

parently, with the renegotiating of contracts. They are apparently simply to continue to take a contract that has been negotiated, follow through for deficiencies, compliance, and so forth, but they were not involved in the original negotiations and, therefore, not involved in the negotiations themselves.

But, inasmuch as you have touched on the problem of turnover of personnel and lack of expertise, would you comment on this specific effort on the part of the Defense Department to create a special service?

GAO REPORT ON DCAS

Mr. STAATS. Perhaps I might respond first, Congressman Curtis, by referring to a report which we just sent to the committee. It was sent to this particular Subcommittee on the development of the Defense Contract Administration Services, and our suggestions with respect to strengthening and improving the work of that service.⁹

Representative CURTIS. Very good.

Mr. STAATS. This is a very recent one. If I could read one paragraph—

Representative CURTIS. Please do.

Mr. STAATS (continuing). Which I believe summarizes better than anything else I could say on the subject:

During our survey we observed a number of areas which we believe warrant further management attention. These areas include (1) military department's retention of plants and contract administration function—

that is the function not having been centralized yet, but we feel it should be centralized—

(2) elimination of delays in the payment of contractors' invoices and loss of cash discounts reported at \$2.3 billion for the year ending November 30, 1966—

that is the figure only with respect to those areas that we checked—

and (3) agency efforts to anticipate and minimize delinquencies in contract deliveries, (4) agency technical evaluations of contractors' price proposals, (5) agency efforts to eliminate unneeded quality assurance inspection requirements imposed by procuring activities.

We feel this is a desirable development, we applaud it. We think that these are things that ought to be looked at by the Defense Department in an effort to try to improve on it.

Representative CURTIS. Thank you very much. My time is up.

Chairman PROXMIRE. Unfortunately, that is another vote I have got to go down for. But let me ask a couple of questions.

GAO REPORT ON "TRUTH IN NEGOTIATIONS," FEBRUARY 1967

The Cleveland Plain Dealer series also mentioned a GAO report issued in February.¹⁰ You say in this report that the Defense Department has been derelict in not requiring its contractors to adopt formal business-like cost estimating systems. Apparently the Defense Department's own auditors, not just the GAO, have been urging this same step for some 10 years.

⁹ Comptroller General's Report B-161328, May 8, 1967.

¹⁰ Staff study, 1967, p. 176.