



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3000

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ACQUISITION,
TECHNOLOGY
AND LOGISTICS

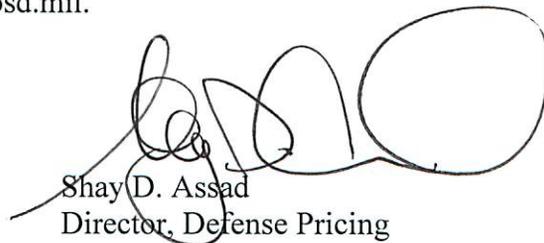
MEMORANDUM FOR COMMANDER UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION AND PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING)
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Cost and Price Analysis of Spare Parts Required Before Exercising an Option

A recent DoD Inspector General (IG) review of spare parts under a firm-fixed-price contract found significant overpricing in a sample of the parts in the contract. The review also discussed that if the subject contract options were exercised this would further increase the overpricing resulting in significant overpayment to the contractor.

Before exercising an option, the contracting officer shall make a written determination for the contract file that exercise is in accordance with the terms of the option, the requirements of FAR 17.207, and the requirements of FAR Part 6. To protect the Government's interest, the Contracting Officer, before exercising any option for firm-fixed-price contracts containing spare parts, must perform cost or price analysis of the proposed spare parts. The Contracting Officer must use an appropriate sampling technique or request field pricing assistance to complete this requirement. The Contracting Officer must document the file with the results of the cost or price analysis and consider the results before exercising any option containing spare parts for firm-fixed-price contracts.

My point of contact for this memorandum is Mr. Clyde Wray, who can be reached at 703-602-0288 or via e-mail at clyde.wray@osd.mil.



Shay D. Assad
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cc:
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