

and actual hours sometimes reaches as high as 1:20, and often falls in the 1:2 or 1:3 range. On top of these costs, there is often unconscionable overhead charged to a program -- costs that are cited as overhead where in fact they are just fat.

These excesses exist in acquisition programs for major end items, subassemblies, and spare parts. I have no way of knowing the overall magnitude of the excess costs, but in speaking to one Pentagon cost analyst of many years experience I was told that the rule of thumb is to look for 30% savings in any program -- which he claims is easy to find -- before you move on to the next one. In any case, I believe it can be said with certainty that billions of dollars are being spent to pay for excessive costs in Pentagon contracts.

The problem is how best to cull out these excesses, so we can put that money to better use improving our forces. Two different approaches exist: the use of auditors, and the forces of the free market. I have no doubt the market is far and away the more effective and reliable tool for controlling costs and cost growth, but both tools must be used.

Recommendation (1): Congress should mandate that GAO establish a major "should cost" team of industrial engineers, accountants, etc., and Congress should urge the Defense Department to establish a similar team at the level of the Office of the Secretary. These auditing functions are already officially the province of the Defense Contract Audit Agency, and there are hundreds of Government auditors assigned to contractor plants throughout the country for just these purposes. As is so often the case, however, there is a need for competition between bureaucracies just to insure that the job gets done. These new teams should have full authority