



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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PROCUREMENT AND SYSTEMS
ACQUISITION DIVISION

MARCH 19, 1979

B-168450



108858

The Honorable Harold Brown
The Secretary of Defense

Attention: Assistant Secretary of Defense
(Comptroller)

Dear Mr. Secretary:

DLG 00501
DLG 01230

We have reviewed the pricing of subcontracts 11-20707 and 11-52781 awarded by the Grumman Aerospace Corporation to Western Gear Corporation, Flight Structures Division, Jamestown, North Dakota. These firm-fixed-price subcontracts were for procuring 25 Lot VI and 40 Lot VII weapons rail system ship-sets for the F-14 aircraft, at negotiated prices of \$4,050,000 and \$7,400,000, respectively. Subsequent contract modifications increased the prices to \$4,363,563 and \$8,016,840, respectively.

These subcontracts were selected as part of a nationwide review of the pricing of negotiated noncompetitive subcontracts awarded under Department of Defense negotiated noncompetitive prime contracts. Our objective was to determine the reasonableness of the subcontract prices in relation to cost or pricing data available to the subcontractor at the time of contract negotiations.

Public Law 87-653 (Truth in Negotiations Act) requires that, with certain exceptions, contractors and their subcontractors be required to submit cost or pricing data to support proposed prices for noncompetitive contracts and contract modifications expected to exceed \$100,000. Also, contractors are required to certify at the time of negotiations that data submitted is current, complete, and accurate. A clause is inserted in the contract which gives the Government a right to a price reduction if the price was increased because the data submitted was not in accordance with the certification.

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Report

PSAD-79-47
(950450)

Our review was performed at the subcontractor's facility where we reviewed pertinent documents and held discussions with subcontractor personnel. We also considered work done by the Defense Contract Audit Agency and Defense Contract Administrative Services staffs.

Our conclusions and recommendations are included in the enclosure. In summary, we found that Western Gear's subcontracts were overpriced by about \$551,806. Approximately \$322,851 of this amount occurred because cost or pricing data used to support the costs proposed for material was not current, complete, and accurate; about \$6,682 occurred because of arithmetical errors in computing labor costs proposed; and the remaining \$222,273 was due to add-on factors and profit.

Also, we identified subcontract change orders of approximately \$237,225 (including add-on factors and profit), which were negotiated to delete the cost of nine items of obsolete material. These items were obsolete at the time of Western Gear's proposal. We could not determine whether the adjustment had been passed to the Navy. If it was not, the overpricing would be increased by this amount.

We recommend that you have the Naval Air Systems Command consider the information presented herein, along with any additional information available, to determine whether the Government is entitled to price adjustments under the Navy's prime contracts with Grumman for Lots VI and VII.

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We are sending copies of this letter to Western Gear Corporation; Grumman Aerospace Corporation; the Director, Office of Management and Budget; and the Secretary of the Navy; the Chairman of the Senate and House Committees on Appropriations and Armed Services; the House Committee on Government Operations; and the Senate Committee on Governmental Affairs.

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Sen 003

AKA

As you know, Section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

A - Appropriation
S - Armed Serv - SEN 00500
H - Armed Serv

B-168450

We would appreciate receiving your comments on these matters and would be pleased to discuss any questions that you may have.

Sincerely yours,

A handwritten signature in cursive script, reading "J. H. Stolarow".

J. H. Stolarow
Director

Enclosures - 3

REVIEW OF REASONABLENESS OF PRICING OF GRUMMANAEROSPACE CORPORATION SUBCONTRACTS 11-20707 AND11-52781 WITH WESTERN GEAR CORPORATIONBACKGROUND

Grumman awarded the Western Gear subcontracts under its Navy prime contracts N00019-74-C-0073 (Lot VI fixed-price incentive fee) and N00019-75-C-0078 and N00019-75-C-0013 (Lot VII firm-fixed-price). Western Gear executed two Certificates of Current Cost or Pricing Data as of April 30, 1974, which was the completion date of negotiations on both the Lot VI and VII subcontracts. This negotiation date was 281 days after the Lot VI prime contract negotiations and preceded the Lot VII prime contract negotiations by 178 days. Work under both subcontracts was completed in February 1977.

Negotiations of the subcontracts were based on a November 2, 1973, Lot VI proposal and a February 20, 1974, Lot VII proposal. Neither proposal contained a bill of materials to support proposed material costs. However, a bill of materials computer run was retained by Western Gear and identified as support for the materials costs proposed for both Lot VI and VII. This bill of materials, according to Western Gear, was developed using the weapons rail system configuration in effect as of February 12, 1973.

Preaward evaluations were performed on both proposals by Grumman Aerospace Corporation, the Defense Contract Audit Agency, and the Defense Contract Administrative Services.

RESULTS OF REVIEW

Western Gear's proposals for Lots VI and VII were overpriced by about \$551,806, including applicable add-on factors and profit, because the costs proposed for materials and labor setup and run time were not based on current, complete, or accurate cost or pricing data.

