

synonymous, and what we are talking about is our supply system inventories. This would involve real property, and since they are items of supply, the word "stocks" was used. But they are synonymous.

Representative RUMSFELD. Thank you very much.

Chairman PROXMIRE. Thank you.

I would like to pursue this now, Mr. Ignatius, by getting into the third area.

POSTAUDITING CONTRACTS

We talked about competitive bidding, we talked about negotiations. I would now like to ask you to talk about, tell us about postauditing. There was testimony yesterday that the Defense Department had no program for postauditing contracts until the GAO prodded it into accepting one. Why did the Defense Department need such prodding?

Mr. IGNATIUS. This is in the context of Public Law 87-653?

Chairman PROXMIRE. This is in the context of the entire negotiation process.

Mr. IGNATIUS. Well, the question of postaudit I don't think there is any difference between us and the GAO in respect to cost reimbursement type contracts. The question relates to fixed price type contracts.

On cost reimbursable contracts we do postaudits. In the case of fixed price type contracts, we have limited our postaudit to those data that were involved in negotiation of the contract up to the point of award as opposed to after award. The GAO believes that we ought to postaudit in fixed price contracts. We currently—

Chairman PROXMIRE. That is a matter of difference of opinion as to what you ought to postaudit and what you should not. The GAO did persuade you to proceed with the postaudit, which you have now accepted, as I understand it; is that right?

Mr. IGNATIUS. I would like Mr. Malloy to comment. It is my understanding, Mr. Proxmire, and I believe this is correct, that we have this as an issue before us now in the Office of the Secretary of Defense involving the Comptroller, Dr. Anthony, and myself.

We have an issue before us, which the ASPR committee has addressed, namely, should we do the kind of postaudit that the GAO believes should be done. That is an issue before us which has not as yet been resolved. It refers to the postaudit of fixed price contracts only. I am not aware of any differences between us and the GAO in respect to the cost reimbursement type of contract.

Now, Mr. Malloy may want to amplify that.

Chairman PROXMIRE. Go right ahead.

Mr. MALLOY. Mr. Chairman, I believe your question may have been also addressed to the question of the whole concept of a postaudit operation by our own auditors. It is true that there was a GAO report to that point that we received during the past year.

Prior to that time our auditors were doing some postaward auditing, but as I understand it they were not doing it on any systematic large-scale basis. The Defense Contract Audit Agency, as you know, is a relatively new agency, and the demands for the time of the auditors with a stepped up program was such that they were just not doing