

In non-competitive situations we must have cost or pricing data from the contractor. The degree to which we analyze the information varies with our knowledge of the product we're buying and the contractor that we are considering. In many cases our knowledge of a contractor - through our auditors, engineers, administrative contracting officers - is such that we are almost as familiar with his operations as are his own people. In such a situation it is not necessary for our own negotiating team to completely review, each time, every element of that contractor's proposal.

This principle is expressed in the Armed Services Procurement Regulation which states in part, "Some form of price or cost analysis is required in connection with every negotiated procurement action. The method and degree of analysis, however, is dependent on the facts surrounding the particular procurement and pricing situation. Cost analysis shall be performed ... when cost or pricing data is required to be submitted under the conditions described in ASPR 3-807.3; however, the extent of the cost analysis should be that necessary to assure reasonableness of the pricing result, taking into consideration the amount of the proposed contract ..."

The requirement for the submission of cost or pricing data is as old as non-competitive negotiated procurement itself. For our purposes, we can start with the requirement in the first edition of ASPR issued in 1948 ... "Whenever supplies or services are to be procured by negotiation, price quotations, supported by statements and analyses of estimated costs or other evidence of reasonable prices and other vital matters deemed necessary by the contracting officer shall be solicited ..."

As the need for cost or pricing data continued, the ASPR in 1959 was revised to require all Departments to obtain a certificate of current pricing data for negotiated procurements in excess of \$100,000. The certificate related to the fact that all available actual or estimated cost or pricing data had been considered in preparing the cost estimate and was made known to the contracting officer.

The next important event occurred in 1961 when ASPR was amended to provide for the inclusion of a defective pricing data clause. The Government now had a contractual right to reduce the contract price in the event that it was later determined that the price was overstated because of defective cost or pricing data.

Despite the requirements of ASPR, there were adequate indications through reports of the Comptroller General that unreliable cost or pricing