Materials

We reviewed material items with a unit price exceeding \$5 and found that Western Gear's proposed material costs for Lots VI and VII were overpriced by about \$107,659 and \$215,192, respectively. (See enc. II and III for a listing

of the overpriced items.) The overpricing was due primarily to Western Gear's

- failure to use available quotes or purchase orders (materials were estimated at amounts substantially higher than shown on supporting data);
- failure to update estimates to recognize current quotes or purchase orders;
- use of estimates for some Lot VII raw materials and purchased parts at Lot VI quantity prices, when lower quotations for increased quantities were indicated; and
- use of estimates on the bill of materials for raw material and/or processing manufactured parts when the manufacturing order showed none or did not support the estimated amounts.

The following are some examples of the above conditions:

- Western Gear's estimate for part A51B61020-815 (a beam) was substantially higher than shown by the supporting supplier's quote. The estimate for Lot VI was \$63.93 per unit and \$72.88 for Lot VII (\$63.93 plus escalation). We found no support for these amounts; however, there was a vendor's quote dated July 18, 1973, which disclosed a bid of \$38.70 for Lot VI. Since this was the most recent quote available, we concluded that the unit cost for Lot VI was overpriced by \$25.23. (See enc. II, item 10.) Using the \$38.70 as a base, the Lot VII estimate should have been \$40.17 with escalation. Therefore, the Lot VII unit cost was overpriced by \$32.71. (See enc. III, item 23.)
- Western Gear's estimate for part GS837DC1 (a switch) had not been updated to recognize recent purchase orders. The estimated unit cost for Lot VI was \$28.04, based on a July 1973 Lot V purchase order of \$25.80 plus escalation. However, a Lot VI purchase order dated February 1, 1974, showed the cost to be \$25.80. Therefore, the unit cost was overpriced by \$2.24. (See enc. III, item 107.) For Lot VII, this part was estimated at \$31.96 per unit. The basis of the estimate was \$28.04, the estimate for Lot VI plus 14 percent escalation. A Lot VII purchase order dated February 1, 1974, showed the cost to be \$25.80.

The unit cost was overpriced by \$6.16 (See enc. III, item 156.)

--Western Gear estimated the Lot VII unit cost for part A51B61517-13 (bushing) by using a vendor quote for Lot VI quantities which showed a lower unit cost for Lot VII quantities. A vendor's quote dated August 31, 1973, showed a price of \$17.19 per unit for Lot VI and \$16.39 per unit for Lot VII quantities. Western Gear used \$19.60 (\$17.19 plus 14 percent escalation) as their estimated unit cost for Lot VII, when they should have used \$18.68 (\$16.39 plus 14 percent). Therefore, the unit cost was overpriced by 92 cents. (See enc. III, item 48.)

--Western Gear's estimate for manufactured part A51A61105-861 (electric assembly) exceeded amounts supported by their manufacturing order. The manufacturing process for this part is made up of incremental levels. If costs of raw materials introduced at previous levels are included at those levels, they should not be cost items in another manufacturing level. Our review of the manufacturing order for incremental level 5 showed that costs for 12 of 23 raw material items had been included in a previous manufacturing level. Support for the remaining 11 items totaled \$10.48 for Lot VI and \$9.57 for Lot VII. However, Western Gear's proposal was \$104.45 for Lot VI and \$119.08 for Lot VII. Therefore, the unit costs proposed were overpriced by \$93.97 and \$109.51, respectively. (See enc. II, item 2 and enc. III, item 3.)

--Western Gear's estimate for part A51B61024-43 was not supported by their manufacturing order. Based on the bill of materials, Western Gear proposed the following costs:

	<u>Includes escalation</u>	
	<u>Lot VI</u>	<u>Lot VII</u>
Materials	\$ 9.86	\$11.24
Processing	<u>16.26</u>	<u>18.53</u>
Total	<u>\$26.12</u>	<u>\$29.77</u>

Our review of the manufacturing order and bill of materials showed that the only material applicable to this part was part A51B61024-840. This was to be routed, drilled, or shaped to the A51B61024-43

configuration. The A51B61024-840 part had been previously priced on the bill of materials as a purchase part and should not have been a cost at this manufacturing level. The processing estimate, as shown on the bill of materials, refers to external processing. Since this part was internally processed and internal processing was estimated as part of Western Gear's overall labor hours, it should not have appeared here as a cost item.

Therefore, the unit costs were overpriced by \$26.12 for Lot VI and \$29.77 for Lot VII. (See enc. II, item 17 and enc. III, item 30.)

Overpriced labor

Western Gear's proposal for production labor set-up and run time was overpriced by about \$2,464 for Lot VI and \$4,218 for Lot VII, because of an arithmetical error made in proposed hours. The error resulted because labor hours were incorrectly transferred from the supporting data to the proposal. The error was initially made on Western Gear's proposal for Lot VI. Since the basis for proposed Lot VII production hours were the proposed Lot VI hours, the error also occurred in Lot VII. Labor hours proposed for Lot VI and VII were overstated by 640 and 981, respectively.

Grumman's report on evaluation of the Lot VI proposal identified the error and stipulated that Western Gear conceded. However, the memorandum of negotiations does not show that an appropriate adjustment was made to the Lot VI or Lot VII proposals.

SUBCONTRACTOR COMMENTS

Western Gear officials would not comment on specific instances of overpricing. However, they state that all purchase orders and quotes were provided to Grumman before or during negotiations and that they are unaware of any requirement for subcontractors to formally revise proposals under these conditions.

