

Department of Defense Inspector General Reports
Questioning Spare Part Costs

Report	Costs Questioned	Efforts to Obtain Cost or Pricing Data
<p><i>Review of Parts Purchased From TransDigm Group, Inc.</i> (February 25, 2019)</p>	<p>TransDigm “earned \$16.1 million in excess profits for 46 parts” sold for \$26.2 million.¹ The majority of spare parts contracts were under the simplified acquisition or the Truth in Negotiations Act (TINA) thresholds.² Four spare parts were designated as commercial items.³</p>	<p>“When contacting officers requested cost data for 16 of the 47 contracts we reviewed, TransDigm denied 15 requests for uncertified cost data and fulfilled only the request for certified cost data for the one contract above the TINA threshold that had no exceptions.”⁴</p>
<p><i>Followup Audit: Military Sealift Command Management of Spare Parts Inventory and Purchases for Sealift Program Roll-On/Roll-Off Ships</i> (October 20, 2017)</p>	<p>“Officials could not provide evidence that the contractor adequately competed or provided justification for not competing 3 of the 9 purchases over \$25,000 or 5 of the 12 purchases between \$3,000 and \$25,000, made during FY 2016.”⁵</p>	<p>“This occurred because the contracting officer did not provide adequate oversight of the contractor to ensure compliance with the competition requirements for the contract.”⁶</p>
<p><i>The Air Force Did Not Adequately Determine or Document Fair and Reasonable Prices for Lot 7 Sole-Source Initial Spare Parts for the C-5 Aircraft</i> (February 7, 2017)</p>	<p>“[The Air Force’s] contracting officer may not have purchased the 11 commercial spare parts, valued at \$58.8 million, from LM Aero at fair and reasonable prices.”⁷</p>	<p>Air Force officials requested, but did not obtain sales data or only reviewed certain invoices and price data</p>

¹ Department of Defense Inspector General, *Review of Parts Purchased From TransDigm Group, Inc.*, February 25, 2019, p. iii. <https://media.defense.gov/2019/Feb/27/2002093922/-1/-1/1/DODIG-2019-060.PDF>

² Department of Defense Inspector General, *Review of Parts Purchased From TransDigm Group, Inc.*, February 25, 2019, p. 11. <https://media.defense.gov/2019/Feb/27/2002093922/-1/-1/1/DODIG-2019-060.PDF>

³ Department of Defense Inspector General, *Review of Parts Purchased From TransDigm Group, Inc.*, February 25, 2019, p. 32. <https://media.defense.gov/2019/Feb/27/2002093922/-1/-1/1/DODIG-2019-060.PDF>

⁴ Department of Defense Inspector General, *Review of Parts Purchased From TransDigm Group, Inc.*, February 25, 2019, p. 8. <https://media.defense.gov/2019/Feb/27/2002093922/-1/-1/1/DODIG-2019-060.PDF>

⁵ Department of Defense Inspector General, *Followup Audit: Military Sealift Command Management of Spare Parts Inventory and Purchases for Sealift Program Roll-On/Roll-Off Ships*, October 20, 2017, p. i. <https://media.defense.gov/2017/Nov/16/2001844769/-1/-1/1/DODIG-2018-004.PDF>

⁶ Department of Defense Inspector General, *Followup Audit: Military Sealift Command Management of Spare Parts Inventory and Purchases for Sealift Program Roll-On/Roll-Off Ships*, October 20, 2017, p. 6. <https://media.defense.gov/2017/Nov/16/2001844769/-1/-1/1/DODIG-2018-004.PDF>

⁷ Department of Defense Inspector General, *The Air Force Did Not Adequately Determine or Document Fair and Reasonable Prices for Lot 7 Sole-Source Initial Spare Parts*, February 7, 2017, p. i. <https://media.defense.gov/2017/Feb/07/2001714317/-1/-1/1/DODIG-2017-053.pdf>

		<p>in the subcontractor’s office (and had to sign a nondisclosure agreement).⁸ The sales data officials relied on “did not justify the contract prices for 3 of the 11 commercial spare parts reviewed, valued at \$9.2 million.”⁹ The Air Force should “assess and determine whether it is appropriate to request a \$5.3 million voluntary refund.”¹⁰</p>
<p><i>U.S. Air Force Spent Billions on F117 Engine Sustainment Without Knowing What a Fair Price Was</i> (March 11, 2016)</p>	<p>The audit reviewed whether the Air Force purchased sole-source commercial F117 engine sustainment services at fair and reasonable prices.¹¹ “The Air Force spent \$[REDACTED] billion on F117 engine sustainment services for FY 2012 through FY 2014 without knowing whether it paid a fair and reasonable price.”¹² But DoD IG had previously estimated the Air Force would pay \$3.76 billion over the next 7 years.¹³</p>	<p>“Pratt & Whitney provided limited data on one commercial customer. However, Pratt & Whitney did not provide requested cost data because of concerns about appropriate safeguards to protect the data so that the Air Force could not obtain and use data</p>

