

covered in the committee's July report, on which we have filed with the committee a status report. This is a 32-page document. It covers many other very important matters.

If the committee should desire, after you have had an opportunity to review this attachment, we would of course, be most happy to return and address ourselves to any of the points which might be raised in that attachment.

Chairman PROXMIRE. We would very much appreciate that.²

Mr. STAATS. As it is, our report today is a fairly long report, for which we apologize. We were not able to reduce the length of it in any substantial way. For that reason, I would invite your questions as we go along, if you have questions, so that we can cover the points that you are most directly interested in.

Chairman PROXMIRE. We may ask questions as you go along. I think it might be a little more orderly if by and large we confine our questions to the end.

Mr. STAATS. As you wish.

Chairman PROXMIRE. Mrs. Griffiths may feel free to interrupt if she cares to do so.

Mr. STAATS. The five topics which we have covered, as indicated in your letter, are as follows:

1. Truth in Negotiation Act, Public Law 87-653.
2. Military Supply Systems.
3. Control Over Government Property in Possession of Defense Contractors.
4. Contractor versus In-House Methods of Acquiring Goods and Services—for the Government's own needs.
5. Small Purchases—which was not covered in your letter, Mr. Chairman, but which we have added on the basis of informal discussions with Mr. Ward and others of your staff.

Chairman PROXMIRE. Yes; we raised that point especially for the defense department.

Mr. STAATS. Right. As I have indicated, we have also filed the attachment which is available to the committee for its use. (app. 1, p. 397.)

TRUTH IN NEGOTIATIONS ACT, PUBLIC LAW 87-653

The Truth in Negotiation Act of 1962, Public Law 87-653, requires submission and certification by the contractor of cost or pricing data prior to the award of certain negotiated contracts and subcontracts expected to exceed \$100,000. (app. 2, p. 407.)

It also requires, as a further protection of the Government's interests, that a defective pricing data clause be inserted in each such negotiated contract to provide a contractual basis for a price adjustment in the event the cost or pricing data submitted at the time of negotiation were inaccurate, incomplete, or noncurrent, and as a result the contract price was increased.

During hearings before your committee in May 1967, we discussed the findings disclosed in our reports to the Congress and a draft report to the Secretary of Defense. In these reports we recommended the following:

² See pp. 351-395.