

technical problems anticipated in establishing a new supplier. A certificate of current cost or pricing data was signed by Moxie on June 2, 1966.

The contract price negotiations were held on June 11 and 12, 1966, at which time the Government negotiators questioned the \$400 increase in unit cost for LSD-2. The negotiation memorandum shows that Moxie provided the negotiators with information that Inflato Corporation had submitted the best competitive bids for LSD-2, at \$900 a unit, and that this amount was finally accepted by the negotiator.

During the estimating system survey, the auditor was evaluating the contractor's use of current vendor quotations and noted that Moxie had received a quotation, dated May 24, 1966, from Undercut Company showing a price of \$550 a unit for LSD-2. He also found that engineers from Moxie had visited both the Inflato Corporation and Undercut Company in June. They had advised the proposal manager that there was no question about Inflator Corporation being able to supply the LSD-2 component, but that additional technical discussions would be required before the same might be said of Undercut Company.

About two months after the award of the prime contract, Moxie awarded a subcontract to Honestjohn for LSD-2 at the quoted amount of \$550 a unit.

PROBLEMS

1. Is this a case of possible defective pricing?