

The outcome of the DOD-GAO work has been the development of various changes in the Armed Services Procurement Regulations. Generally these new provisions are designed to revise current criteria for determining when adequate price competition exists, to clarify and strengthen the procedure for identification and retention of cost and pricing data in the contract files, and to broaden the scope of post-audit coverage of cost data. In addition, a comprehensive personnel training program has been developed for those involved with the administration of Public Law 87-653.

We believe this joint GAO-Defense effort is the approach most likely to assure well-conceived regulations and procedures, which are the basis for improvements in procurement operations. Ultimate success will necessarily depend upon the effectiveness of internal administration within DOD, requiring proper selection and training of personnel; competent supervision and leadership; maintaining a high capability among procurement people at the working level; and constant testing and refinement of regulations and practices as operational experience is gained. DOD has taken steps to improve internal administration in all these respects. We believe DOD's actions indicate that it is fully aware of the importance of administrative improvements in meeting the objective of obtaining adequate documentation of cost data to clarify the backup records in contract actions.

In summary, our investigation and our discussions with officials of GAO and the Department of Defense since the May hearings indicate that substantial progress has been made. A period of operational testing will be necessary to assure that desired results are being achieved. During this operational period, we are confident that continued cooperation and exchange of views between GAO and the Department of Defense will contribute to further improvements. The Bureau of the Budget will maintain its interest in the matter and be of whatever help it can in overcoming the problems cited by the GAO.

Chairman PROXMIRE. Do you have anything specific in mind in this regard?

What occurs to me is that today is precisely 5 years after the Truth in Negotiations Act was passed. It is 20 years after Public Law 413, the Armed Services Procurement Act, was enacted. We have spent some \$370 billion by negotiation in procurement. The loopholes or the failure to administer effectively the Truth in Negotiations Act have been most conspicuous.

So I think this report is reassuring, very helpful.

I certainly do not blame you, Mr. Hughes. You have not been there for 20 years. At least I do not think you have—not in your present position of responsibility.

Mr. HUGHES. That is right.

Chairman PROXMIRE. But I do hope that you can demand regular and detailed reports, and have a system of followup, so you are sure that the Truth in Negotiations Act is being fully implemented, and there is a full awareness in every respect of the costs of the contractors in negotiations—because this is the only real safeguard for the Government and for the taxpayer.

Mr. HUGHES. Mr. Chairman, our handle in these matters is the budget process, quite obviously. We plan with respect to the 1969