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 Part 15
 DEPARTMENT OF THE AIR FORCE
 HEADQUARTERS AIR FORCE MATERIEL COMMAND
 WRIGHT-PATTERSON AIR FORCE BASE OHIO

14 Jan 02

9 NOV 2001

MEMORANDUM FOR SEE DISTRIBUTION

FROM: HQ AFMC/PK
 4375 Chidlaw Road, Room S208
 Wright-Patterson AFB OH 45433-5006

motivated subject?

SUBJECT: DOD/IG Audit of Price Reasonableness Determinations

1. The attached SAF/AQC memorandum (Attachment 1) addresses the findings of a recent DOD/IG report and is forwarded for your review and action.

2. One area of concern addressed in the DODIG report is how contracting officers (COs) determine price reasonableness on competitive solicitations where only one response is received (see HQ AFMC/PK memo 26 Feb 01 and Attachment 2 for details on TINA exceptions). Based on these findings and recommendations, I request that you establish local procedures to independently review these situations to determine if adequate information exists to determine price reasonableness. This review should be made at a level above the CO and should occur prior to the COs making a determination of adequate price competition. Your pricing and/or policy staff may conduct this review. Ensure that these procedures are documented in your local operating instructions or process book. This policy should be established promptly and should remain in effect until such time as it has been incorporated into the AFMCFARS.

Establish local procedure

3. Pricing of contractual actions is one of a contracting professional's most important jobs. It is, in fact, our major "value-added" to the acquisition process. A number of resources (guides, tools, and training), identified in Attachment 3, are available for use. DCAA also provides a number of services that can also be utilized (Attachment 4). Attachment 5 stresses the importance of documenting price/cost analysis and negotiations. Please ensure that your contracting staff reviews the information in these attachments.

4. Also, please remind your contracting staff that when responding to urgent requirements, they should consider utilizing existing contracts, when available, in lieu of creating new contractual documents. The ConConnect tool, <https://www.conconnect.wpafb.af.mil/welcome/welcome.asp>, is an excellent method for identifying existing contracts.

use existing contracts

5. If you have any questions on this subject, please contact my action officer, Mr. Bill Sain, HQ AFMC/PKPC, at DSN 787-3812 or bill.sain@wpafb.af.mil.

Thomas S. Wells
 THOMAS S. WELLS, SES
 Deputy Director of Contracting

Attachments:

1. SAF/AQC Memorandum, 28 Sep 01
2. TINA Exceptions, 26 Oct 01
3. Pricing Resources Available, 26 Oct 01
4. DCAA Services Available, 25 Oct 01
5. Importance of Documentation, 26 Oct 01

2002-10

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DEPARTMENT OF AIR FORCE
WASHINGTON DC

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OFFICE OF THE ASSISTANT SECRETARY

MEMORANDUM FOR ALMAJCOM-FOA-DRU (CONTRACTING)

28 SEP 2001

FROM: SAF/AQC
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: DOD/IG Audit of Price Reasonableness Determinations (Report No. D-2001-129)

The DOD/IG recently completed an audit of the price reasonableness determination of contracting officers when cost or pricing data was not obtained to determine the adequacy of such determinations. The audit found issues regarding the acceptance of catalog prices without verification or discussions, inappropriate reliance on previous prices paid for comparison purposes, acceptance of unsupported costs and the inappropriate use of the exceptions to the Truth In Negotiations Act (TINA). The audit also cited concerns about the impact of urgent requirements on pricing and lack of requests for DCAA assistance. The audit concluded that in many cases we were not adequately documenting our price reasonableness determinations. The entire report can be reviewed at <http://www.dodig.osd.mil/audit/reports/fy01/01-129pt1.pdf>.

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urgent requirement

In order to address the concerns raised, we will be conducting a survey to determine the need for training on various aspects of pricing. In addition, we request the following actions be taken. First, we request that you mitigate some of the impact of urgent requirements by making people are aware of the various preexisting contracts that are available which may be able to fulfill these requirements and by ensuring that proper pricing is being done on these requirements. Second, ensure that contracting personnel are familiar with the various support services that DCAA can provide, such as verification of sales history and review of catalog sales, and encourage greater utilization of these services. Third, ensure that people are aware of and comply with FAR 15.403-1 regarding the exceptions to TINA. Fourth, conduct a pricing review on all competitive solicitations where only one response is received to ensure that adequate information exists to determine price reasonableness prior to contract award. Taking these actions, in addition to providing targeted training, should improve the overall health of pricing.

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Should you any questions, please contact my action officer Karen Petering, SAF/AQCP her at (703) 588-7054 or email her at karen.petering@pentagon.af.mil.

TIMOTHY A. BEYLAND
Associate Deputy Assistant
Secretary (Contracting)
Assistant Secretary (Acquisition)

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