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LOS ANGELES REGIONAL OFFICE

AIRMAIL

MAY 15 1972

Deputy Director, General Procurement Management - J. H. Hammond

J. H. STOLAROW

Regional Manager, Los Angeles - J. H. Stolarow

Review of contract pricing, Philco-Ford Corporation
Aeronautic Division (61856)

We have completed our review and evaluation of the reasonableness of the prices negotiated for six spare parts orders under basic ordering agreements (BOAs) awarded to Philco-Ford Corporation, Aeronautic Division, Newport Beach, California, by the U. S. Army's San Francisco and Los Angeles Procurement Agencies.

With respect to Order 19, under BOA DAH01-68-A-0031, we found that the price negotiated was increased by about \$73,500 because the proposed labor hours were not based on current, complete, and accurate cost or pricing data. We also found that the price of Order 19 was further increased by about \$10,000 because the Government failed to consider in negotiations a revised contractor proposal which included reduced labor hours.

Our review of Orders 13 and 15, under BOA DAH01-68-A-0012, showed that the negotiated prices were increased by about \$28,300 and \$22,100, respectively, because the contractor's proposed labor hours were not based on current, complete, and accurate cost or pricing data. We have no significant questions concerning the pricing of the remaining three orders.

Enclosed for your information are copies of our letter reports to the (1) Commanding Officer, U. S. Army San Francisco Procurement Agency, (2) Philco-Ford Corporation, Aeronautic Division, (3) Regional Manager, DSAI, and (4) Commander, DCASR, Los Angeles.

We are also enclosing summary listings of pertinent statistical information on the contracts audited. The working papers containing the details of our review are being retained in the regional office.

Enclosures

cc: Director, FOD, w/o enclosures
Director, PSAD, w/o enclosures
Chief, Publications Branch, OAS, w/GAO Form 103

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