

These auditors concluded that everything was fine; nothing was wrong; everything conformed to "generally accepted accounting principles."

Realizing it was hopeless to try penetrating such stupidity, I managed to get the General Accounting Office to look into the matter. In 1962, that office verified my charges and issued two reports. These stated that this shipyard's accounting practices had resulted in unjustified payments of over \$5 million by the Government. Only then did the Navy begin to question these shipbuilding costs. By September, 1962, the Navy took action to recover about \$6.5 million in costs previously paid the shipyard under Navy contracts, primarily in areas I had questioned.

Four years later the Government finally recovered about \$3 million of the \$6.5 million originally disallowed, and the case is now closed. It is unlikely any money would have been recovered if I had not been able to get the General Accounting Office to take an interest in the case. Undoubtedly, the Navy could have saved far more than \$3 million had it faced the problem objectively, rather than defensively, when I first pointed it out.

I doubt I am the only one who runs into these problems or that these issues are peculiar to Naval nuclear propulsion. They are probably endemic in Government. But no one else appears to be willing to raise these issues. Because industry does not want uniform accounting standards and no one in Government wants the job of tackling powerful organizations with influence and with lobbies, accounting standards are not set up. Industry, naturally, does not favor uniform accounting standards. Without them, they have much greater ability to exploit "generally accepted accounting principles" and thus increase profits on Government contracts.

In my opinion, the lack of uniform accounting standards is the most serious deficiency in Government procurement today. There is no reason why the Government should have to spend years arguing whether certain costs at each contractor location conform to "generally accepted accounting principles"; there is more important work to be done.

Industry will not establish such standards because it is not to their advantage to do so. The accounting profession has had ample time and opportunity to establish effective standards; it is clear that they pay only lip service to the concept. The executive branch cannot even get its own agencies to adopt accounting systems to meet minimum standards established by the General Accounting Office. The Bureau of the Budget has not been able to get Government agencies to adopt consistent standards for cost-reimbursement type contracts.

It is all well to argue that everything will work out in the long run, but we all live in the short run, and in the long run we are all dead.

#### CONGRESS SHOULD REQUIRE UNIFORM STANDARD OF ACCOUNTING IN THE DEFENSE PRODUCTION ACT

Thus, if uniform accounting standards are ever to be established the initiative will have to come from Congress. A river cannot rise above its source.

I recommend that your committee require, by law, the establishment and use of such standards. Without uniform standards of accounting for defense contracts, neither Congress, the executive agencies, pro-