

and retail outlets. Our regulations are formulated to require these open market purchases to be made in a manner which approximates commercial business practice, seeking competition to the extent that it is necessary and appropriate and, at the same time, minimizing the paperwork burden for ourselves and for the local businessman.

The Defense Department decided that of the several alternatives available to it, the most reasonable one under the circumstances was to report all procurements under \$2,500 as competitive. This appeared to be a businesslike course of action and one which, if consistently followed (as has been done) would in no way misrepresent the increase that has occurred in the amount of our procurement placed competitively.

Notwithstanding this, in view of the questions raised by the Committee and the GAO, we will take another look at our reporting procedures. It may well be that we should consider different treatment for purchases of \$250 and under, as opposed to those in the \$250 to \$2,500 category. In the latter category, individual transaction reporting may be administratively feasible, particularly at our larger procurement offices of the type visited by GAO in the course of its survey.

Government-owned property in possession of contractors

We are anxious to make any improvements that may be required in the control over Government-owned property in possession of Defense contractors. Although considerable progress has been made in Department of Defense property management, additional actions are underway. We are addressing ourselves to the immediate problems and also initiating action to obtain some permanent and far-reaching improvements. Four actions are in progress.

First, a Department of Defense Task Group was established to review the GAO report in detail, and to develop a responsive program. The Group will continue surveillance over the implementation of an improved property management program.

Second, we have asked the Military Departments and the Defense Supply Agency to investigate and act on those deficiencies reported by the GAO. Among the matters to be investigated by the Departments and reported to this office are the circumstances surrounding any unauthorized use of industrial plant equipment and the status of recovery actions where money may be due the Government. We will initiate action to recover any monies owed the Government for such unauthorized use.

Third, we are staffing a new Defense Procurement Circular on Property Management. It will focus on improved compliance with existing DoD directives.

Finally, we are publishing some major changes to the Armed Services Procurement Regulation. These changes were developed in cooperation with the GAO to tighten up controls over Government-owned property in possession of Defense contractors. We will continue the close coordination with GAO and close internal surveillance until these problems are solved.

Defense Contract Administration Services

At the time of the hearing we had not had an opportunity to review the GAO's comments of May 1967 regarding Defense Contract Administration Services, Defense Supply Agency. We have now reviewed the report and action is underway to effect improvement in the areas cited. An official response is in preparation. We were very pleased to note that the report recognized the many accomplishments made by the Defense Supply Agency in the very short time that Defense Contract Administration Services has been in operation. Since the report, improvements have continued. The percentage of delinquent contracts and the number of unpaid contractor invoices have been reduced considerably. We intend to continue this type of progress in all areas.

Public Law 87-653

I would like to comment briefly on the DoD implementation of P.L. 87-653—the "Truth in Negotiation Law." As I stated in my testimony, we are of the opinion that we are in compliance with the basic elements of this law. First, we are requiring contractors to submit cost or pricing data necessary to do an effective cost and price analysis. This data is being audited. It is being analyzed by functional specialists and by contracting officers as a basis for negotiating fair and reasonable contract prices, which is the primary purpose of getting this data in the first place. Second, we are requiring and obtaining certificates of cost or pricing data from contractors. Third, we are including clauses in