

Why GAO Did This Study

DOD usually relies on competition to ensure it pays a reasonable price for supplies or services. For noncompetitive contracts, DOD relies on other methods for determining price reasonableness, such as information from previous contracts or from the contractor. For commercial items, there are limits on the types of data that may be requested from contractors.

Section 831 of the National Defense Authorization Act for Fiscal Year 2013 required DOD to issue guidance and provide training related to the information contracting officers may request to determine the reasonableness of contract prices. The act also included a provision for GAO to review contracts awarded between January 2013 and January 2015 and report on the extent DOD needed cost data from the contractors to assess the reasonableness of prices.

This report addresses (1) DOD's actions to develop guidance and training on determining price reasonableness, and (2) circumstances under which DOD requested contractor cost or pricing information for determining price reasonableness. GAO reviewed regulations and policies and interviewed DOD officials. GAO also reviewed a random, nongeneralizable sample of 32 noncompetitive commercial contracts from the four DOD components that spent the most on contracts during the 2-year period specified in the mandate.

What GAO Recommends

GAO is not making recommendations. In written comments, DOD stated the report would assist the department's implementation of Section 831.

View [GAO-15-680](#). For more information, contact William T. Woods at (202) 512-4841 or woodsw@gao.gov.

DEFENSE CONTRACTS

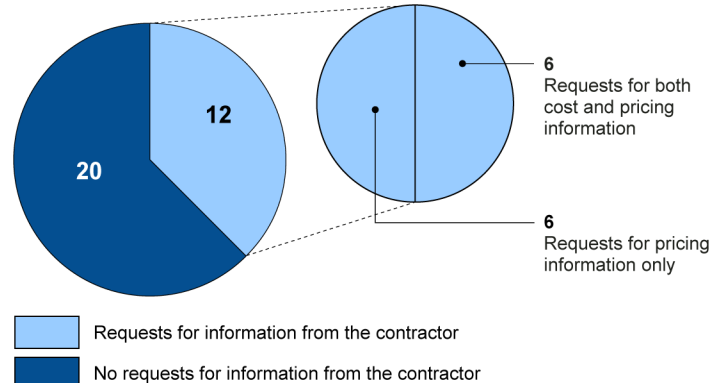
DOD's Requests for Information from Contractors to Assess Prices

What GAO Found

The Department of Defense (DOD) is taking several steps to develop guidance and training related to determining the reasonableness of prices. First, DOD issued a policy memo to provide guidance to contracting officers on the determination of price reasonableness for commercial items. Second, DOD plans to revise the Department of Defense Federal Acquisition Regulation Supplement (DFARS) and provide guidance to contracting officers on requesting cost or pricing information from contractors. DOD published the proposed rule for public comment in early August 2015. Third, DOD is developing training to complement the guidance and is establishing a cadre of cost and pricing experts to assist contracting officers. Since the guidance, regulation, and training plans have not been implemented, it is too early to determine the effectiveness of these initiatives on determining the reasonableness of proposed prices.

DOD contracting officials requested cost or pricing information from contractors to determine the reasonableness of proposed prices for 12 of 32 commercial contracts in GAO's sample. Specifically, officials requested cost data, such as information on the cost of materials or labor, for 6 of the contracts reviewed and requested only pricing information, such as sales invoices, for 6 contracts. The contracts GAO reviewed showed that officials requested contractor information for a variety of reasons. In some cases, officials requested information because the contractor's proposal was incomplete. In other cases, officials determined that the information on hand was inadequate for purposes of assessing prices. Contractors did not always provide all of the requested information, but contracting officials were able to use the available information to conclude that the prices paid were fair and reasonable. For 20 contracts, officials did not request any contractor information to determine price reasonableness. Officials determined the prices fair and reasonable based on information already available to the government, such as prices paid on previous contracts. Overall, GAO found that contracting officials faced challenges when determining price reasonableness, such as data currency and contractor reluctance to share data.

Contractor Information Requested by the Department of Defense to Determine Price Reasonableness for Contracts GAO Reviewed



Source: GAO analysis of DOD contracts. | GAO-15-680