

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.

If the amount due the Government exceeds the amount remaining on the contract,

If the certified cost or pricing data was understated,

Issue a demand letter.

Consider an offset.

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

If a settlement is reached,

If a settlement is not reached,

Modify the contract to reflect the defective pricing settlement.

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.