



DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
200 STOVALL STREET
ALEXANDRIA, VA 22332 2300

Policy

IN REPLY REFER TO

Ser 111B-97-82
21 Aug 97

From: Commander, Naval Facilities Engineering Command

Subj: CONTRACTING OFFICER PRICE ANALYSIS (42-97)

Encl: (1) OASN(RD&A) memo of 25 Jul 97

1. Enclosure (1) is a reminder to contracting officers that they must document, in Price Negotiation Memoranda, price analyses that were accomplished or provide reasons for why such an analyses were not performed for negotiated contracts valued greater than \$100,000.
2. Please distribute to all appropriate personnel.

Joyce L. Runyan
Joyce L. Runyan
By direction

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Subj: CONTRACTING OFFICER PRICE ANALYSIS

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DEPARTMENT OF THE NAVY
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25 Jul 1997

MEMORANDUM FOR DISTRIBUTION

Subj: CONTRACTING OFFICER PRICE ANALYSIS

Contracting officers are reminded that in accordance with FAR 15.802, obtaining cost or pricing data and using that data to perform a cost analysis is the least preferred means of evaluating price reasonableness on Navy contracts. Consequently, in those instances where cost or pricing data are not obtained, it is essential that the contracting officer perform price analysis to ensure that the overall price offered is fair and reasonable. Further, FAR 15.805-2 states that the contracting officer is responsible for selecting and using whatever price analysis techniques that will ensure a fair and reasonable price. Such techniques include comparison of proposed prices received in response to the solicitation, comparison of prior proposed prices and contract prices for the same or similar items, application of rough yardsticks and comparison with independent Government estimates. Accordingly, contracting activities are reminded that the use of techniques such as obtaining DCAA recommended rates, performing technical analyses, or analyzing field pricing reports are generally reserved for performing cost analysis and do not relieve contracting officers from their duty to perform price analysis.

A recent Department of Defense Inspector General (DoDIG) Draft Audit Report (7CH-5004) concluded that management emphasis on increasing the use of price analysis techniques has resulted in a positive trend toward reducing reliance on obtaining cost or pricing data and using cost analysis methods to price contracts. However, the draft report also noted that a substantial number of contracting offices still did not perform price analyses or did not justify decisions not to do so. Contracting officers are reminded that they must document, in Price Negotiation Memoranda, price analyses that were accomplished or provide reasons for why such an analyses were not performed for negotiated contracts valued greater than \$100,000.

Please ensure that your contracting activities are aware of their responsibilities in this area.

Elliott B. Branch
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Executive Director
Acquisition & Business
Management