

any standards, by any method of measurement. The Truth in Negotiations Act specifies that the cost of the contractor should be accurate, complete and current. And the testimony that we received, in my judgment, by both the Comptroller General and by Mr. Ignatius, indicated that this had not been the case and furthermore that for this reason it was difficult for the postauditing system to be effective because there had not been established in the first place the cost under which the contracts had been negotiated, and it would seem to me that the Bureau of the Budget with its responsibilities here could be extremely helpful in helping us to arrive at a fair conclusion here.

You are right in indicating that Mr. Ignatius does not take the same viewpoint that the Comptroller General does, but he did seem to me to indicate that this act which has been on the books for more than 4 years now is not being followed.

Mr. HUGHES. I certainly think out of the earlier hearings and discussions that we have responsibility to pursue this matter and we do intend to do it.

BOB RESPONSIBILITY AS TO INVENTORY REPORTS

Chairman PROXMIRE. Also how about inventory reports—inventory by the GAO? For instance, one of the things that really troubled me was the notion that so many of the tools and equipment owned by contractors—I mean held by contractors and used are really owned by the Federal Government and the GAO testified that on the basis of their investigation that these contractors did not know what their inventory was, they had not taken a regular inventory, they did not know how much of the time they used this Government-owned inventory for profit operations, how much they used it for public, and it was a very, very disturbing situation.

Mr. HUGHES. Is this one in the Defense area, also?

Chairman PROXMIRE. Yes, sir.

Mr. HUGHES. We will try in both of these areas, through the budget handle, if you will, to get a little better information than we have. We don't have much and we will see if we can be of some assistance to the committee and to the cause of good government.

Chairman PROXMIRE. Senator Percy?

INCENTIVES VS. PRESSURE AND POLICY

Senator PERCY. On the same question of inventory control, the Federal Government does own billions and billions of dollars of inventory scattered all over the world. I am certain that your department is doing everything you can to put pressure on the various agencies to dispose of this. But pressure and policing never have worked as well as incentives.

Is there any incentive that exists in the Federal Government now for a department really on their own initiative, to root out and dig out those items that they are not fully utilizing and somewhat get credit for that against the current operating budget, or to give them some incentive for optional programs that have been turned down but where they might have some reason to get rid of this stuff hanging around? Because unlike old wine it does not improve with age.