

the accounting profession is being criticized on several fronts for not insisting on uniform accounting standards and in some extreme cases, failing to protect the public from misleading and distorted corporate financial reports."

Lack of uniform accounting standards delays important technical work and results in much wasted effort on the part of auditors and of contracting and technical personnel who must spend months reconstructing a supplier's books in order to negotiate reasonable prices. The Government encounters endless varieties of accounting systems for allocating overhead to Government work, and has neither the time nor the personnel fully to investigate these costs. Costs questioned by audit often become the subject of interminable argument.

ILLUSTRATION OF NEED FOR UNIFORM ACCOUNTING STANDARDS

A problem I ran into several years ago and which took 7 years to settle illustrates this issue well. We were dealing with a large shipbuilding company that was very successful in competing for merchant ships.

This shipbuilder was often the low bidder for merchant ships. Yet when bidding on Naval ships, he was usually higher than other commercial shipyards for the very same type Naval ship—as much as 10- to 20-percent higher. Despite his higher prices, he was able to obtain contracts to build Naval ships. At that time, factors such as geographical dispersal, distressed labor areas, and labor differential between shipyards were sometimes used to rationalize where a Navy ship would be built, rather than competitive bids.

This anomalous situation frequently came to my mind and kept bothering me. So one day I sent two of my people to the shipyard to look into the matter. After a cursory review they reported that the Navy was being charged more for its design and other work than was being charged for the same type work on commercial contracts.

The Navy was being charged \$8 per hour while for commercial work the charge was only \$6 per hour for the same type work. They reported that the shipyard accounting system, as approved by the Navy, was allowing the shipbuilder to make charges to overhead and to Navy work in such a manner as to result in lower costs for its commercial work.

Costs such as supervisors' salaries, overtime, and premium time were being charged as direct costs on Government contracts while similar costs on commercial contracts were being charged to overhead and allocated to all work, Government and commercial. They found that this system of accounting had been in existence for many years and that the Government auditors had accepted these costing methods because the system conformed to "generally accepted accounting principles".

As a result, I wrote to the Comptroller of the Navy asking him to look into this matter. His reply informed me, in essence, that I didn't know what I was talking about, that I should mind my own business and I could rest assured that his auditors were seeing to it that the Government was being treated fairly. That was tantamount to telling you, when your mother is in danger of falling off a cliff, not to warn her until she has fallen over it.

His bland assurance did not persuade me, and I persisted. The Comptroller finally agreed to have his auditors look into my findings.