⁸ Department of Defense Inspector General, *The Air Force Did Not Adequately Determine or Document Fair and Reasonable Prices for Lot 7 Sole-Source Initial Spare Parts for the C-5 Aircraft*, February 7, 2017, pp. 7, 8. <https://media.defense.gov/2017/Feb/07/2001714317/-1/-1/1/DODIG-2017-053.pdf>

⁹ Department of Defense Inspector General, *The Air Force Did Not Adequately Determine or Document Fair and Reasonable Prices for Lot 7 Sole-Source Initial Spare Parts for the C-5 Aircraft*, February 7, 2017, p. 8. <https://media.defense.gov/2017/Feb/07/2001714317/-1/-1/1/DODIG-2017-053.pdf>

¹⁰ Department of Defense Inspector General, *The Air Force Did Not Adequately Determine or Document Fair and Reasonable Prices for Lot 7 Sole-Source Initial Spare Parts for the C-5 Aircraft*, February 7, 2017, p. 10. <https://media.defense.gov/2017/Feb/07/2001714317/-1/-1/1/DODIG-2017-053.pdf>

¹¹ Department of Defense Inspector General, *U.S. Air Force Spent Billions on F117 Engine Sustainment Without Knowing What a Fair Price Was*, March 11, 2016, p. i. <https://media.defense.gov/2016/Mar/11/2001714219/-1/-1/1/DODIG-2016-059.pdf>

¹² Department of Defense Inspector General, *U.S. Air Force Spent Billions on F117 Engine Sustainment Without Knowing What a Fair Price Was*, March 11, 2016, p. v. <https://media.defense.gov/2016/Mar/11/2001714219/-1/-1/1/DODIG-2016-059.pdf>

¹³ Department of Defense Inspector General, *U.S. Air Force May Be Paying Too Much For F117 Engine Sustainment*, December 22, 2014, p. iv. <http://www.pogoarchives.org/straus/dodig-f117engine-20150224.pdf>

		in pending contract negotiations.” ¹⁴
<i>Defense Logistics Agency Did Not Appropriately Determine Fair and Reasonable Prices for F108 Engine Sole-Source Commercial Parts</i> (February 16, 2016)	“The contracting officer did not request or obtain additional data necessary to determine if the maximum value contract price of nearly \$1 billion was fair and reasonable” on the sole-source commercial contract. ¹⁵	“The contracting officer did not request additional data to support CFM’s proposed prices prior to acceptance. ... CFM officials informed her multiple times they did not have cost data. Therefore, the contracting officer assumed she would not receive cost data if she requested the information.” ¹⁶ The contracting officer also stated that she did not request the data “because she would have to elevate any denials, adding time to the contract award process. Further, the contracting officer stated that she was not willing to miss her contract award milestones.” ¹⁷
<i>Defense Logistics Agency Aviation Generally Purchased Sole-Source Spare Parts From the General Electric Company at Fair and Reasonable Prices, but</i>	While prices were largely fair and reasonable, “the contracting officer did not adequately support the commercial item determinations [including missteps related to prior commercial determinations] for sole-	“The contracting officer requested that GE provide other-than-certified cost or pricing

¹⁴ Department of Defense Inspector General, *U.S. Air Force Spent Billions on F117 Engine Sustainment Without Knowing What a Fair Price Was*, March 11, 2016, p. 1. <https://media.defense.gov/2016/Mar/11/2001714219/-1/-1/1/DODIG-2016-059.pdf>

¹⁵ Department of Defense Inspector General, *Defense Logistics Agency Did Not Appropriately Determine Fair and Reasonable Prices for F108 Engine Sole-Source Commercial Parts*, February 16, 2016, p. i. [https://media.defense.gov/2018/Nov/08/2002061137/-1/-1/1/DODIG-2016-047%20\(REDACTED\).PDF](https://media.defense.gov/2018/Nov/08/2002061137/-1/-1/1/DODIG-2016-047%20(REDACTED).PDF)

¹⁶ Department of Defense Inspector General, *Defense Logistics Agency Did Not Appropriately Determine Fair and Reasonable Prices for F108 Engine Sole-Source Commercial Parts*, February 16, 2016, p. 13. [https://media.defense.gov/2018/Nov/08/2002061137/-1/-1/1/DODIG-2016-047%20\(REDACTED\).PDF](https://media.defense.gov/2018/Nov/08/2002061137/-1/-1/1/DODIG-2016-047%20(REDACTED).PDF)

