

Under current ASPR procedures the contractor is required to establish and maintain an approved system for accounting and control of Government-owned property. We believe a specific ASPR (Appendices B and C) requirement for annual review of the contractors property accounting system is needed. The ASPR committee is considering adoption of such a requirement for both commercial and non-profit contractors. Motivation should not be in the form of an incentive or an award to accomplish a task otherwise required by the contract and sound industrial practice.

We concur that there should be additional emphasis on the audit of controls over, and utilization of, Government property in the possession of contractors. As noted in the GAO report, ASD(C) memorandum of December 27, 1966, to the Assistant Secretaries of the Military Departments (FM), the Director, Defense Contract Audit Agency, and the Comptroller, DSA, established areas of audit responsibility for both contract and internal auditors in Government property audits. Collaterally, the memorandum established procedures for assist audits as appropriate by either contract or internal auditors. This policy guidance, together with the internal audits scheduled or planned by the internal audit agencies of the Military Departments and DSA, should achieve the audit coverage contemplated by part three of the GAO recommendation.

14. *Recommendation.*—We are recommending, therefore, that the new ASPR section, which defines the duties and responsibilities of Government property administrators, incorporate a policy statement to this effect for the guidance of such officials. (Page 108).

Comment

DOD agrees it is reasonable to expect that those accounting principles and standards applicable to Government-owned property in possession of contractors should be equivalent to those applied in normal industrial practices. The new ASPR supplement, covering the duties and responsibilities of the property administrator, will be amended to require acceptable accounting principles and standards commensurate with that of sound industrial practices. If more exacting standards than sound industrial practices are necessary, the requirement will be established by contract provision.

Separate Comment

The GAO pointed out in its report that guidelines should be included in ASPR for determining when to capitalize or expense costs incurred on Government real property in possession of Defense contractors. (page 71). DOD will develop necessary criteria for capitalizing or expensing costs incurred on Government real property in possession of Defense contractors for inclusion in ASPR.

Chairman PROXMIRE. Give us as much detail on that as you can.

IDENTICAL BIDDING

Back in 1961 Senator Douglas and I were engaged—Senator Douglas took the lead, certainly—in asking about collusive identical bidding on advertised competitive procurement. In that year, later that year, the administration issued an order on collusive competitive bidding which has resulted in a steady diminution of it. This year there was an especially spectacular job—that is the latest year in which we have a record—according to the report I have before me now, issued last July, there was a drop of 32 percent in identical bids.⁶

I think Senator Douglas was right in doing this, and performed a real service in calling attention to it. But, of course, the area of collusive bidding that would be the greatest and result in the greatest cost would not be in the advertised competition bidding; I think we should continue to be alert, continue to have reports on it, and watch it very closely. But it would be in the so-called negotiated competitive bidding, it would seem to me, where the greatest danger lies.

⁶ See hearings, 1961, p. 26; see also, "Identical Bidding in Procurement, Sixth Report of the Attorney General," July 1967.