According to Defense Acquisition Regulations 3-807.3 (b)(2), 3-807.3 (h), and 3-807.3 (i):

"Prospective subcontractor cost or pricing data when required shall be accurate, complete, and current as of the same date specified in the contractor's certificate * * *."

* * * * *

"Cost or pricing data as used in this Part consists of all facts existing up to the time of agreement on price which prudent buyers and sellers would reasonably expect to have a significant effect on the price negotiations * * *."

* * * * *

"The requirement for submission of cost or pricing data is met when all accurate cost or pricing data reasonably available to the contractor at the time of agreement on price is submitted, either actually or by specific identification in writing * * *."

Also, the requirements of the Defense Acquisition Regulations under Record of Price Negotiations 3-811 (a) stipulate:

"* * * The memorandum shall also reflect the extent to which the contracting officer recognized in the negotiation that any cost or pricing data submitted by the contractor was inaccurate, incomplete, or non-current; the action taken by the contracting officer and the contractor as a result; and the effect, if any, * * * on the total price negotiated * * * ."

Neither Grumman's report on their evaluation of Western Gear's proposals or their memorandums of subcontract negotiation disclosed that cost or pricing data, provided after the proposal, had been recognized and that Western Gear's proposed material costs had been adjusted accordingly.

Western Gear officials contend that nine items of material, which we had identified as overpriced, have been adjusted by change orders and subcontract amendments. They implied that since the net effect of the change order adjustments was to reduce the contract price, the items should not be identified as overpriced. The nine items are included in enclosure II (item 85 and items 93 through 100) and enclosure III (item 132 and items 140 through 147). The change orders were processed after the award of the subcontracts, and we were unable to determine whether the benefit of adjustments were passed to the Navy. The change orders were between Grumman and Western Gear to correct for obsolete parts and were dated March 15, 1977, for Lot VI and March 31, 1977, for Lot VII. We considered the change orders in our computation of net overpricing, and the effect was a reduction of \$237,225 computed as follows:

	<u>Lot VI</u>	<u>Lot VII</u>	<u>Total</u>
Reduction for change order adjustments	\$50,647	\$ 96,450	\$147,097
Applied scrap, rework, freight, and contin- gencies (5.83%)	<u>8,017</u>	<u>15,268</u>	<u>23,285</u>
Subtotal	\$58,664	\$111,718	\$170,382
General and administrative (24%)	<u>14,079</u>	<u>26,812</u>	<u>40,891</u>
Subtotal	\$72,743	\$138,530	\$211,273
Profit (11.3% for Lot VI and 12.8% for Lot VII)	<u>8,220</u>	<u>17,732</u>	<u>25,952</u>
Total reduction	<u>\$80,963</u>	<u>\$156,262</u>	<u>\$237,225</u>

SUMMATION OF OVERPRICING

We determined the total amount of overpricing by applying the overhead and general and administrative expense rates proposed by Western Gear and the profit rate considered negotiated by Grumman. We have also considered underpriced material and change order adjustments and have accordingly reduced the total materials overpriced.

<u>Cost Element</u>	<u>Net Overpricing</u>		
	<u>Lot VI</u>	<u>Lot VII</u>	<u>Total</u>
Materials:			
Overpriced	\$169,530	\$347,943	\$517,473
Reduction for underpriced	-11,224	-36,301	-47,525
Reduction for change order adjustments	<u>-50,647</u>	<u>-96,450</u>	<u>-147,097</u>
Subtotal	107,659	215,192	322,851
Applied scrap, rework, freight, and contingency (15.83%)	<u>17,042</u>	<u>34,065</u>	<u>51,107</u>
Total Materials	\$124,701	\$249,257	\$373,958
Labor:			
Arithmetical error applied	2,464	4,218	6,682
Manufacturing burden (234%)	<u>5,766</u>	<u>9,870</u>	<u>15,636</u>
Total materials and labor	132,931	263,345	396,276
General and administrative (24%)	<u>31,903</u>	<u>63,203</u>	<u>95,106</u>
Subtotal	164,834	326,548	491,382
Profit (11.3% for Lot VI and 12.8% for Lot VII)	<u>18,626</u>	<u>41,798</u>	<u>60,424</u>
Total overpricing	<u>\$183,460</u>	<u>\$368,346</u>	<u>\$551,806</u>

If the Navy did not receive the benefit of the change order adjustments from Grumman, the total reduction for change order adjustments (see pp. 5 and 6) should also be considered as overpricing. The total overpricing would then be \$789,031.

CONCLUSIONS AND RECOMMENDATIONS

We believe Western Gear's proposals for Lot VI and Lot VII weapons rail systems were overpriced by about \$551,806 because of an arithmetical error in labor and proposed material costs were not based on current, complete,

and accurate cost or pricing data. Had current, complete, and accurate data been provided, we believe Grumman would have had a sound basis for reducing the subcontract prices. We did not determine the effect of Grumman's add-on factors to the overpricing of the Western Gear subcontracts; however, this should be determined in computing the total amount of overpricing.

