

Services Procurement Regulation Committee has been asked to review the rental cost principle particularly as it relates to long-term non-cancellable leases. Our current review, we believe, offers further substantial evidence of the need for revising the Department of Defense regulation.

Accordingly, in a recent draft report, we have recommended that action be taken to promptly complete this review by the Armed Services Procurement Regulation Committee and to reach a conclusion on this matter. We have not yet received the Department's comments. I am sure that the Department, when they testify before the committee, will advise you as to the status of their review.

SMALL PURCHASES

Mr. STAATS. Turning now, finally, to small purchases, on August 3, 1967, in hearings before the Subcommittee for Special Investigations, House Committee on Armed Services, we stated that present and future plans for our procurement work included reviews of procurement systems—small purchases. At about the same time a member of that subcommittee, Congressman Pike, requested our assistance in determining the reasonableness of prices paid for a number of small purchases by Department of Defense procurement offices.

In view of the above congressional interest an examination into the reasonableness of prices paid by selected Department of Defense procurement offices was given top priority for our initial work in the area of small purchases.

In addition, because of the attention drawn to this area, the Assistant Secretary of Defense, Installations and Logistics, on August 18, 1967, requested that the Army, Navy, Air Force, and Defense Supply Agency appraise the adequacy of performance in the small purchase area by reviewing the staffing, training, supervision, and accomplishment of daily tasks. He requested that the appraisals be accomplished within 60 days and that a summary of the results, including action taken or planned, be submitted to him.

The summary report submitted by the Defense Supply Agency pointed out that the Agency has several problems in the small purchase area, most prominent of which are: (a) lack of descriptive data concerning items to be procured as small purchases, (b) need for training of procurement personnel who handle small purchases, and (c) need for improved supervision and review of buyers' actions.

The Agency has taken or plans to take action to obtain better data, to increase training, and to improve supervision and review. Other actions are being considered. We have not yet had the opportunity to review the reports submitted to the Assistant Secretary by the Army, Navy, and Air Force.

At the present time we are working with agency representatives who made these appraisals. We are reviewing the cases considered, including their findings, and actions being taken to correct the deficiencies disclosed.

We have examined a sufficient number of individual cases to assure ourselves that a need exists for improvements in establishing the reasonableness of prices to be paid for small purchases. We believe that