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UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
ROOM 708, FEDERAL BUILDING  
330 NORTH LOS ANGELES STREET  
LOS ANGELES, CALIFORNIA 90012

AUG 8 1974

Mr. Alex Soll  
Regional Manager  
Defense Contract Audit Agency  
1340 West 6th Street, 2nd Floor  
Los Angeles, California 90017

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Dear Mr. Soll:

As part of a nationwide review of the effectiveness of Defense procurement regulations concerning subcontract cost or pricing data submissions, we have examined the [prices proposed and negotiated for major firm fixed-price subcontracts involving cable assemblies procured from Amphenol Space and Missile Systems Division, Bunker-Ramo Corporation, Chatsworth, California, under fixed-price incentive prime contracts for the fiscal year 1972 MINUTEMAN III missile procurement. In particular, our review included subcontracts AIMM-528334 and A2MM-528336 awarded by the Autonetics Group, Rockwell International Corporation, under contract F04701-69-C-0194 and subcontract 633693-28(29) awarded by the Bell Aerospace Company under contract F04701-71-C-0038. Our review primarily concerned the reasonableness of the subcontract estimates included in the prime contract prices in relation to cost or pricing data available at the time of prime contract or subcontract negotiations.

We found that:

- The amount negotiated in the target price of contract -0194 for the Amphenol subcontract effort was about \$986,000 higher than indicated by available cost data at the time of prime contract negotiations.
- The amount negotiated in the target price of contract -0038 for the Amphenol subcontract effort was about \$206,100 higher than indicated by available cost data at the time of subcontract negotiations.

In each of these procurements, the preaward audits of the subcontractor's proposals did not identify more current, complete, and accurate cost data for consideration by the contracting officers during prime contract negotiations.

[Subcontract Prices Proposed for 1972 MINUTEMAN III  
Missile Procurement] 7/4/88

Mr. Alex Soll

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Enclosed for your information is a copy of a report to the Commander, Space and Missile Systems Organization, which summarizes the results of our review. Your comments on the matters discussed in the report would be appreciated. In particular, your attention is directed towards (1) nondisclosure of more current, complete, and accurate subcontract cost data during preaward audits, (2) delays which resulted in the issuance of audit report 451-03-2-0688 after prime contract negotiations, and (3) the acceptance of Amphenol Sales Division expense allocations to the Chatsworth Division without evaluation of reasonableness and allocability. The results of our review were discussed with the Van Nuys Branch Manager and the Autonetics Group Resident Auditor.

Copies of the report are also being provided to the Air Force Plant Representative at Autonetics; Amphenol; and the prime contractors.

We would like to acknowledge the courtesy and cooperation extended to our representatives by your staff.

Sincerely yours,

J. T. HALL, JR.  
Regional Manager

Enclosure

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