Mr. STEIN. Yes, we are legally permitted to do so.

As I say, the debarment is not required by statute. It is an administrative action, just as the suspension is an administrative action. So our legal position would be the same, if we were dealing with a debarred company, as it is in dealing with a suspended company.

Now there are, as you know some statutory ineligibilities, and they would present a different problem. But the type of debarment we are talking about here, the type of potential debarment, would be an administrative action, which we could treat administratively substantially the same way we treat the suspension.

Mr. ROBACK. Does the Navy ever try to encourage a company to improve its position, I mean get rid of the liabilities, I mean of the onus of debarment, for example, by a change of management?

Does it ever get involved in that?

Mr. STEIN. Well, we have to be very sensitive of course to this type of thing. Obviously accusations are not proof, and we are not in a position ourselves to judge the charges here.

Mr. ROBACK. I was not assuming that would be done on the basis of accusations.

Mr. STEIN. Right. Where companies have themselves taken the initiative to purge themselves of the conditions which have led to suspension or debarment, that has been a basis for us to adjust accordingly.

Mr. ROBACK. Then you would have to evaluate whether a company had the same competence, managerial ability, and what not?

Mr. STEIN. Yes, that is correct.

Mr. DAHLIN. Mr. Stein, was there in fact a legal hold at the time of the breakout of the fairings in the last year's contract, June 1967?

Mr. STEIN. The Chromcraft-Alsco Co. was suspended on April 4, 1967.

Mr. DAHLIN. Was there a 3-month legal hold on that contract, and was that for purposes of examining the suspension problem? Or did your office in fact ask for the competition on the fairing?

Mr. STEIN. Our office did not itself ask for the competition. Obviously competition is always to be desired. At any time we deal with a company in a suspended status, it presents problems we would like to avoid. It is an unusual thing to do. We do it very rarely.

Mr. DAHLIN. Could you also supply some information on just how the cost analysis function is performed on these particular kinds of contracts, Captain McMorries?

Who is responsible for doing the cost analysis as far as your command is concerned? That is, as distinguished from the DCAA support function, who is supposed to be in charge of both reviewing and working on the proposals?

(The following information was furnished for the record:)

Question. Who is responsible for the cost evaluation of these contracts?

Answer. The negotiator has the basic responsbility with the assistance of advisory reports from the administrative contracting officer and the auditor. The negotiator's cost analysis is the review and evaluation of the contractor's cost or pricing data and of the judgmental factors applied in projecting from this data to the estimated costs, in order to form an opinion on the degree to which the contractor proposed costs represent what performance of the contract should cost, assuming reasonable economy and efficiency. Cost analysis is performed in three steps, as follows:

The first step is to secure the cost/pricing data from the contractor together with the applied judgmental factors. This is commonly called "the proposal."