

AUDITING THE VIETNAM CONTRACT

Mr. IGNATIUS. Initially, they established an audit Office in California, in the general area of San Francisco, where RMK, this firm, maintains its West Coast headquarters, the United States headquarters for this effort, and where it does its purchasing and other efforts. Subsequently I believe Defense Department auditors, from Mr. Petty's Defense Contract Audit Agency, were sent to Saigon to conduct audits of the contract.

Representative RUMSFELD. I don't see any particular mention of this activity in your statement. In retrospect are you proud of the way that contract has been handled with respect to auditing?

Mr. IGNATIUS. First my statement was responsive to the Chairman's letter of April 27th, in which he outlined the subjects that he wanted me to discuss. I could have discussed to this had he so asked me to do. That is why it is not in my statement.

Secondly, with respect to the performance of the contract, this has been a tremendous effort as I am sure you know. We went into Vietnam at a time when there was only one port able to receive deep draft ships. We made a large-scale deployment in a short period of time. General Westmoreland—

Representative RUMSFELD. I am not talking about the buildup in the contract. Once the contract is signed and you decide what you are going to do, you still ought to know whether or not and, if so, how you are going to audit it.

My study of it is that you were trying to audit it with one or two auditors located many thousands of miles away. It seems to me that as the Secretary in charge of this portion of the Defense Department's responsibilities, that this is clearly not an adequate auditing system, and anyone who has studied it I think has come to exactly the same conclusion.

Mr. IGNATIUS. First, Mr. Rumsfeld, audit is not my responsibility. It is the responsibility of the Comptroller of the Defense Department, who is responsible for auditing activities, and not me. Now, secondly, this contract—

Representative RUMSFELD. Let's stop right there.

Mr. IGNATIUS. Yes.

Representative RUMSFELD. Your title is Assistant Secretary of Defense for Installations and Logistics. Within that category don't you have auditors in the staff? I know you have a Defense Auditing Agency that is somewhat separate, but don't you have auditors?

Mr. IGNATIUS. I am not responsible for auditing activities of the Department of Defense or its components. The Assistant Secretary of Defense—Comptroller is, and his counterparts in the Military Departments, namely the Assistant Secretaries for Financial Management, are responsible for audit rather than the Assistant Secretary for Installations and Logistics. This is in keeping with normal practice.

Representative RUMSFELD. Yes. I was under the impression it was in the administration of the contract that there was an audit responsibility, and that in addition there was the Defense separate audit responsibility. Apparently I am incorrect.