

IMPORTANCE OF COST ESTIMATING SYSTEMS

Will you please tell the committee why estimating systems are so important.

Mr. STAATS. Well, this, of course, goes to the heart of the negotiations. Unless the Government has the basis of estimating what the costs are going to be, has the data with which to enter into those negotiations, then it is likely to be kind of one-sided.

Chairman PROXMIRE. This is because, as you have well-documented, such a small percentage of the procurements are competitive. Therefore, you have to rely on cost estimating systems to get a fair price.

Mr. STAATS. That is correct.

Chairman PROXMIRE. How do you account for Mr. McNamara's tardiness in this area?

Mr. STAATS. Well, again, about all I can say on this is there's been considerable progress made in this area, but there is a lot more to be done.

Chairman PROXMIRE. Are you satisfied with their February report, with their answer to your February report? Their response?

Mr. WEITZEL. They certainly have been cooperative in what they said they were going to do. [Laughter.]

Mr. WEITZEL. I am not saying that facetiously. They have to have time, but they did, as I recall, adopt our proposals and said they were going forward with them.

Mr. NEWMAN. That is right.

VOLUME OF BUSINESS REQUIRES A SYSTEM

Mr. WEITZEL. We feel that because there are so relatively few GAO auditors and, Defense Department auditors, although there are 3,600 of the Defense ones, compared to the total volume of procurements, the more you can systematize and get a reliable system in operation in a contractor's own operations, the more dependable that will be and the less independent review work will have to be done after an estimating system is appraised.

Chairman PROXMIRE. This is another very important reason for your "truth in negotiation" compliance.

Mr. NEWMAN. Correct.

Chairman PROXMIRE. Your limited auditors.

NEED FOR FEEDBACK FROM DCAS TO DCAA

Mr. WEITZEL. In that same report we also suggested, as I recall, that the defense contract audit people should make broader reviews of contract pricing proposals. They should have better access in some cases to the contractors' records, and also there should be more feedback from the contract administration people—the contracting officer to the auditor—so that the auditor can see whether his recommendations are used and adopted. As I recall, Mr. Newman, the Defense Department, responded that they were taking steps to put this into effect. The access to records may be a rather difficult one in some cases.