PHASE II: CONTRACT ADMINISTRATION

Activity 44: Defective Pricing

Identify factors that suggest cost or pricing data may be defective.

Discuss concerns about possible defective pricing with the contractor and the auditor.

Consider the significance of the possible defective pricing.

If you still suspect that the contract price significantly increased because of defective cost or pricing data, request an audit to evaluate the accuracy, completeness, and currency of the cost or pricing data submitted by the contractor through the close of negotiations.

Prepare a defective pricing memorandum documenting the determination and any corrective action taken as a result.

Distribute the memorandum.

Conduct settlement discussions with the contractor to reach a bilateral agreement.

If a settlement is reached, modify the contract to reflect the defective pricing settlement.

If a settlement is not reached, issue a final decision in accordance with the Contract Disputes statute.

Ensure that information relating to the determination is reported in the Federal Awardee Performance and Integrity Information System (FAPIIS) module of CPARS.

If the amount due the Government exceeds the amount remaining on the contract, issue a demand letter.

If the certified cost or pricing data was understated, consider an offset.

Consider the significance of the possible defective pricing.

Discuss concerns about possible defective pricing with the contractor and the auditor.

If you still suspect that the contract price significantly increased because of defective cost or pricing data, request an audit to evaluate the accuracy, completeness, and currency of the cost or pricing data submitted by the contractor through the close of negotiations.

Prepare a defective pricing memorandum documenting the determination and any corrective action taken as a result.

Distribute the memorandum.

Conduct settlement discussions with the contractor to reach a bilateral agreement.

If a settlement is reached, modify the contract to reflect the defective pricing settlement.

If a settlement is not reached, issue a final decision in accordance with the Contract Disputes statute.

Ensure that information relating to the determination is reported in the Federal Awardee Performance and Integrity Information System (FAPIIS) module of CPARS.