

is awarded. In view of the effectiveness of postaward audits in identifying information available to contractors but undisclosed to contracting officers at the time of negotiation and in identifying inaccurate, incomplete, and noncurrent cost or pricing data submitted and certified to by contractors, it seems essential that the Department of Defense established some organized procedure for a postaward review—at least on a selective basis—of the data used in negotiating contract prices. Audit procedures set forth in the Defense Contract Audit Manual issued in July 1965, provided for only general surveillance of this area and not for regularly scheduled selective postaward reviews.

In our draft report submitted to the Department of Defense, we proposed that, in order to achieve the benefits, intended by enactment of Public Law 87-653, in negotiating fair and reasonable prices on the basis of contractors' full disclosure of accurate, complete, and current significant cost or pricing data, the Secretary of Defense consider requiring that—

1. The Defense Contract Audit Agency establish a program for regularly scheduled postaward reviews of selected contracts as a required element of the Department of Defense procurement management review process.

2. Contracting officers evaluate the need for postaward audits of contracts awarded on the basis of certified cost or pricing data that they have reason to believe may not be accurate, complete, or current or may not be adequately verified and, in such instances, specifically request the Defense Contract Audit Agency to make a postaward audit.

3. The Armed Services Procurement Regulation be revised to provide that a clause be included in all negotiated contracts which exceed \$100,000—except when the price negotiated is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation—granting the contracting officer or his authorized representatives the contractual right to examine all data, including books, records, and documents generated during the contract period, considered necessary for verifying that the data submitted and used in establishing the contract price were accurate, complete, and current at the time of the contract negotiation and award.

The Assistant Secretary of Defense (Comptroller) has advised us that the Department of Defense agreed that there is a need for regularly scheduled postaward audits and that steps were being taken to implement our proposals.

[Index No. 10—B-125056, Mar. 11, 1966]

REVIEW OF THE MANAGEMENT OF INVENTORIES BY THE ARMY MAP SERVICE, WASHINGTON, D.C., DEPARTMENT OF THE ARMY

In October 1964, of a total of \$1.1 million invested in inventory of map-making and other supplies, approximately \$700,000 was excess to the current needs of the Army Map Service. We found that a combination of (1) inaccurate stock records, (2) incorrect usage data, and (3) unnecessarily high stock levels had been a major contributing factor