

WARNINGS UNHEEDED

Chairman PROXMIRE. Not only that, but there is another example in here as I understand it of a contractor who used his equipment in this way 7½ percent of the time. He was warned that he shouldn't do it, or warned that this was wrong, at least from the standpoint of the Government. The next year he used it 10 percent of the time, the following year 13 percent.

STRONG INCENTIVE FOR CONTRACTOR TO USE EQUIPMENT COMMERCIALY

Under these circumstances, it looks as if the warning means nothing, and there is a strong incentive for a contractor to use this equipment, as Mrs. Griffiths properly said, as a subsidy to compete unfairly with others who have to buy their own equipment, and to produce at a lower cost and to make excessive profits subsidized by the Federal Government.

NEED FOR BETTER REVIEWS AND AUDITS

Mr. NEWMAN. Mr. Chairman, until we have sufficient independent reviewing staffs in the procurement area, and internal auditors who will go out and see what is happening, cases of this kind will exist. You cannot just issue regulations without close followup to assume enforcement.

Chairman PROXMIRE. It is not a matter of seeing what happens. Even if you know what happens, it looks as if there isn't any provision in regulation or in law that would either prohibit or inhibit the contractor from taking advantage of Government-owned equipment.

SUPERIORS FAIL TO FOLLOW UP

Mr. NEWMAN. You take the property administrator. He uncovered in these cases, what was going on, but his superiors did not do a thing about it, and this is a basic weakness in the administration.

Chairman PROXMIRE. Yes; but in the case I have cited, they knew what was going on. They knew the precise percent. It was stipulated to, and it grew each year anyway.

Mr. NEWMAN. Right.

Chairman PROXMIRE. Now, isn't it up to the Congress, or up to the Defense Department, to provide a limitation on this?

Mr. NEWMAN. It is.

Chairman PROXMIRE. So, the Federal Government doesn't, in the future subsidize unfair competition, and misuse the taxpayers' money.

DOD ACCEPTS NEED TO DO MORE

Mr. STAATS. Mr. Chairman, you will note that in our testimony we made two recommendations that the Defense Department disagrees with, but I believe that they have accepted the principle of the need to do more than they are now doing.

EXAMPLES OF PENALTIES ASSESSED BY DOD

Chairman PROXMIRE. Is there any example that you know of? Can you give us any in which the Defense Department has penalized a contractor who is using Government-owned equipment in this way?