

"The 1962 Act established the requirement that in negotiated contracts over the \$100,000 contractors must furnish complete, accurate and current data on their costs as a way of discouraging inflated cost quotations during contract negotiations.

"The Comptroller General of the United States told us at our hearings last spring, however, that his spot checks since the Act went into effect showed that, in only 10 percent of the cases investigated was there any evidence of compliance with the Act. As a result, the taxpayer, in all probability, is losing billions in overcharges on Defense contracts because of Pentagon laxity in enforcing this five-year-old Act.

"Following our spring hearings, Congressman Otis Pike discovered that the Pentagon's record of mismanagement extended to contracts too small to be covered by the Truth-in-Negotiations Act. This completed the circle of mismanagement.

"In September, Deputy Secretary of Defense Paul H. Nitze ordered a clause written into all negotiated Defense contracts giving the Pentagon clear authority to conduct post-award audits of the contractor's books to determine his actual costs during performance of the contract. If fully implemented, this is a big step forward. The subcommittee wants to know if it is being fully implemented.

"In addition, the subcommittee wants to find out from responsible federal officials what is being done to extend genuine competitive bidding to a larger volume of Defense procurement.

"The subcommittee also wants to know what improvements are being made in management of the \$11 billion worth of Government property now in the hands of outside contractors. We will also probe the management of the billions of dollars in inventory, including perishable items, where large losses have occurred.

"We want to know if the Budget Bureau has a real program in operation to carry out the President's order of March 3, 1966 to get the Government out of unnecessary competition with private enterprise in the procurement of goods and services. We want to know, also, whether the Bureau has finally initiated a dynamic program to bring control over the annual lease and purchase of \$3 billion in automatic data processing equipment.

"Other questions we will seek to answer during the hearings are: Why has not a uniform policy been developed in the cause of differentials under the Buy American Act? What progress has been achieved in the Government to develop a National Supply System to eliminate overlapping in the procurement and management of some 4 million supply items? What is the status of a supply-demand-control system to utilize existing inventories in an effort to avoid concurrent buying and selling of the same items by different agencies? What is the status of the Government's review of its huge real property holdings to determine which are no longer needed, in whole or in part, for the conduct of essential functions.

The schedule of hearings is as follows:

Monday, November 27, 1967, 10 a.m., Room AE-1, The Capitol (S-407): Elmer B. Staats, Comptroller General of the United States.

Tuesday, November 28, 1967, 10 a.m., Room AE-1, The Capitol (S-407): Thomas D. Morris, Assistant Secretary of Defense (Installations and Logistics).

Wednesday, November 29, 1967, 10 a.m., Room AE-1, The Capitol (S-407): William E. Minshall, United States Representative, State of Ohio.

Thursday, November 30, 1967, 10 a.m., Room AE-1, The Capitol (S-407): Lawson B. Knott, Jr., Administrator, General Services Administration.  
Phillip S. Hughes, Deputy Director, Bureau of the Budget.

NOVEMBER 8, 1967.

HON. ELMER B. STAATS,  
Comptroller General of the United States,  
Washington, D.C.

DEAR MR. STAATS: This will confirm previous discussions that the Subcommittee on Economy in Government of the Joint Economic Committee will hold hearings on November 27-30, 1967 primarily to review developments on the conclusions and recommendations in our report dated July, 1967.

It will be appreciated if your prepared testimony covers in detail:

1. Developments in compliance with the "Truth-in-Negotiations Act" by the Department of Defense and other agencies to the extent of your investigations.