

Mr. ROBACK. Scrap? It was returnable? salvageable?

Mr. ERHARDT. That would be scrap for scrap recovery. It was difficult for the auditor, and he made mention in several of his reports.

USE OF AUDIT REPORTS

Mr. LUMAN. The contractor obtained only one quotation for each item [reading].

You mentioned, Mr. Tassin, some of the evidence was based on such things as the audit, but here is the auditor saying when he goes and looks at the subcontractor's prices, he can't see evidence of competition, nor can he get access to the records. This was a June 15 report. You signed off on a contract in December of 1965. Did you have this report submitted to you as the contracting officer before signing off, to perhaps assure that the company would do something with the subcontractor records?

Mr. TASSIN. I don't recall signing any contract with this. I signed the exception.

Now, as far as having that report shown to me, no, sir; I was not shown it.

Mr. ROBACK. Is the contracting officer here?

Mr. ERHARDT. I am one of them.

Mr. ROBACK. Did you have the report before you signed the contract?

Mr. ERHARDT. I think I am one of perhaps half a dozen contracting officers that have signed contracts over this period of time.

Mr. ROBACK. Were you aware of the problem of not including the appropriate clauses with vendors? Was that problem one that was raised and brushed aside? Or was it something you didn't know?

Mr. ERHARDT. It was not brushed aside, Mr. Roback. The information that we received in one of our reports we were working on at the same time, we had an inquiry from the General Accounting Office, and we were at that time preparing a reply to the GAO inquiry when the Department of Justice entered the picture and said, "Dispense with further reviews."

Mr. ROBACK. That was half a year later that you were preparing the reply?

Mr. ERHARDT. We were not aware of the fact until it was brought to our attention that the contractor was not including these requirements in his subcontracts.

Mr. LUMAN. Did these audit reports as a matter of course go to the contracting officer?

Mr. TASSIN. They go to the negotiator who handles the pricing with the company and justifies this to the contracting officer; yes, sir.

Mr. LUMAN. So someone in the contracting process, let us say, from some time after June of 1965 at the earliest, was aware of this problem, it had been brought to his attention?

Mr. TASSIN. Yes, sir.

Mr. ROBACK. I see here that the officer in charge of the U.S. Navy area audit office, in a memorandum of December 6, 1963, to the Chief of the Bureau, Naval Weapons, he had the same comment, it was made a couple years later, "Actual contract cost not obtained." That is the comment. And he goes on much in the same vein as the information that was repeated several years—in other words, this has been pretty