



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
Research, Development and Acquisition
WASHINGTON, D.C. 20350-1000

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MEMORANDUM FOR DISTRIBUTION

Subj : COST OR PRICING DATA

Encl: (1) OUSD(A) DP/CPF Memo of 28 April 1994

By enclosure (1), the Director, Defense procurement reemphasizes her policies on the submission and certification of cost or pricing data, as well as the use of cost documentation to determine cost realism. Section 5215.407 of the Navy Acquisition procedures Supplement (NAPS) provides Navy guidance on cost or pricing data. Cost realism is addressed in section 5215.805-70 of the NAPS.

Please remind your contracting officers to refrain from obtaining cost or pricing data unless clearly needed, and to limit other cost documentation to that necessary to ensure cost realism. As noted in enclosure (1), this matter should be a special interest item during your solicitation reviews and procurement management reviews.

Elliott B. Branch

Elliott B. Branch
Director
Procurement Policy

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SUBJECT: Cost or Pricing Data

One of the most frequently heard and long-standing complaints about the procurement process is that contracting officers ask for the submission and certification of cost or pricing data when such data are not required. This practice wastes government and contractor resources. Clearly, contracting officers must become more knowledgeable about and comfortable with alternative methods of establishing price reasonableness so that over-reliance on cost-analysis techniques can be avoided. The purpose of this memorandum is to discourage contracting officers from obtaining cost or pricing data unless the data are clearly required or necessary.

Actions Under \$ 500,000: Cost or pricing data generally should not be obtained for actions falling below \$500,000. Contracting officers should instead use price analysis techniques to the maximum extent possible to determine price reasonableness. When the contracting officer cannot determine price reasonableness by using price analysis techniques, cost documentation may be obtained from an offeror in order to perform a cost analysis; however, the contracting officer shall request only that data which are necessary to determine a reasonable price. A contracting officer may require the submission of cost or pricing data for actions falling below \$500,000 only if a written finding is made that such data are necessary for the evaluation of the reasonableness of contract price, and the finding is approved at a level above the contracting officer (see FAR 15.804-2 (a) (3)).

cost Realism Analysis: When cost or pricing data are not required because adequate price competition is expected, but cost



Enclosure (1)

with

documentation is needed to determine the cost realism of competing offers, such documentation may be obtained. Cost documentation requirements should be tailored so that only necessary data are requested (see DFARS 215.805-70). Contracting officers should not require contractors to certify cost documentation, and cost or pricing data should not be requested.

Adequate Price Competition: Cost or pricing data should not be requested when adequate price competition is expected. Adequate price competition can exist even when price is a secondary factor in the evaluation of proposals as long as price is a substantial evaluation factor (see DFARS 215.804-3 (b) (1)). Cost documentation may be obtained if necessary to ensure cost realism.

I ask that you devote special attention during solicitation reviews and performance management reviews to ensuring cost or pricing data requirements are imposed only when necessary. Please note that different requirements may apply when contracting for commercial items in accordance with the procedures set forth in DFARS Subpart 211.70.



Eleanor R. Spector
Director, Defense Procurement