

POSTAUDIT SYSTEM

Chairman PROXMIRE. About a year ago you issued a report urging the Defense Department to adopt a postaudit system on defense contracts. That is to check back to see whether the Government had been cheated.

Do you mean to say the Department had no such program of its own until you prodded it into adopting one?

Mr. NEWMAN. That is correct, sir.

Chairman PROXMIRE. No program of this kind?

Mr. WEITZEL. This was a postaudit program as I recall.

Chairman PROXMIRE. Isn't it logical that they should have something like that?

Mr. WEITZEL. To us, yes, sir.

GAO AND DOD DISAGREEMENT ON INTENT OF ACT

Mr. NEWMAN. Yes. You must understand, Mr. Chairman, from the period December 1962 to October 1964 we were having serious discussion with the procurement people in defense.

When the Truth in Negotiations Act came out we interpreted the act differently than they did. Of course, we helped write it. As a result there was quite a bit of discussion in getting out the ASPR's. When the original ASPR's were put out, we didn't agree with them. We kept constantly prodding them to make changes and it wasn't until about October 1964, almost 2 years later, that the ASPR's were put in such shape that we could live with them.

Now, all that was going on up to October 1964.

DCAA POST AWARD AUDITS

Now you must realize that the Defense Contract Audit Agency prior to the time it was set up, was in the three different departments, and they all had different regulations. So the Defense Contract Audit Agency had just been established about a year, when in February 1966 we issued a report telling them they should make postaward audits. Immediately by March 1966 they had an audit program. However, as I understand it from figures that have been submitted to us, they made very few postaward audits up to the end of 1966.

Chairman PROXMIRE. How is it working now?

Mr. NEWMAN. We haven't had a chance to look at it.

Chairman PROXMIRE. At the end of 1966, which is quite recent.

Mr. NEWMAN. Yes, sir.

Chairman PROXMIRE. It hadn't done as much as you would expect.

Mr. NEWMAN. Well, for instance, one DCAA regional office I went into had, I think, 13 postaward audits completed.

Chairman PROXMIRE. What does this mean, put this in perspective.

Mr. NEWMAN. Well, they had made an audit on price proposals of at least a thousand. So there was a very, very small percentage of post-audit. But they are devoting more and more time to it and we are going to keep on their heels.

Chairman PROXMIRE. I hope so, because after all, isn't it true that the amount of money you save in terms of the cost of conducting these