

tor impinging on our small business performance has been the number of Defense contractors which once were small businesses and which now qualify as large businesses and therefore adversely affect our small business percentage.

CONTRACT ADMINISTRATION SERVICES

Fiscal year 1967 will be the first year of full operations for our Contract Administration Services organization. I mentioned in my statement last year that the Contract Administration Services assignment had felt the impact of expanded requirements from the Southeast Asia build-up. These figures will give an indication of the extent of this impact:

The dollar value of materiel inspected and released for shipment by our Contract Administration Services Regions totaled \$11.7 billion in fiscal year 1966. We expect this figure to rise to \$18.2 billion in the current fiscal year and to hold at or above that level in fiscal year 1968. Funds obligated on prime contracts administered by Defense Contract Administration Services Regions reached \$48.6 billion at the end of March, 1967, as compared to \$40.5 billion at the end of fiscal year 1966.

Since assignment of the Contract Administration Services responsibility we have successfully overcome the usual problems of consolidation within a new organization while taking on a progressively increasing workload in support of the expanded procurement programs of the purchasing activities.

We have designed and installed uniform procedures to capitalize on the best features of the separate systems used by the military departments in the payment of contractors, with a view to achieving an optimum combination of effective control and timely payments. Because of activation problems, including training of personnel and reorientation of contractor personnel in the new procedures, the processing time of invoices for payment initially averaged 16 days. Currently, the average processing time for payment of invoices to contractors has been reduced to 10 days.

We are developing and employing uniform quality assurance methods to replace the widely varying practices previously applied by the military services. Where we find that the quality control system employed by the contractor results in a continuing high quality product, we can reduce the number of inspections and tests during and upon completion of the manufacturing process. Also, when we find that contractor quality control systems consistently satisfy our standards, we can reduce the frequency of periodic system evaluations.

We have consolidated at the Defense Industrial Security Office in Columbus, Ohio, the security clearance function for contractor personnel employed on classified contracts. Security administration of contracts involving classified material is accomplished through our 11 Contract Administration Services regions and—unlike other elements of the contract administration assignment—extends not only to contracts assigned to DSA for administration but also to contractor facilities retained for administration by the military services, and classified contracts awarded by the National Aeronautics and Space Administration and seven other Federal agencies. In addition, our