to shipping documents (par. 97) or lists (par. 100) covering the disposition of any unserviceable property involved.

(2) In instances where the contractor is held liable for losses, such advice is supported by evidence that the appropriate Government office has received notification to effect collection or cross reference is made to the Public Voucher (Standard Form 1034) on which deduction has been made.

g. An extra copy of the contracting officer's written advice to the accountable property officer regarding questions of contractor's liability for property as prescribed in this paragraph in all cases will be prepared and held by the contracting officer for the service command property auditors.

104. Relief from accountability at contract completion or termination.

Where class "A" property is to be transferred to the Corps of Engineers from the using service, the following procedure will be observed:

a. The contracting officer and the appropriate division engineer, or their authorized representatives, will supervise a complete physical inventory of all class "A" property prior to transfer.

b. Any discrepancies in property accounts developed by the inventory will be adjusted by means of written advice from the contracting officer as provided in paragraph 103.

c. Transfer will be accomplished on the OCE Forms 290 series supported by up-to-date maps, drawings, plans, and specifications. (See par. 53.)

105. Relief of the accountable property officer from accountability for class "B" property at contract termination or completion will involve the following requirements:

a. A joint physical inventory of the property by the contractor and Government representatives.

b. A comparison of the inventory with the established records of such property to determine existing shortages and a report of all shortages to a contracting officer.

c. Where necessary, a joint inspection of the property by the contractor and contracting officer to determine its condition.

d. A written advice of the contracting officer in accordance with paragraph 103 as to the contractor's liability, if any, for the condition or shortages of property.

e. The authorized transfer, sale, or other disposition of the property listed in the inventory.

106. Relief of the accountable property officer from accountability for class "C" property at contract termination or completion, except as provided in paragraph 107, will involve the following requirements:

a. A joint physical inventory by the contractor and Government representatives of the quantities of each item remaining in the possession or control of the contractor.

b. Determination by the contracting officer of any losses of such property for which the contractor is responsible under the terms of his contract, taking into consideration—

(1) So far as it is practicable to make the computation, quantities of items incorporated in com-

pleted products delivered to the Government under the contract with due regard for spoilage.

(2) Reports of shortages of such property which are made to the contracting officer by the accountable property officer from a comparison of inventoried quantities with the available related records of the Government or the contractor.

c. A written advice of the contracting officer as to his findings under b above.

d. The authorized transfer, sale, or other disposition of the items remaining in the possession or control of the contractor.

The joint inventory of noncataloged property will be conducted immediately upon receipt of orders from competent authority to cease work on the contract or upon completion of the work thereunder.

107. a. In those instances where the contractor is engaged upon work under other cost-plus-a-fixed-fee contracts which have not been completed or terminated, and where pursuant to the provisions of paragraph 7 a common set of property records has been maintained for all contracts, the contracting officer, when he deems it advisable, is authorized to waive the requirement for a physical inventory of class "C" property involved. However, an inventory of all such property to be removed from the plant must be taken and disposition indicated on the inventory. The following certificate will be prepared and signed in duplicate by the contractor and the contracting officer:

We hereby certify that all Government-owned class "C" noncataloged property as defined in TM 14-910, which was purchased or acquired for cost-plus-a-fixed-fee contract No. and not used or consumed in connection with the manufacture of completed products (end items) under such contract, was combined with class "C" property purchased or acquired for cost-plus-a-fixed-fee contract No. (*except for such materials as were included in the inventory dated which specifies materials to be removed from the plant).

Contractor

.....
Date

.....
Title

.....
Contracting officer

*Insert when appropriate.

b. One of the copies of the executed certificate as prescribed above will be vouchered and filed by the accountable property officer with his property account. The other copy will be given to the contractor.

108. It is pointed out that diligent performance by the accountable property officer of the duties which are imposed upon him by the provisions of this manual will greatly facilitate his final relief from accountability at the termination or completion of the contract to which he is assigned.

109. The taking of the joint physical inventory of property as provided in paragraphs 104, 105, and 106, or the signing of the certificate provided in paragraph 107 will not serve to release the contractor from responsibility for such property unless the Government accepts physical possession of the property simultaneously with the inventory.

SECTION XI

PROCEDURES FOR REPORTING LOSSES

110. It is recognized that to some extent losses of property by the contractor are unavoidable in the performance of the contract and fall under the category of losses normally experienced by a prudent manufacturer. In any event, the liability of the contractor for such losses is a matter for determination in accordance with the applicable contract terms. (See par. 103.)

111. The nature of the duties assigned to contracting officers and accountable property officers with respect to losses of property by the contractor, whether or not the contractor is held liable, necessitates an independent review of such losses as provided in subsequent paragraphs of this section.

112. As a part of their field audits of property accounts to which the provisions of this manual apply, property auditors of the service commands will—

a. Obtain the file of written advices of property losses held for them by the contracting officer pursuant to the provisions of paragraph 103.

b. Reconcile this file of written advices with credit property vouchers in the accountable property officer's possession.

c. Satisfy themselves that the written advices in all cases contain the information required in paragraph 103.

d. Submit the file at completion of the audit to

the fiscal director of the interested service command.