Accordingly, we recommend that you have the Naval Air Systems Command consider the findings presented herein, along with any additional information available, to determine whether

--the Government is entitled to a price adjustment of \$551,806 and

--the total benefit of adjustments (\$237,225) for change orders on obsolete parts was passed to the Government.

We also recommend that you emphasize the importance of obtaining, evaluating, and using current, complete, and accurate cost or pricing data in negotiating noncompetitive subcontract prices.

OVERPRICED PARTS FOR LOT VI
WEAPONS RAIL SYSTEMS (note a)

Part number	Proposed unit amounts			Supported unit amounts			Unit amounts overpriced	Production quantities needed	Total amounts overpriced
	Materials	Processing	Purchases	Materials	Processing	Purchases			
1. A51A20633-801	\$ 47.40	-	-	\$.84	-	-	\$ 46.56	50	\$ 2,328
2. A51A61105-861	104.45	-	-	10.48	-	-	93.97	100	9,397
3. A51A61105-862	104.45	-	-	10.58	-	-	93.87	100	9,387
4. A51A61105-864	104.45	-	-	2.65	-	-	101.80	100	10,180
5. A51A61105-865	104.45	-	-	.23	-	-	104.22	100	10,422
6. A51A61107-801	12.51	-	-	3.46	-	-	9.05	100	905
7. A51A61110-957	3.77	\$ 4.24	-	.77	-	-	7.24	350	2,534
8. A51B61020-15	42.36	2.99	-	25.24	-	-	20.11	100	2,011
9. A51B61020-17	42.36	2.99	-	25.24	-	-	20.11	100	2,011
10. A51B61020-815	-	-	\$63.93	-	-	\$38.70	25.23	100	2,523
11. A51B61020-817	-	-	63.93	-	-	38.70	25.23	100	2,523
12. A51B61021-39	20.25	.28	-	-	-	-	20.53	100	2,053
13. A51B61021-41	35.45	2.58	-	-	-	-	38.03	100	3,803
14. A51B61021-43	35.45	2.70	-	-	-	-	38.15	100	3,815
15. A51B61021-835	-	-	59.89	-	-	39.70	20.19	100	2,019
16. A51B61024-41	9.86	16.26	-	7.83	-	-	18.29	100	1,829
17. A51B61024-43	9.86	16.26	-	-	-	-	26.12	100	2,612
18. A51B61024-840	-	-	18.03	-	-	12.10	5.93	100	593
19. A51B61042-23	-	-	6.77	-	-	3.91	2.86	100	286
20. A51B61042-24	-	-	6.77	-	-	3.91	2.86	100	286
21. A51B61045-813	-	-	17.23	-	-	13.09	4.14	100	414
22. A51B61045-814	-	-	17.23	-	-	13.09	4.14	100	414
23. A51B61049-21	22.52	-	-	6.23	-	-	16.29	50	815
24. A51B61050-11	-	-	7.21	-	-	4.55	2.66	25	67
25. A51B61050-13	-	-	7.21	-	-	4.55	2.66	25	67
26. A51B61050-15	-	-	8.25	-	-	3.50	4.75	25	119
27. A51B61050-17	-	-	8.25	-	-	3.50	4.75	25	119
28. A51B61050-19	-	-	5.23	-	-	3.08	2.15	25	54
29. A51B61050-21	-	-	5.23	-	-	3.08	2.15	25	54
30. A51B61516-511	-	-	11.04	-	-	10.93	.11	700	77
31. A51B61519-11	25.23	2.17	-	10.82	\$ 4.72	-	11.86	200	2,372
32. A51B61521-11	8.02	-	-	.67	-	-	7.35	100	735
33. A51B61524-11	7.29	-	-	.84	-	-	6.45	100	645
34. A51B61525-11	14.42	2.17	-	10.82	5.05	-	.72	200	144
35. A51B61526-11	15.96	15.39	-	4.43	16.67	-	10.25	200	2,050
