

complex accounting system that it is virtually impossible to know just how much defense equipment costs and how much profit a supplier makes in producing it—without spending months reconstructing a supplier's books.

I discussed some of the problems we face in procuring military equipment. I pointed out that, in my opinion, the Department of Defense is too much influenced by the industry viewpoint, particularly in the area of Government contracting.

The Armed Services Procurement Regulation, originally intended to help Government contracting officers and to protect the Government in procuring military supplies and equipment, has become a device to protect industry. I cited, as examples, two cases where this regulation was used to justify payment of higher prices than the Government should pay. In one of these cases, the Navy continues to pay about \$400,000 more each year in general and administrative expenses for work at two laboratories owned by the Atomic Energy Commission than the Atomic Energy Commission would pay for equivalent work at these laboratories. In the other case I was told that I could not agree to a profit lower than prescribed by the regulation.

I believe the Armed Services Procurement Regulation should be revised to point out that its provisions are intended to be an upper limit for Government contracts, beyond which contracting officers may not go. The regulation ought to clearly encourage contracting officers to obtain terms more favorable to the Government whenever it is possible to do so.

I pointed out the need for legislation to establish uniform patent rules for all Federal agencies. This legislation should require that Government agencies retain, for the American people, the rights and title to inventions financed by public funds.

I testified that a substantial amount of technical information regarding this country's military capabilities is being given away through advertisements by defense contractors. I believe that, in large measure, the Government pays for these advertisements in the price of its contracts.

I recommend that a mandatory clause be inserted in all defense contracts requiring prior Government security clearance of all advertising. The Armed Services Procurement Regulation should be modified to clearly prohibit reimbursements of advertising costs on any negotiated contract, except advertising paid from profit.

I discussed the problems of large, after the fact, supplier claims and pointed out to you that Government was simply not organized or staffed adequately to protect itself in these situations. I pointed out examples to demonstrate this point. In this area of construction contracts, I recommended that Congress require the executive branch to maintain contract experience records which reveal such things as the original and final prices of contracts, the amount of exorbitant and unfounded claims submitted by contractors, and the amount of excessive profit on Government contracts.

I also recommended that present procurement procedures be strengthened to insure prompt closeout of contract following completion of work. Congress should require an annual report from each agency, listing the contracts still in force more than a reasonable period, say 1 to 3 months, after the contract work has been completed, and the reasons therefore.