113. The fiscal director of the service command will review such files submitted by property auditors and, taking into consideration the circumstances enumerated below, will consider the desirability of reporting specific cases through established channels to the chief of the technical service concerned:

a. Any indication of improper action or negligence by the contracting officer or the accountable property officer in dropping the property from the property accounting records.

b. The number of losses which have previously occurred in connection with the particular contract.

c. The monetary value of the loss.

d. The physical nature of the property.

114. If the fiscal director of the service command concludes that further action is desirable, he will communicate in writing with the chief of the technical service concerned after obtaining all available facts.

115. Upon review of the written communication, further appropriate action will be initiated by the chief of the technical service if the facts so warrant. In all cases, the chief of the technical service concerned will notify the fiscal director of the service command of his decision.

SECTION XII

SELECTIVE CHECK OF PROPERTY RECORDS

116. Satisfactorily to discharge his duties with respect to accounting for Government property furnished to a contractor, the accountable property officer's work must include on a *continuing* basis the following:

a. Verification of the accuracy of the contractor's property accounting records where such are relied upon in lieu of Government maintained records.

b. In all cases, regardless of whether the records are maintained by the contractor or the accountable property officer—

(1) Physical checks of representative portions of all classes of property connected with the contract.

(2) Review of the contractor's consumption of noncataloged property.

117: It is recognized that contractors' methods for physical and accounting control of Government property will vary between contractors as well as between individual contracts. Consequently, it is impossible to prescribe a detailed program for selective check of Government property to be followed without variation on all contracts. Subsequent provisions of this section are intended as a general guide for the accountable property officer in establishing programs to fit the peculiarities of the contract or contracts to which he is assigned based on his study and clear understanding of the contractor's procedures. In this connection, it is suggested that the accountable property officer familiarize himself with the provisions of TM 14-1000, "Administrative Audit Procedure for Cost-Plus-A-Fixed-Fee Supply Contracts," which covers the subject of internal control and application of selective check procedures. Such manual will normally be available in the office of the Government administrative auditor connected with the contract.

118. Class "A"—plant and grounds.

As provided in section VI, the contractor will maintain the records for class "A" property.

a. VERIFICATION OF RECORDS. Physical changes to buildings, utility plants and systems, roads, fences, etc., which are observed by the accountable property officer should be noted and a subsequent check made of maps, drawings, plans, specifications, and supplemental records, to determine that such changes are reflected thereon.

b. PHYSICAL CHECKS. The accountable property officer at such intervals as he may deem necessary, should select records of a number of units of class "A" property and by physical inspection of such units determine that the records are complete and properly reflect any additions, extensions, or alterations.

119. Class "B"—cataloged property.

The requirement of accounting for individual items of cataloged property makes possible a relatively simple and exact procedure for a check of this class of property.

a. VERIFICATION OF THE CONTRACTOR'S RECORDS. The accountable property officer should select from his files a representative number of debit property vouchers which include items of class "B" property. A comparison of these vouchers with the contractor's records of cataloged property should then be made to determine whether adequate records have been established for all items of class "B" property included on the voucher selected. (See par. 57.) In this connection, all credit entries on the contractor's records should be examined and the credit vouchers supporting such entries reviewed to determine their propriety.

b. PHYSICAL CHECKS. The two methods of physical checks described below will be made to verify the existence of property, check the completeness of the property records, and test the efficiency of the contractor's work of marking property.

(1) *From records to property.* The accountable property officer should select a number of cataloged property items as recorded on the property

records and by means of property identification numbers and location shown on such records inspect the property involved to verify its existence.

(2) *From property to records.* A number of items of cataloged property should be selected by the accountable property officer by physical inspection in the plant and a notation made of property identification numbers and description of such items. The property records should then be reviewed to determine whether the property involved is properly recorded.

120. Class "C"—noncataloged property.

The relatively large quantities and numerous transactions involved in accounting for this type of property present many problems in effecting a satisfactory check and in many instances necessitate the employment of over-all rather than detailed checks. For purposes of discussion of checking procedures, noncataloged property will be grouped in three broad classifications as follows:

a. Productive materials, including raw materials purchased and fabricated parts, components, subassemblies, and assemblies.

b. Tools and equipment not classed as cataloged property.

c. Manufacturing and other supplies such as fuel, lubricants, maintenance materials, cleaning, plating, and heat treating supplies, office, laboratory, and hospital supplies.

121. Verification of records.

The first step in the check of any of the three types of noncataloged property outlined above should, in all cases, be the determination that quantities received have been appropriately recorded on the contractor's records which are maintained for such property, that is, inventory records or item records of quantities received. (See pars. 62 and 63.) A number of debit property vouchers including noncataloged property should be selected from the Government files and compared with the contractor's records to determine that appropriate recording has been effected. Emphasis should be placed in this test verification on items of relatively high unit cost, large dollar volume of consumption, and *sensitive* nature. Test inventories and tests of credit postings of a sufficient number of items will be made to establish the credibility of the stores records and encourage accuracy on the part of the contractor's record keeping personnel.

