

-- managers as well as rank and file -- is that some critics have taken DoD's own findings and used them against the Department before it could take corrective action.

Besides auditing contracts more stringently, the Defense Department is also writing tougher contracts to close loopholes that led to abuses in the past. In October, Secretary Weinberger issued new cost principles that regulate all DoD contracts. They strictly prohibit two previous loopholes -- the payment to contractors of lobbying costs and the payment of legal fees when a contractor is found guilty of fraud. We are studying other areas where we can make our contracts tougher to forestall any opportunities for abuses in the future.

The reforms I have discussed today will never make the cost of rearming America cheap. But they will make it more efficient and they will ensure that the taxpayers' money is spent prudently. I intend to do my part to see that they are implemented.