

complete cost or pricing data upon which to establish fair and reasonable prices. As a result of certain of these reports, the Congress enacted Public Law 87-653 to provide safeguards for the Government generally where competition is lacking.

We examined into the extent that agency procurement officials were requiring prime contractors and subcontractors to submit cost or pricing data and a certificate prior to the award of negotiated contracts as required by Public Law 87-653 effective December 1, 1962. Our examination covered 242 negotiated prime contracts and subcontracts awarded to 85 prime contractors and 89 subcontractors after October 1964. This examination was performed at 18 military procurement agencies and 31 prime contractor plants during the period April 1965 to June 1966.

We found that 185 of the 242 procurements were awarded under requirements of the law and the procurement regulations for submission of cost or pricing data and a certificate that the data submitted were accurate, complete, and current. However, in 165 of these awards, we found that agency officials and prime contractors had no record identifying the cost or pricing data submitted and certified by offerors in support of significant cost estimates.

As a result it appears that the certificate is not wholly effective since it may be impracticable to establish whether the offeror had submitted inaccurate, incomplete, or noncurrent data in instances where he had not identified the data he had certified. Further, the Government's rights under the defective-pricing-data clause required by the law to be included in these contracts may be impaired since in such cases it may be impracticable for the contracting officer to establish that erroneous data were relied on the negotiation if data were not submitted or made a matter of record by the offeror.

We also found that, in the remaining 57 of the 242 procurements examined, agency and contractor records of the negotiation indicated that cost or pricing data were not obtained apparently because the prices were based on adequate price competition or on established catalog or market prices of commercial items sold in substantial quantities to the general public.

Public Law 87-653 waives the requirement for obtaining certified cost or pricing data under such circumstances. However, the records of these awards did not contain an explanation by the contracting officials of why cost or pricing data were not required and the reasons for determining that the prices were based on adequate price competition or on catalog or market prices of commercial items. As a result, it could not be ascertained whether the bases for these determinations were consistent with criteria established in the Armed Services Procurement Regulation.

We found that prime contractors also had no record identifying the cost or pricing data submitted by subcontractors in support of significant cost estimates even though agency contracting officials were required, under negotiated prime contracts other than firm fixed-price type, to ascertain that such data were being obtained. Therefore, there also appears to be a need for thorough reviews by agency administrative contracting officials to ensure that prime contractors are obtaining adequate cost and pricing data, where appropriate, in the award of subcontracts.