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Chief, Pub Branch,  
OARS

UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
ROOM 7054 FEDERAL BUILDING  
300 NORTH LOS ANGELES STREET  
LOS ANGELES, CALIFORNIA 90012

JUL 31 1972

Rear Admiral Stuart H. Smith  
Commanding Officer  
U. S. Navy Aviation Supply Office  
700 Robbins Avenue  
Philadelphia, Pennsylvania 19111

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Dear Admiral Smith:

We have recently completed a survey of the pricing of negotiated defense contracts at AiResearch Manufacturing Company of Arizona, Phoenix, Arizona. The objective of our survey was to determine the extent of compliance by contractor and Government personnel with the requirements of Public Law 87-653 and the implementing provisions of the Armed Services Procurement Regulation (ASPR). During our survey we noted that the negotiation of unpriced orders awarded under basic ordering agreements (BOA's) by your activity had not been conducted in a timely manner. The following observations are presented for your consideration of actions you may deem appropriate to improve the price negotiation process.

Included in our survey were eleven orders over \$100,000 awarded to AiResearch during the period July 1, 1969, to February 29, 1972, under BOA's N00383-67-A-2301 and N00383-69-A-3902. These orders, which were completed by the contractor during this time frame, are identified in the enclosure. For eight of the orders, price negotiations were not completed until 3 to 5 months after receipt of the field pricing support (audits of the price proposals by the Defense Contract Audit Agency; also, price/cost analysis and technical evaluations by Defense Contract Administration Services).

The delayed negotiation of contract prices generally (1) creates additional administrative burden for contractors to update cost proposals, (2) results in the initial field pricing support being less effective in negotiations, and (3) stimulates a cost-plus environment.

A majority of these orders were negotiated during the 6 months ended December 31, 1970. The contractor submitted updated cost or pricing data prior to negotiations for 6 of the 8 orders. There were relatively few orders over \$100,000 awarded to AiResearch in 1971 and

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early 1972, and the negotiation delays may not be as prevalent at this time. However, you may wish to look into this matter as it affects other ASO contractors with significant volume of BOA pricing actions.

It should be recognized that our observations concerning the timeliness of negotiating unpriced orders are based solely on information and documentation obtained at the cognizant contract administration office and AiResearch. We have not obtained any information from ASO officials nor reviewed contract documentation at your installation.

We would appreciate receiving your comments on the matter discussed herein together with advice as to action taken or planned. We would be particularly interested in your views as to the possibility of delegating the price negotiation responsibility for orders under BOA's to the cognizant administrative contracting officer as a means of expediting the pricing process. We would be glad to discuss this matter in greater detail with you or your staff.

Sincerely yours,

J. H. STOLAROW  
J. H. STOLAROW  
Regional Manager

Enclosure

bcc: Deputy Director, GPM (PSAD) - J. H. Hammond  
Regional Manager, Philadelphia

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UNPRICED ORDERS AWARDED TO ATRESEARCH

MANUFACTURING COMPANY OF ARIZONA

<u>NOO383-67-A-2301:</u>	<u>Interval between completion of field pricing support and negotiations (months)</u>
Order 0060	*
0719	5
0739	*
0751	5
0781	$3\frac{1}{2}$
0789	5
0807	$3\frac{1}{2}$
0809	4
<u>NOO383-69-A-3902:</u>	
Order 0072	*
0101	4
0166	$4\frac{1}{2}$

\*Less than 3 months

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