36. A51B61527-11	-	-	26.76	-	-	17.25	9.51	100	951
37. A51B61528-511	-	-	8.77	-	-	8.10	.67	100	67
38. A51B61528-512	-	-	8.77	-	-	8.10	.67	100	67
39. A51B61533-13	15.96	17.39	-	4.43	16.67	-	12.25	200	2,450
40. A51B61536-11	6.19	-	-	-	-	-	6.19	200	1,238
41. A51B61538-11	6.14	-	-	5.65	-	-	.49	100	49
42. A51B61546-515	-	-	5.76	-	-	5.55	.21	700	147
43. A51B61547-11	56.34	-	-	51.55	-	-	4.79	100	479
44. A51B61550-11	12.99	2.99	-	11.82	2.99	-	1.17	50	59
45. A51B61551-511	-	-	5.65	-	-	5.35	.30	100	30
46. A51B61551-512	-	-	5.65	-	-	5.35	.30	100	30
47. A51B61552-11	8.88	-	-	3.80	-	-	5.08	100	508
48. A51B61552-12	8.88	-	-	3.80	-	-	5.08	100	508
49. A51B61569-13	-	-	8.34	-	-	8.12	.22	100	22
50. A51K61020-951	17.39	-	-	3.53	-	-	13.86	100	1,386
51. A51K61071-19	16.94	.18	-	.27	-	-	16.85	100	1,685
52. A51K61071-31	8.47	.18	-	.13	-	-	8.52	100	852
53. A51K61071-9	-	8.17	-	-	7.06	-	1.11	100	111
54. A51K61071-933	9.60	-	-	.15	-	-	9.45	100	945
55. A51K61071-934	9.60	-	-	.15	-	-	9.45	100	945
56. A51K61506-511	-	-	6.85	-	-	6.75	.10	100	10
57. A51K61549-11	-	-	6.86	-	-	6.00	.86	200	172
58. A51K61553-11	7.29	1.77	-	.53	.87	-	7.66	400	3,064
59. A51K61601-11	-	-	11.45	-	-	3.26	8.19	200	1,638
60. A51K61635-11	18.94	-	-	14.82	-	-	4.12	100	412
61. A51L60026-11	5.47	-	-	.79	-	-	4.68	200	936
62. A51L60036-1	-	7.17	-	-	5.71	-	1.46	175	256
63. A51L60036-2	-	7.17	-	-	5.71	-	1.46	175	256
64. A51L60036-5	3.10	6.90	-	2.85	3.80	-	3.35	175	586
65. A51L60036-6	3.10	6.90	-	2.85	3.80	-	3.35	175	586
66. A51L60036-815	1.29	6.90	-	-	-	-	10.19	175	1,783
67. A51L60036-816	2.85	6.90	-	-	-	-	9.75	175	1,706
68. A51L60036-817	2.85	6.90	-	-	4.29	-	5.46	175	955
69. A51L60036-818	2.85	6.90	-	-	4.29	-	5.46	175	955
70. A51M60126-5	-	5.74	-	-	4.89	-	.85	100	85
71. A51M60126-6	-	5.74	-	-	4.89	-	.85	100	85
72. A51M60126-7	-	5.74	-	-	4.50	-	1.24	100	124
73. A51M60126-8	-	5.74	-	-	4.50	-	1.24	100	124
74. A51M60135-15	-	-	9.32	-	-	9.20	.12	200	24
75. A51M60552-513	-	-	7.90	-	-	7.65	.25	100	25
76. A51M60610-513	-	-	5.50	-	-	5.45	.05	200	10
77. A51M60613-13	-	-	16.26	-	-	15.95	.31	100	31
78. A51M60630-11	-	-	6.42	-	-	6.34	.08	100	8
79. A51M60631-13	13.94	.29	-	.54	.54	-	13.15	100	1,315
80. A51M60634-13	7.61	2.52	-	7.61	1.33	-	1.19	100	119
81. A51M60646-11	10.43	-	-	-	-	-	10.43	100	1,043
82. A51M60652-511	-	-	6.25	-	-	5.77	.48	100	48
83. A51M60664-511	-	-	8.70	-	-	8.45	.25	100	25
84. A51M60665-511	-	-	7.93	-	-	6.50	1.43	100	143
85. A51M60687-11	-	-	24.53	-	-	20.00	4.53	350	1,586
86. A51M60692-11	-	-	5.60	-	-	5.30	.30	350	105
87. GA800ML-B14-4	-	-	10.77	-	-	9.06	1.71	100	171
88. GA800ML-B16-3	-	-	10.78	-	-	9.06	1.72	100	172
89. GA800ML-B22-8	-	-	12.24	-	-	10.26	1.98	100	198

