

WHIZ COMPANYFACTS

On May 20, 1966, the Whiz Company received a request for a rush proposal for 60 widgets. The proposal was submitted on May 31. In response to the RFP an exhibit was attached to the proposal setting forth in detail the prices and sources for all major material items--a total of 75 items comprising 72 percent of the total Bill of Materials containing some 2000 items. Negotiations were conducted September 7 - 10. The Certificate of Current Cost or Pricing Data was signed on September 10, and a FPI contract in the total amount of \$2,100,000.00 was awarded on September 25.

The audit review of the proposal was conducted on June 10 - 17. In support of the material estimate the company gave the auditor the complete purchase files on the 2000 items. The Auditor refused the file and asked that a file pertaining only to the 75 major items be prepared, stating that he was limiting his review to the 75 major items in the exhibit in order to expedite submission of the report. In his review, the auditor found that there were many lower quotations received by the company following submission of the proposal to the Government. His audit report documented recommended adjustments amounting to a total of \$250,000.

The negotiations were conducted on a total price basis. Although there was no understanding or agreement on the amount of materials cost being reached between the Government and Whiz, the negotiation report prepared by the Government buyer stated that a reduction of \$250,000 had been negotiated in material costs.