

simply to have an auditor's report saying that he has seen all this information, and that it is all current and complete.

Chairman PROXMIRE. Well, the crux of it is the access to the information; isn't that right?

Mr. STAATS. That is right. There has to be more than that. That auditor may be off in some different part of the world when the performance of the contract has been completed. There has to be some audit trail, as the auditors call it, some adequate documentation of the specific data on which the price negotiations were based and which the contractor submitted and certified.

Chairman PROXMIRE. Because there is a flagrant record of violation of the Truth in Negotiation Act of the requirement for making this information available, having it available, on the basis of your study which you had made clear to us last spring, no question about it.

Mr. STAATS. Well, I don't know whether it would be accurate to call it a violation of the law so much as it is the failure to fully implement the regulations issued pursuant to the law, which required the contractor to submit the cost data that went into the negotiation.

Chairman PROXMIRE. At any rate, there is no protection, it would seem to me, for the taxpayer against a contractor who, on the basis of the practices of the Defense Department, wants to charge an excessive price.

DOCUMENTATION ESSENTIAL

Mr. STAATS. The documentation has to be there.

Chairman PROXMIRE. It has to be there.

Mr. STAATS. And reasonable people may differ in specific cases. But, this is the crux of what we are talking about here.

As Mrs. Griffiths has pointed out, we are dealing with procurement people and audit people down the line, and if they don't have this information, if they don't know what the story is, they don't know what the policy is, then the Government is just as bad off as if it had been done willfully, as far as the end result is concerned.

APPLICATION OF DOD ORDER TO SUBCONTRACTS

Chairman PROXMIRE. Now, let me ask: Does this apply to subcontracts?

Mr. STAATS. There are three points.

Chairman PROXMIRE. Does the order extend to subcontracts, the memorandum?

Mr. STAATS. No; it does not.

Chairman PROXMIRE. It does not? Shouldn't it? Don't subcontracts represent a very large proportion of this? Yes?

Mr. BAILEY. The document that I saw, that was proposed, indicates that the clauses will provide a flow down of audit rights to the subcontracts. Is this correct, Mr. Hammond?

Mr. HAMMOND. Yes.

Chairman PROXMIRE. You say, then, it does apply to subcontracts?

Mr. BAILEY. The document that I saw; yes, sir.

Chairman PROXMIRE. Will you revise your response, then, with that in mind, Mr. Staats?