

whether all payments of the contract—which you indicate amount to only \$662,000, but our figures are three times that high—are not illegal. Lawyers in the General Accounting Office, who would advise us that any payment in excess of the work specified on the work order approved by the AID inspector is an illegal amount. I would like to have you comment on that.

Mr. JACOBSON. I haven't seen the opinion of the General Accounting Office. I am afraid until I see that I cannot comment on it. And I am quite prepared to submit our opinion in support of our position.

Senator GRUENING. We would like to have your opinion.

Mr. JACOBSON. Surely.

EXHIBIT 7

MEMO FROM MR. JEROME J. JACOBSON SUBMITTED TO MR. LESLIE A. GRANT

(U.S. GOVERNMENT MEMORANDUM)

Date: September 25, 1967.

To: GC, Mr. Leslie A. Grant.

From: GC/WOH, Jerome J. Jacobson.

Subject: Submission of GC Opinion to Gruening Committee.

Senator Gruening requested submission for the Committee's record of a copy of the opinion I referred to in my testimony of September 14, 1967. Attached for transmission is a copy of that opinion furnished to you on August 17, 1967—entitled, "Japan Aircraft Manufacturing Company-Excess Hours Ratified by Marshalling Site Superintendent."

authorized hours in the first instance ratified the increase, according to the terms of the endorsement. The defect appears to be one of form rather than substance, since the representative could have amended the work order to increase the hours. This would have complied literally with the terms of the contract. However, nothing was found which indicated that the ratification was in fact itself improper. Instances were found in which the site superintendent refused to ratify excess hours not previously authorized by him. This group of unratified hours was taken up with the officer-in-charge on the basis of which in January, 1967, out of 4,465 excess man-hours billed by the Contractor, agreement was reached between the Contractor and the officer-in-charge to ratify 2,365 man-hours and disallow 2,100 man-hours. The billing was adjusted accordingly. No facts or grounds were found for questioning this negotiated settlement."