ENCLOSURE II

ENCLOSURE II

Part number	Proposed unit amounts			Supported unit amounts			Unit amounts overpriced	Production quantities needed	Total amounts overpriced
	Materials	Processing	Purchases	Materials	Processing	Purchases			
90. GA800SMI	-	-	8.56	-	-	7.94	.62	200	124
91. GB100C2-3X50	-	-	5.71	-	-	.83	4.88	200	976
92. GB520DR9	-	-	12.56	-	-	11.15	1.41	400	564
93. GC15N-14B15PNX	-	-	29.12	-	-	9.47	19.65	350	6,878
94. GC15N14B15 SNX	-	-	30.54	-	-	10.70	19.84	100	1,984
95. GC15R14B15 PNX	-	-	44.73	-	-	21.10	23.63	100	2,363
96. GC15R14B15 SNX	-	-	41.40	-	-	21.34	20.06	400	8,024
97. GC800KP-N1005P	-	-	47.43	-	-	18.32	29.11	100	2,911
98. GC800KP-N1005S	-	-	47.40	-	-	18.76	28.64	400	11,456
99. GC801GS-RC1005S	-	-	45.53	-	-	7.53	38.00	100	3,800
100. GC801GS-RC1005P	-	-	40.36	-	-	7.09	33.27	350	11,645
101. GC810MN2	-	-	6.12	-	-	4.40	1.72	100	172
102. GC810RM1	-	-	8.48	-	-	4.60	3.88	100	388
103. GC829K16A	-	-	11.75	-	-	8.88	2.87	100	287
104. GC829K22A	-	-	19.02	-	-	17.50	1.52	100	152
105. GF825CVI	-	-	9.66	-	-	8.08	1.58	900	1,422
106. GG500G-IT	-	-	5.50	-	-	5.43	.07	300	21
107. GS837DC1	-	-	28.04	-	-	25.80	2.24	450	1,008
108. GS837DD1A	-	-	26.52	-	-	24.40	2.12	100	212
109. GS837DF1	-	-	34.34	-	-	31.60	2.74	400	1,096
110. GS839EM1	-	-	46.95	-	-	40.00	6.95	350	2,433
111. GS839EN1	-	-	52.71	-	-	48.50	4.21	100	421
112. M83723-23F1506N	-	-	12.05	-	-	11.35	.07	350	245
Total									<u>\$169,530</u>

a/The parts that had proposed costs not supported by purchase orders or quotations.

