

Contract Administration Services organization is responsible for the safeguard of foreign classified information released to U.S. contractors under security agreements entered into between the United States and the foreign government involved. Since consolidation of the security clearance of contractor facilities function in our Contract Administration Services organization, we have acted to identify and terminate clearance for facilities which have not been engaged in classified production for 18 or more months. As a result, we have reduced the number of cleared facilities from over 22,000 to approximately 15,000. This has improved efficiency of the industrial security program and permitted us to limit expenditure of industrial security resources to those facilities actually engaged in classified work.

We have undertaken a series of steps to mechanize certain contract administration services. Because of the size and complexity of this undertaking we are approaching it in increments. We began with the systems used in mechanized contract administration by the Air Force. However, we recognized that changes in these systems would be required to accommodate the needs of a consolidated contract administration services function.

The first phase in development of an improved system was begun in April 1966 and full implementation is scheduled for July 1967.

The second phase was begun in July 1966 and we are currently engaged in equipment selection. Full implementation of the system will not occur before March 1968.

Mr. Chairman, I am pleased to state to this committee that Defense Contract Administration Services functions are being performed effectively and efficiently, and with savings in costs over the methods used prior to their consolidation. As a result of improved management of contracts in the field through uniform policies and procedures, the initial contract administration mission assignment has been broadened in scope through plant cognizance reassignments and functional transfers. Some of the major plant cognizance reassignments to DSA include General Dynamics' Convair Division, San Diego; Martin-Marietta Corp., Orlando; and Sperry-Utah Co., Salt Lake City.

Other functional transfers include surveillance of safety matters concerning hazardous and dangerous materials and processes formerly performed by all military departments; and contract administration functions related to military construction supply contracts for supplies and equipment produced in contractors' plants formerly performed under Army cognizance.

ITEM MANAGEMENT CODING

Last year I mentioned that we were participating with the military departments, under the direction of the Office of the Secretary of Defense, in a joint review of the application of uniform item management coding criteria to all of the items in the Federal supply classes which have been designated for integrated management. On the basis of application of these criteria, an estimated 457,000 items currently managed by the military departments will be transferred to DSA for integrated management by the end of fiscal year 1968. As of 31 March 1967, a total of 147,600 items had been transferred to DSA.