

**STATEMENT OF EARL J. OGOLIN, SUPERVISORY AUDITOR,
GENERAL ACCOUNTING OFFICE, ST. LOUIS, MO.**

Mr. OGOLIN. I will refer to a report made by the Defense Contract Auditing Agency in which they bring out this point.

First I would like to explain, Mr. Chairman, that since 1965 we have not been at the contractor's plant, nor have we looked at any contracts. We have been working with DCAS and the Defense Contract Audit Agency with their records that they had available. And this is again a quote from the audit report No. 705-02-03-6-029, it is dated January 27, 1966, in which it says that:

the proposed material cost includes \$1.71 per rocket launcher for outside warehousing charges. This charge has not been included on previous proposals. The auditor believes that consideration should be given to the fact that the contractor is producing ahead of schedule: thus causing a storage problem.

And it is my understanding from the DCAS files that there is at least one contract on which there is a dispute relative to this particular point. The contractor is claiming costs under this particular point.

Mr. ROBACK. I am not sure from this information whether there is a contract clause on it. Is it your understanding this is a contract clause?

Mr. OGOLIN. I don't know, Mr. Roback, because we did not get to see the contract. This is a point we wanted to check out.

Mr. BOTHWELL. There is no contract clause.

Mr. ROBACK. On the basis of a claim—

Mr. BOTHWELL. The question is whether the Navy gave shipping instructions in a timely manner.

Mr. ROBACK. Does it have a contractual obligation to move anything within a time period specified?

Mr. BOTHWELL. The contract provided for the approval of pre-production matters, I believe, by the Navy, but there isn't any specific date on which the—

Mr. ROBACK. The contract requires the contractor to ship within 72 hours. And does this require any obligation on the part of the Navy? For example, does the INSMAT man have to stamp it or something?

Mr. BOTHWELL. Yes.

Mr. ROBACK. If the inspector doesn't stamp it, then the contractor has a claim?

Mr. BOTHWELL. We have to provide shipping instructions as to destinations and so forth before the contractor can ship.

Mr. ROBACK. Does your 72-hour clause create charges for demurrage or storage because for one reason or another the Government is at fault? I mean, by failing to do something, charges are incurred under that?

We are not trying to make any big point about this. I was only asking the question whether this was an unusual contract provision or not, the one that we are talking about.

Captain McMORRIES. Mr. Roback, may I try to throw a little light on it, if I understand the thrust of it?

We have had instances in which—and I am not addressing this particular contract, if you please—in which the Government furnishes certain elements of material to a contractor, and the scheduling of