122. Inventory adjustments.

The contractor's documents supporting inventory adjustments will be reviewed with a view to selecting for investigation all adjustments which, after consideration of unit value, volume of transactions, previous adjustments, and sensitive nature of items, appear to be unreasonable. Detailed investigation will be made to determine as far as possible whether such adjustments represent actual losses of Government furnished materials, and, if so, the cause of such losses. If the adjustments are found to be due to record keeping errors, the contractor will identify the error on the record. If the number of adjustments is large, consideration should be given to requiring the adjustments to be summarized according to similar items of property by the contractor's personnel in a manner which will indicate offsetting adjustments. If, in the opinion of the accountable property officer after investigation, adjustments represent unreasonable losses of Government property, they will be reported to the contracting officer, together with a statement as to all known circumstances, for his written advice as provided in paragraph 103.

123. Usage of productive materials.

Normally, the contractor's organization will include a production planning department responsible for the orderly flow of work through the plant. One of the functions of such a department is to control the flow of productive materials from stores to the plant floor. The material control system employed by the contractor will often provide the accountable property officer a means for an over-all test of the contractor's use of items of productive materials. It is, therefore, essential that the accountable property officer obtain a complete description and have a clear understanding of such system.

a. In cases of certain productive materials where the quantities involved are not excessively large or are readily susceptible to count, a current reconciliation of total quantities furnished with quantities incorporated in delivered products, plus work in process, quantities in stores and materials scrapped, can be accomplished.

b. In those cases where a reconciliation as outlined above is not feasible, withdrawals of a representative number of productive materials from stores for a given period as shown on the contractor's stores inventory records should be reviewed to determine whether such withdrawals are in excess of established requirements for the

manufacture of the items produced. In this connection, investigation should be made to determine the allowances which have been made in the established requirements for normal losses in the process of manufacture, and the nature of any factors resulting in consumption in excess of such requirements.

c. Where, because of the nature of the items selected, the checks described in a and b are not practicable, the checks prescribed in paragraph 126 will be substituted.

124. Usage of tools and equipment.

Steps involved in a check of items of tool crib property accounted for as provided in paragraph 63 include:

a. Review of the contractor's stores records to determine that tool crib property received by the contractor as evidenced by property vouchers has been appropriately recorded on such records. (See pars. 121 and 122.)

b. Comparison of a number of disbursements shown on stores records with individual tool crib records to determine that the latter records reflect the receipt of items issued to the cribs by general stores.

c. Count of a representative number of items of property in tool cribs, together with related metal or plastic checks or signed receipts evidencing the issue of such tools, etc., and comparison with balances shown on crib records.

d. Verification of a number of metal or plastic checks or signed receipts by location and inspection of the items of tool crib property in the possession of plant employees.

e. Review of credit entries to tool crib records to determine their propriety.

125. Usage of other items issued for individual use.

The provisions of paragraph 124 shall be applied in reviewing the usage of items of guard force uniforms, safety clothing, and other items issued to workmen which are required to be returned.

126. Usage of manufacturing and other supplies.

Where records showing quantities received, issued, and on hand are maintained by the contractor for manufacturing and other supplies, the steps in the check of such items should include—

a. Comparison of a representative number of property vouchers to property records to determine that receipts have been properly recorded.

b. Review of a representative number of with-

drawals to determine that they are supported by properly approved requisitions.

c. Count of selected items and comparison with balances shown on the stores records.

127. The checks outlined in paragraphs 123 through 126, often may be simplified considerably by conducting such checks on a departmental basis or on the basis of separate manufacturing operations and by including relatively short periods of time.

128. In the check of noncataloged property the accountable property officer should constantly consider the reasonableness of the contractor's consumption of such property when quantities consumed cannot be directly associated with and measured by the number of items produced under the contract. The accountable property officer's familiarity with operations under the contract through day to day association should prove useful in judging the reasonableness of quantities consumed or purchased where only simple item records of purchases are maintained. (See par. 62.) Where such checks are made by Government inspection personnel, the accountable property officer should secure copies of reports of such employees, and the information contained therein should be used to facilitate the work of the accountable property officer outlined herein. Indications of excessive consumption of noncataloged property should be thoroughly investigated by the accountable property officer and if, in his opinion, the facts so warrant, the results of such investigations should be brought to the attention of the contracting officer.

129. Working papers outlining the scope of the check and items covered will be prepared currently by the accountable property officer and maintained by him as a permanent record of his work. Working papers will be designed to show the steps taken in making the required checks with regard to each class of property, the nature and frequency of errors corrected by the contractor as a result of the checks, and cross-reference to any written advices of the contracting officer resulting therefrom. The file of working papers will be relied upon as one of the most important indications of the condition of the accounting records maintained by the contractor, the proper usage of property furnished under the contract, and efficient and consistent performance of duty on the part of the accountable property officer and personnel assigned to duty under him.

