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Dear Senator Smith:

This is in response to your referral of June 16, 1971, concerning information requested by Mr. Paul Barton, Rockland, Maine, on the relationship of the General Accounting Office (GAO) to the defense contracting process.

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We are enclosing two publications about our Office and its audit responsibilities for Government contracts. We are enclosing also a number of reports to the Congress relating to defense contracting activities. Mr. Barton's points and our responses follow. Our comments deal primarily with the procurement of equipment and supplies, and the processes followed in contracting for construction work may differ somewhat.

"Outline of the defense contracting process as between Defense Department agencies and contractors."

Defense procurement is accomplished principally through large procurement centers operated by the Army, Navy, Air Force, and Defense Supply Agency. The basic methods of contracting are procurement by advertising and by negotiation. One of the basic laws covering these procurements is the Armed Services Procurement Act of 1947. So that the provisions of the act may be carried out under uniform policies, the Department of Defense has issued the Armed Services Procurement Regulation (ASPR). Section II and III of ASPR cover procurement by formal advertising and by negotiation. This regulation is obtainable at the Government Printing Office.

"Role of Congress in the process. What committees oversee and where in the process."

The Congress has the power to authorize programs, to appropriate moneys, and to regulate spending and accountability of moneys. Congressional interest lies in the broad procurement programs presented annually by budget requests to the Congress for its approval. Although any committee may express an interest, procurement-related programs generally are reviewed at the start of a session by both the House and Senate Armed Services Committees and the House and Senate Committees.

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on Appropriations. These committees may direct cutbacks in certain programs and increases in others. In certain instances the Congress may express interest in specific procurements, particularly those involving major weapon systems.

"Role of the GAO in the contract process."

GAO has no direct role in the procurement process. From time to time, however, we may be called upon to rule on bid protests or to answer questions involving the eligibility of bidders and the legality of prospective awards. GAO also audits contracts in accordance with its statutory responsibility for examining the legality and propriety of Government expenditures by the executive department.

"Relation to GAO to Congress in reporting its findings. How Congress responds; through what committees."

GAO, as an arm of the Congress, is responsible to it for reporting the results of its work. Our basic policy is to report to the Congress all significant findings.

Those committees having a particular interest in defense contracting are usually the Armed Services, Government Operations, and Appropriations Committees. Congressional committees often hold hearings on matters contained in our reports. The subject is explored at the hearings with Department of Defense officials. Sometimes our recommendations require legislative action by the Congress. Others could be implemented administratively by the Secretary of Defense. The Secretary, like all agency heads, is required to report to specific committees the action that he has taken or proposes to take on all recommendations that we have directed to him in our reports.

"Any GAO reports you might have for the last three years concerning defense contracts, particularly on C-5A and the F-14. Congressional reaction to these reports."

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We are enclosing, as requested, a number of reports to the Congress concerning defense contracting as well as information on the C-5A and the F-14 aircraft programs.

We are unaware of any direct legislation resulting from the reports, but the information furnished on the C-5A aircraft program has been considered by the Banking and Currency Committees and the Joint Economic Committee in connection with proposals to guarantee loan funds to the Lockheed Aircraft Corporation. Previously Senator William Proxmire discussed our findings in the Congressional Record on April 19, 1971. (See pp. S4979 through S4982.) Also information furnished in connection with the F-14 aircraft program presently is being considered by the Senate Armed Services Committee.

If we can be of further assistance, please let us know.

Sincerely yours,

R.F.KELLER

Deputy Comptroller General
of the United States

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The Honorable Margaret Chase Smith
United States Senate