

Mr. WEITZEL. That is the contractor's estimate of how much it would cost.

POWER TO WAIVE PENALTY

Chairman PROXMIRE. OK, fine.

Now I would like to ask who has the power to waive the penalty.

Mr. NEWMAN. The contracting officer.

Chairman PROXMIRE. The contracting officer has the power to do so.

Is there any discipline on him to provide the penalty not being waived? And, what is the penalty, incidentally?

Mr. BAILEY. A month's rent.

Chairman PROXMIRE. They used it for a full year, and when they catch him they pay only for a month.

Mr. WEITZEL. They pay for a month every month or part of a month they use it; that is the penalty.

Mr. NEWMAN. If they catch him.

Chairman PROXMIRE. But you feel that at any rate this is an inadequate system. What they should do is keep records and then charge them for each day that they use it.

Mr. NEWMAN. Right.

REGULATIONS ON COST DOCUMENTATION

Chairman PROXMIRE. Perhaps we were not clear enough when asking about the Truth in Negotiations Act before. I understand that DOD did issue proposed regulations in regard to cost documentation on contracts.

Mr. BAILEY. Yes.

Chairman PROXMIRE. And, that was done in June.

Mr. STAATS. Right.

REGULATIONS ON POSTAUDIT

Chairman PROXMIRE. It was in September that the provisions for postaudit came out. Now, I want to know whether or not this June cost documentation provision has been adequately followed through and enforced.

Mr. WEITZEL. Mr. Chairman, they did send to us and to others for comment in June a proposed regulation. I think this was included in Defense Procurement Circular 57, and it does require the contractor to submit either actually or by specific identification in writing cost or pricing data. (See p. 162.)

Circular 57 includes proposed requirements for cost or pricing data, which is intended to supply the need for identification or documentation of what was furnished so that the contracting officer and the Defense Contract Audit agencies and the GAO auditors will be able to relate what was furnished with what was used at the negotiating table. and you can bear in mind that the Defense Department—

Chairman PROXMIRE. This is absolutely essential data; isn't it?

IDENTIFICATION OF COST OR PRICING DATA WITH CONTRACTS

Mr. WEITZEL. Well, the Defense Department has said, and correctly, that they do require the submission of costs or pricing data, that is to