

TEST OF ENFORCEMENT OF NEW REGULATION

Let me ask you: How shall we test the enforcement of this regulation?

Mr. STAATS. We will do it by the same processes we went through in developing our initial report; namely, of making audits of individual contract situations.

Chairman PROXMIRE. And when shall we review the situation?

Mr. STAATS. We have it in our program to do this periodically—not periodically, but, rather, as a part of a regular audit program of Defense contracts.

Chairman PROXMIRE. What does that mean in terms of the next time we will have a review?

Mr. STAATS. It is a question, really, of what would be a reasonable period of time to give the regulations a chance to change the situation.

Chairman PROXMIRE. Six months?

Mr. STAATS. I would say more nearly a year, probably.

REVIEW IN FALL OF 1968

Chairman PROXMIRE. As late as next fall, then, I think we ought to have a comprehensive review. Meanwhile, I hope we can get this enacted into law.

Go right ahead.

Mr. WEITZEL. Our situation, Mr. Chairman, is that we are simply very happy that they have adopted this suggestion.

Chairman PROXMIRE. They have adopted suggestions so often in the past and as long as they are under regulation not a matter of law I just have a feeling that we are not going to get results. After all, so very much is at stake here, billions of dollars, and the contractors who are all fine, honest men, nevertheless have their own special interests and their own desires, understandable desires, in the drive for profits. They aren't going to volunteer information which is going to sharply reduce those profits unless the law makes it explicit and emphatic that they have to do so.

Go right ahead.

RECOVERY FROM SUBCONTRACTORS

Mr. STAATS. The next point has to do with recovery from subcontractors, closely related to the point we have been discussing.

Under the existing provisions of the ASPR, the Government's right to reduce the contract price extends to cases where the prime contract price was increased because a subcontractor furnished defective cost of pricing data. Problems have arisen with respect to the Government's right to a price adjustment where the subcontractor has submitted defective data after the prime contract price has been established. These problems are being studied by the Department of Defense and by our office.

Again, we attach pertinent excerpts from the regulation to our statement.

(The information follows:)