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UNITED STATES GENERAL ACCOUNTING OFFICE REGIONAL OFFICE NODAL WALLEDANAL BUILDING SMNORTH LOS ANGELES STATET LOS ANGELES, CALIFORNIA 90012

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Captain Stanley Gary Commanding Officer U. S. Naval Ordnance Station Indian Head, Maryland 20640

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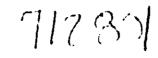
Dear Captain Gary;

As part of our review of the negotiation of contract prices under the provisions of Fublic Law 87.653, we have examined into the price proposed and negotiated for firm fixed-price contract NOO174.71-0-0289 awarded to Talley Industries of Arizona, Mesa, Arizona, by the U. S. Naval Ordnance Station. The contract was awarded on March 12, 1971, in the amount of \$656,064 and provided for the production of rocket catapults. The contract price was subsequently increased to \$700,578 for additional units.

Our examination was primarily concerned with the reasonableness of the price negotiated in relation to cost or pricing data available at the date of contract negotiations and the adequacy of technical and audit evaluations of the contractor's cost proposal. (Aur review of proposed labor hours was limited to historical data on completed job orders for previous procurements as the contractor prematurely disposed of cost accounting records and supporting documents reflecting labor hours experienced on substantially or partially completed contracts for the same items. Accordingly, we were unable to completely determine if the most ourrent experienced labor hour data was disclosed by the contractor in support of proposed costs.

Although we have no major questions concerning the reasonableness of the contract price, we noted that prior to negotiations the contractor did not disclose to the contracting officer labor hour data experienced on the most recently completed production contract for identical units. Nondisclosure of this data, however, did not significantly affect the

pricing of this contract.



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Captain Stanley Gary

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No further reporting of the results of our review is contemplated at this time. However, copies of this letter are being sent to the Commander, Defense Contract Administration Services Region, and the Regional Managor, Defense Contrant Audit Agency, Los Angeles, for their information.

Sincerely yours,

Juse G 2. Hull, Jr.

JAMES T. HALL, JR. Regional Manager

- cc: Commander, DCASR, Los Angeles · Regional Manager, DOAA, Los Angeles
- bco: Deputy Director, PSAD/GPM J. H. Hammond Regional Manager, Washington Assistant Director, PSAD/GPM - Charles Weinfeld

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