

amounts which the contractor had included for fully processed castings in its price proposals.

Thus, in our opinion, the Government did not have an opportunity to negotiate a reduction, which we estimate would have been about \$564,000. This amount represents about half of that portion of the negotiated price related to the castings. Shortly after price negotiations were concluded, the contractor purchased fully processed castings from the suppliers at essentially the same prices as those quoted to it earlier.

We brought this matter to the attention of the Secretary of Defense and proposed that he consider having the contracting officer take appropriate action under the defective pricing clause included in the subcontract.

The Navy, replying on behalf of the Secretary of Defense, stated that General Electric's estimates for castings had been questioned at great length during price negotiations and that the company apparently had in its possession quotations which bore directly on the reasonableness of these estimates but were not revealed. In view of this fact, the Navy agreed that the quotations from suppliers for processed castings were significant pricing data which should have been submitted to the Navy for consideration in price negotiations. The Navy stated that action would be taken for recovery of an appropriate amount.

The Department of Defense has initiated a study of our reports in order to improve its administration of the cost or pricing data requirements of Public Law 87-653 and has developed a program for scheduling postaward audits by the Defense Contract Audit Agency.

We plan to work closely with the Department in determining what action should be taken to properly implement the law and to prevent recurrence of this and other cases disclosed by postaward reviews.

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SAVINGS AVAILABLE IF THE COMMODITY CREDIT CORPORATION RECOVERS INTEREST COSTS ON REPAID PRICE-SUPPORT LOANS AND ON STORAGE FACILITY AND EQUIPMENT LOANS, COMMODITY CREDIT CORPORATION, DEPARTMENT OF AGRICULTURE

In a report submitted to the Congress in September 1967, we expressed the belief that the Commodity Credit Corporation (CCC) should revise its policies regarding the rates of interest to be charged producers on repayments of price-support loans and on storage facility and equipment loans to provide for recovery of CCC's cost of financing the loans.

The price-support loan is one of the methods used by the CCC to support the prices of agricultural commodities produced in the United States. Price-support loans are nonrecourse. Under this type of loan, producers are not obligated to make good any decline in the market price of the commodities put up as collateral. If market prices rise above the price-support loan level plus interest, producers generally repay their loans, with interest, and market their commodities.