

Mr. MALLOY. Mr. Chairman, there is a flow down from the prime contract to the subcontract. In other words, this audit right follows the same line as the law itself. Wherever the law is applicable, and it is applicable at the subcontract level under certain conditions—

NOT APPLICABLE IN CERTAIN CASES

Chairman PROXMIRE. Where is it not applicable?

Mr. MALLOY. Well, it is not applicable under the same conditions that it would not be applicable in a prime contract; namely, if there is adequate price competition, or if the purchase is for catalog items, or for items the price of which is set by law or regulation.

Chairman PROXMIRE. So, it would be applicable to subcontracts, unless there is price competition?

Mr. MALLOY. Any time the Public Law 87-653 is applicable, this audit right is applicable.

WHAT ASSURANCE OF ENFORCEMENT

Chairman PROXMIRE. Well, this kind of thing has been done before, as you know—this kind of tightening up at the insistence of the GAO.

Yet, it has not been followed up with enforcement in the eyes of the GAO, or in our eyes. And, in view of the past criticisms by the GAO of the Defense Department's failure to enforce many of its own regulations, what steps is the Department now taking to insure enforcement of the new regulations we just referred to?

ENFORCEMENT STEPS BEING TAKEN BY DOD

Mr. MORRIS. Sir, I think it is important in respect to this audit question to point out that we are addressing one specific area that has not formerly been covered; namely, the firm fixed price contract awarded noncompetitively. As to cost contracts, we have, in fact, had this audit right and exercised it. The steps that are being taken are those that are outlined in our statement. We started, in fact, some weeks ago with an 8-hour training seminar which has been given now to 3,000 of our principal negotiators. This includes the film which I believe—

Chairman PROXMIRE. Eight-hour seminar. These men come in what—for 2 days?

Mr. MORRIS. For 1 full day of training discussions.

Chairman PROXMIRE. This includes the film, it includes lectures, being given material to read. Are they tested at all, to see if they have assimilated it?

Mr. MORRIS. Yes, they are, sir.

Chairman PROXMIRE. Now—

Mr. MORRIS. In addition to this, we have put out, quite apart—

TRAINING AND TESTING PROGRAM

Chairman PROXMIRE. They are all tested—each procurement official is tested?

Mr. MORRIS. Those who are attending the seminar. In addition, we run procurement review teams—each department, and our office, makes