

EXCERPT FROM
GAO REPORT TO
THE CONGRESS OF THE UNITED STATES

Need for Improving Administration of the Cost or Pricing Data
Requirements of Public Law 87-653
In the Award of Prime Contracts and Subcontracts
Department of Defense

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Conclusions

The Department of Defense has recognized the desirability of obtaining certified cost or pricing data for negotiating fair and reasonable prices and for effecting price adjustment under the defective-pricing-data provisions of the contracts. Nevertheless, our review showed that agency procurement officials and prime contractors, in awarding a substantial number of prime contracts and subcontracts, did not obtain factual or verifiable cost or pricing data in support of cost estimates although required to do so by the procurement regulations implementing Public Law 87-653.

Although contracting officers and prime contractors generally obtained cost breakdowns and certificates of current cost or pricing data and included defective-pricing-data clauses in the contracts and subcontracts, the offerors were not required to submit a written identification of the source documents or other bases for significant cost elements included in their estimates. In some cases auditors and price analysts were able to seek out the supporting information during their prenegotiation reviews of the offerors' records; however, there was generally no authoritative record by the offerors of the data used by them to prepare and submit their estimates to contracting officials. Consequently, we could not determine to what data the contractors and subcontractors were certifying.

The law, in providing that prime contractors and subcontractors be required to submit certified cost or pricing data, in our opinion, did not intend that this requirement would be accomplished by having agency auditors and other representatives of the contracting officer seek out supporting cost or pricing data, while contractors submit and certify, in writing, only the estimated cost. Therefore, we believe it