OVERPRICED PARTS FOR LOT VII

WEAPONS RAIL SYSTEMS (note a)

Part number	Proposed unit amounts			Supported unit amounts			Units amounts overpriced	Production quantities needed	Total amounts overprice
	Materials	Processing	Purchases	Materials	Processing	Purchases			
1. A51A20633-801	\$ 54.04	-	-	\$.95	-	-	\$ 53.09	80	\$ 4,247
2. A51A61101-11	-	-	\$14.71	-	-	\$14.20	.51	320	163
3. A51A61105-861	119.08	-	-	9.75	-	-	109.51	160	17,522
4. A51A61105-862	119.08	-	-	9.67	-	-	109.41	160	17,506
5. A51A61105-864	119.08	-	-	2.40	-	-	116.68	160	18,669
6. A51A61105-865	119.08	-	-	.21	-	-	118.87	160	19,019
7. A51A61107-801	14.26	-	-	3.47	-	-	10.79	160	1,726
8. A51A61110-957	4.30	\$ 4.83	-	.70	-	-	8.43	560	4,721
9. A51B61009-821	-	-	8.47	-	-	8.05	.42	160	67
10. A51B61009-822	-	-	8.47	-	-	3.05	.42	160	67
11. A51B61009-823	-	-	8.14	-	-	7.50	.64	160	102
12. A51B61009-824	-	-	8.14	-	-	7.50	.64	160	102
13. A51B61009-825	-	-	8.68	-	-	8.36	.32	160	51
14. A51B61009-826	-	-	8.68	-	-	8.36	.32	160	51
15. A51B61009-827	-	-	9.31	-	-	8.96	.35	160	56
16. A51B61009-828	-	-	9.31	-	-	8.96	.35	160	56
17. A51B61009-829	-	-	7.63	-	-	7.33	.30	160	48
18. A51B61009-830	-	-	7.63	-	-	7.33	.30	160	48
19. A51B61009-831	-	-	7.31	-	-	7.02	.29	160	46
20. A51B61009-832	-	-	7.31	-	-	7.02	.29	160	46
21. A51B61020-15	48.29	3.41	-	28.78	-	-	22.92	160	3,667
22. A51B61020-17	48.29	3.41	-	28.78	-	-	22.92	160	3,667
23. A51B61020-815	-	-	72.88	-	-	40.17	32.71	160	5,234
24. A51B61020-817	-	-	72.88	-	-	40.17	32.71	160	5,234
25. A51B61021-39	23.08	.32	-	-	-	-	23.40	160	3,744
26. A51B61021-41	40.41	2.94	-	-	-	-	43.35	160	6,936
27. A51B61021-43	40.41	3.07	-	-	-	-	43.48	160	6,957
28. A51B61021-835	-	-	68.27	-	-	41.17	27.10	160	4,336
29. A51B61024-41	11.24	18.53	-	8.92	-	-	20.85	160	3,336
30. A51B61024-43	11.24	18.53	-	-	-	-	29.77	160	4,763
31. A51B61024-840	-	-	20.55	-	-	13.79	6.76	160	1,082
32. A51B61042-23	-	-	7.72	-	-	3.60	4.12	160	659
33. A51B61042-24	-	-	7.72	-	-	3.60	4.12	160	659
34. A51B61045-813	-	-	19.64	-	-	14.92	4.72	160	755
35. A51B61045-814	-	-	19.64	-	-	14.92	4.72	160	755
36. A51B61048-12	-	-	8.44	-	-	5.60	2.84	40	114
37. A51B61048-14	-	-	9.17	-	-	5.60	3.57	40	143
38. A51B61049-21	25.67	-	-	7.10	-	-	18.57	80	1,486
39. A51B61050-11	-	-	8.22	-	-	5.19	3.03	40	121
40. A51B61050-13	-	-	8.22	-	-	5.19	3.03	40	121
41. A51B61050-15	-	-	9.41	-	-	3.99	5.42	40	217
42. A51B61050-17	-	-	9.41	-	-	3.99	5.42	40	217
43. A51B61050-19	-	-	5.96	-	-	3.51	2.45	40	98
44. A51B61050-21	-	-	5.96	-	-	3.51	2.45	40	98
45. A51B61051-831	-	-	6.56	-	-	6.44	.12	40	5
46. A51B61051-833	-	-	6.56	-	-	6.44	.12	40	5
47. A51B61517-11	-	-	19.60	-	-	18.68	.92	640	589
48. A51B61517-13	-	-	19.60	-	-	18.68	.92	640	589
49. A51B61519-11	28.77	2.48	-	12.33	\$ 5.38	-	13.54	320	4,333
50. A51B61521-11	9.14	-	-	.54	-	-	8.60	160	1,376
51. A51B61524-11	8.31	-	-	.66	-	-	7.65	160	1,224
52. A51B61525-11	16.44	2.48	-	12.33	5.76	-	.83	320	266
53. A51B61526-11	18.20	17.54	-	-	-	21.25	14.49	320	4,637
54. A51B61527-11	-	-	30.51	-	-	19.10	11.41	160	1,826
55. A51B61528-511	-	-	10.00	-	-	9.23	.77	160	123
56. A51B61528-512	-	-	10.00	-	-	9.23	.77	160	123
57. A51B61533-13	18.20	19.83	-	-	-	20.00	18.03	320	5,770
58. A51B61536-11	7.06	-	-	-	-	-	7.06	320	2,259
59. A51B61538-11	7.00	-	-	6.44	-	-	.56	160	90
60. A51B61546-515	-	-	6.57	-	-	6.33	-	1120	269
61. A51B61547-11	64.22	-	-	58.77	-	-	5.45	160	872
62. A51B61550-11	14.80	3.41	-	13.47	3.41	-	1.33	80	106
63. A51B61551-511	-	-	6.44	-	-	6.10	.34	160	54
64. A51B61551-512	-	-	6.44	-	-	6.10	.34	160	54
65. A51B61552-11	10.12	-	-	3.48	-	-	6.64	160	1,062
66. A51B61552-12	10.12	-	-	3.48	-	-	6.64	160	1,062
67. A51B61569-13	-	-	9.51	-	-	8.49	1.02	160	163
68. A51E16122-805	-	-	16.82	-	-	13.95	2.87	160	459
69. A51E16122-811	-	-	18.18	-	-	13.95	4.23	160	677
70. A51E16123-11	-	-	16.25	-	-	9.80	6.45	160	1,032
71. A51E16123-5	-	-	14.14	-	-	9.80	4.34	160	694
72. A51E16125-13	-	-	15.68	-	-	12.79	2.89	160	462
73. A51E16126-15	-	-	5.87	-	-	5.05	.82	160	131
74. A51E16126-5	-	-	10.60	-	-	8.85	1.75	160	280
75. A51E15127-15	-	-	5.99	-	-	5.70	.29	160	46
76. A51E16127-5	-	-	11.51	-	-	4.45	7.06	160	1,130
77. A51E9102-3	-	-	39.49	-	-	38.93	.56	160	90
78. A51E9102-37	-	-	57.00	-	-	49.71	7.29	320	2,333
79. A51E9102-39	-	-	81.58	-	-	71.21	10.37	160	1,659
80. A51K61020-951	19.82	-	-	3.25	-	-	16.57	160	2,651
81. A51K61071-19	19.31	.21	-	.22	-	-	19.30	160	3,088
82. A51K61071-31	9.65	.21	-	.11	-	-	9.75	160	1,560
83. A51K61071-9	-	9.32	-	-	8.05	-	1.27	160	203
84. A51K61071-933	10.94	-	-	.13	-	-	10.81	160	1,730
85. A51K61071-934	10.94	-	-	.13	-	-	10.81	160	1,730
86. A51K61506-511	-	-	7.81	-	-	6.75	1.06	160	170
87. A51K61549-11	-	-	7.81	-	-	6.83	1.44	320	461
88. A51K61553-11	8.31	2.02	-	.60	.99	-	8.74	640	5,594
89. A51K61583-11	-	-	6.70	-	-	3.22	3.48	160	557

