



DEPARTMENT OF THE NAVY

NAVAL FACILITIES ENGINEERING COMMAND

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18 JUN 96

From: Commander, Naval Facilities Engineering Command

Subj: USE OF NAVFAC FORM 4330/43 (8/88) (22-96)

Ref: (a) DCAA Audit Report No. 1101-96S23000008
(b) DCAA Audit Report No. 6121-95B21000017

1. There have been numerous examples of audit problems caused by the prescribed use of the NAVFAC Form 4330/43 (8/88) or other similar forms. Examples of two such problems are contained in references (a) and (b). The form was originally intended to facilitate negotiations with contractors, i.e., requiring them to use the same format as the government so an "apples to apples" comparison could easily be made.

2. As our use of negotiated procurements continues to increase, contracting officers must keep in mind that forcing the contractor to conform to an arbitrary format may cause problems within the contractor's own accounting systems, which is especially true if his contract is cost reimbursement and subject to Cost Accounting Standards Board rules. Problems include:

a. Contractors may be forced to propose rates which are inconsistent with its disclosed accounting practices.

b. Use of the form may lead to "pre-priced" rates for all actions occurring under a contract (delivery orders, modifications, etc.). Such rates may not comply with FAR, CAS, and disclosed practices.

c. The rates could cause a duplication of expenses already included as direct or indirect expenses on other lines of the form.

d. If the contractor's rates are higher than the rates negotiated on the form, it could increase the risk of the contractor mischarging costs to other contracts.

3. In one of the examples shown in reference (a), our insistence upon using the form and dictating the rates to be used could have resulted the government paying 15% more than it would have if the contractor had used his own system.

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4. Our negotiating teams should be adaptable to the contractors' accounting/proposal preparation systems so that we can ensure that the government is not forcing the contractor to take more money than is necessary! Contracting officers, when reviewing pre- and post-negotiation documentation should be sensitive to the format used in obtaining the contractor's proposal and ensure that both the form and any 'pre-priced' rates make sense in the instant case. The NAVFAC Form 4330/43 is **not** required.



JOSEPH D. SCHNEIDER
By direction

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