ENCLOSURE III

ENCLOSURE III

Part number	Proposed unit amounts			Supported unit amounts			Unit amounts overpriced	Production quantities needed	Total amounts overpriced	
	Materials	Processing	Purchases	Materials	Processing	Purchases				
90.	A51K61588-11	-	-	\$16.14	-	-	\$15.49	\$.65	320	208
91.	A51K61601-11	-	-	13.05	-	-	3.72	9.33	320	2,986
92.	A51K61634-11	-	-	6.90	-	-	6.84	.06	320	19
93.	A51K61635-11	21.59	-	-	16.89	-	-	4.70	160	752
94.	A51L60022-1	-	-	12.33	-	-	8.84	3.49	160	558
95.	A51L60022-2	-	-	8.29	-	-	3.92	4.37	160	699
96.	A51L60022-3	-	-	12.33	-	-	8.84	3.49	160	558
97.	A51L60026-11	6.23	-	-	.16	-	-	6.07	320	1,942
98.	A51L60036-1	-	8.18	-	-	6.50	-	1.68	280	470
99.	A51L60036-2	-	8.18	-	-	6.50	-	1.68	280	470
100.	A51L60036-5	3.53	7.87	-	3.26	4.34	-	3.80	280	1,064
101.	A51L60036-6	3.53	7.87	-	3.26	4.34	-	3.80	280	1,064
102.	A51L60036-815	3.75	7.87	-	-	-	-	11.62	280	3,254
103.	A51L60036-816	3.25	7.87	-	-	-	-	11.12	280	3,114
104.	A51L60036-817	3.25	7.87	-	-	4.89	-	6.23	280	1,744
105.	A51L60036-818	3.25	7.87	-	-	4.89	-	6.23	280	1,744
106.	A51M60030-11	-	-	9.66	-	-	9.32	.34	320	109
107.	A51M60030-13	-	-	11.75	-	-	11.22	.53	320	170
108.	A51M60126-5	-	6.54	-	-	5.57	-	.97	160	155
109.	A51M60126-6	-	6.54	-	-	5.57	-	.97	160	155
110.	A51M60126-7	-	6.54	-	-	5.13	-	1.41	160	226
111.	A51M60126-8	-	6.54	-	-	5.13	-	1.41	160	226
112.	A51M60156-13	-	-	6.16	-	-	4.90	1.26	280	353
113.	A51M60156-14	-	-	6.16	-	-	4.90	1.26	280	353
114.	A51M60509-513	-	-	6.32	-	-	5.65	.67	160	107
115.	A51M60509-514	-	-	6.32	-	-	5.65	.67	160	107
116.	A51M60526-13	-	-	16.94	-	-	15.10	1.84	160	294
117.	A51M60550-511	-	-	8.95	-	-	7.88	1.07	160	171
118.	A51M60550-512	-	-	8.95	-	-	7.88	1.07	160	171
119.	A51M60552-513	-	-	9.01	-	-	7.67	1.34	160	214
120.	A51M60599-13	-	-	6.21	-	-	6.09	.12	640	77
121.	A51M60607-15	-	-	7.16	-	-	5.70	1.46	160	234
122.	A51M60608-11	-	-	7.49	-	-	7.30	.19	160	30
123.	A51M60610-513	-	-	6.27	-	-	5.45	.82	320	262
124.	A51M60611-15	-	-	32.32	-	-	28.50	3.82	160	611
125.	A51M60613-13	-	-	18.54	-	-	16.53	2.01	160	322
126.	A51M60630-11	-	-	7.32	-	-	7.23	.09	160	14
127.	A51M60631-13	15.89	.33	-	.42	.61	-	15.19	160	2,430
128.	A51M60646-11	11.89	-	-	-	-	-	11.89	160	1,902
129.	A51M60652-511	-	-	7.13	-	-	6.13	1.00	160	160
130.	A51M60664-511	-	-	9.92	-	-	8.45	1.47	160	235
131.	A51M60665-511	-	-	9.04	-	-	6.50	2.54	160	406
132.	A51M60687-11	-	-	27.96	-	-	22.80	5.16	560	2,890
133.	A51M60692-11	-	-	6.38	-	-	2.39	3.99	560	2,234
134.	GA800ML-B14-4	-	-	12.28	-	-	10.33	1.95	160	312
135.	GA800ML-B16-3	-	-	12.29	-	-	10.33	1.96	160	314
136.	GA800ML-B22-H	-	-	13.95	-	-	12.60	1.35	160	216
137.	GA800-SMI	-	-	9.75	-	-	9.05	.70	320	224
138.	GB100C2-3X50	-	-	6.50	-	-	1.06	5.44	320	1,741
139.	GB520DR9	-	-	14.32	-	-	12.71	1.61	640	1,030
140.	GC15N-14B15PNX	-	-	33.20	-	-	17.44	15.76	560	8,826
141.	GC15N-14B15SNX	-	-	34.81	-	-	9.74	25.07	160	4,011
142.	GC15R14B15PNX	-	-	50.99	-	-	19.47	31.52	160	5,043
143.	GC15R14B15SNX	-	-	47.20	-	-	20.69	26.51	640	16,966
144.	GC800KP-N1005P	-	-	54.08	-	-	17.04	37.04	160	5,926
145.	GC800KP-N1005S	-	-	54.04	-	-	17.44	36.60	640	23,424
146.	GC801GS-RC1005S	-	-	51.91	-	-	6.85	45.06	160	7,210
147.	GC801GS-R1005P	-	-	46.01	-	-	6.45	39.56	560	22,154
148.	GC810MN2	-	-	6.97	-	-	5.02	1.95	160	312
149.	GC810-RM1	-	-	9.66	-	-	5.24	4.42	160	707
150.	GC829K16A	-	-	13.39	-	-	10.12	3.27	160	523
151.	GC829K22A	-	-	21.68	-	-	19.95	1.73	160	277
152.	GF825CV1	-	-	11.01	-	-	9.21	1.80	1,440	2,592
153.	GG500G-1T	-	-	6.27	-	-	4.25	2.02	480	970
154.	GH511BV12-0142	-	-	25.55	-	-	19.36	6.19	480	2,971
155.	GH511BV12-0155	-	-	24.05	-	-	21.86	2.19	320	701
156.	GS837DC1	-	-	31.96	-	-	25.80	6.16	720	4,435
157.	GS837DD1A	-	-	30.23	-	-	27.82	2.41	160	386
158.	GS837DF1	-	-	39.15	-	-	36.02	3.13	640	2,003
159.	GS839EM1	-	-	53.52	-	-	45.60	7.92	560	4,435
160.	GS839EN1	-	-	60.08	-	-	55.29	4.79	160	766
161.	GV500KPF60150	-	-	19.33	-	-	14.85	4.48	160	717
162.	MS3135-19A	-	-	13.22	-	-	8.64	4.58	160	733
163.	M83723-23F1506N	-	-	13.74	-	-	12.94	.80	560	448
Total										\$347,943

a/The parts that had proposed costs not supported by purchase orders or quotations.