¹⁷ Department of Defense Inspector General, *Defense Logistics Agency Did Not Appropriately Determine Fair and Reasonable Prices for F108 Engine Sole-Source Commercial Parts*, February 16, 2016, p. 14. [https://media.defense.gov/2018/Nov/08/2002061137/-1/-1/1/DODIG-2016-047%20\(REDACTED\).PDF](https://media.defense.gov/2018/Nov/08/2002061137/-1/-1/1/DODIG-2016-047%20(REDACTED).PDF)

<p><i>Improvements Could Be Made</i> (July 24, 2015)</p>	<p>source spare parts. ... As a result, the contracting officer may not obtain the appropriate cost or pricing data required to develop an effective bargaining position during future negotiations.”¹⁸</p>	<p>data,” which was obtained.¹⁹</p>
<p><i>Improvements Needed on DoD Procurements from Robertson Fuel Systems</i> (June 25, 2015)</p>	<p>“Contracting officers applied the commercial item definition to items procured on Robertson sole-source contracts without evidence of commercial sales and without evidence that the item was of a type customarily used by the general public. This inhibited the contracting officers’ ability to develop an effective bargaining position and gave the contractor significant control in contract negotiations. In addition, DoD did not obtain the necessary data to determine if the \$77 million it spent on these contracts was fair and reasonable.”²⁰</p>	<p>“Contracting officers did not request, or Robertson refused to provide, other-than-certified cost or pricing data to support fair and reasonable price determinations. ... After Robertson refused to provide additional cost data to support price reasonableness, ACC contracting officials elevated one contract to the Director, Defense Pricing.” The Director was able to get the company to provide additional information.²¹</p>
<p><i>Defense Logistics Agency Did Not Obtain Fair and Reasonable Prices for Meggitt Aircraft Braking Systems for Sole-Source Commercial Spare Parts</i> (May 8, 2015)</p>	<p>Contracting officers relied on previous contract prices and did not adequately document that parts were commercial. “As a result, DLA potentially overpaid ... approximately \$8.5 million of \$17 million paid for 32 sole-source commercial spare parts reviewed. In addition, DLA may overpay as much as \$70.5 million on 47 of 51 parts over the remaining term of the contract. When projected across the contract for all 5 years,</p>	<p>“The contracting officer stated he did not request cost data from the MABS companies to further support the proposed prices of specific parts because the MABS companies had historically refused to provide cost data to DoD to support their</p>

¹⁸ Department of Defense Inspector General, *Defense Logistics Agency Aviation Generally Purchased Sole-Source Spare Parts From the General Electric Company at Fair and Reasonable Prices, but Improvements Could Be Made*, July 24, 2015, p. 4. <https://media.defense.gov/2015/Jul/24/2001714150/-1/-1/1/DODIG-2015-153.pdf>

¹⁹ Department of Defense Inspector General, *Defense Logistics Agency Aviation Generally Purchased Sole-Source Spare Parts From the General Electric Company at Fair and Reasonable Prices, but Improvements Could Be Made*, July 24, 2015, pp. 6, 10-11. <https://media.defense.gov/2015/Jul/24/2001714150/-1/-1/1/DODIG-2015-153.pdf>

²⁰ Department of Defense Inspector General, *Improvements Needed on DoD Procurements from Robertson Fuel Systems*, June 25, 2015, p. i. <https://media.defense.gov/2015/Jun/25/2001713514/-1/-1/1/DODIG-2015-137.pdf>

²¹ Department of Defense Inspector General, *Improvements Needed on DoD Procurements from Robertson Fuel Systems*, June 25, 2015, p. 11. <https://media.defense.gov/2015/Jun/25/2001713514/-1/-1/1/DODIG-2015-137.pdf>

	DLA will overpay approximately \$106.8 of \$294.9 million.” ²²	commercial parts prices.” ²³
<i>U.S. Air Force May be Paying Too Much for F117 Engine Sustainment</i> (December 22, 2014)	Pratt and Whitney refusing to provide information to evaluate F117 engine sustainment services meant the Air Force “does not know whether the \$1.54 billion already spent ... or if the estimated billions of dollars it intends to spend over the next 7 years is a fair and reasonable price.” ²⁴ The F117 engine sustainment contract was sole-source and commercial. ²⁵	“[Air Force] contracting officials repeatedly requested commercial sales and cost data to support the price for F117 engine sustainment services. Pratt and Whitney repeatedly refused to provide it. To assist [Air Force] contracting officials, senior DoD and AF leadership requested this data but were also unsuccessful.” ²⁶ The IG also found that “Pratt and Whitney’s unwillingness to provide requested sales and cost data exploited the sole-source situation and may have resulted in the AF paying unreasonable prices for F117 engine sustainment services.” ²⁷ When asked by the IG for cost data, Pratt and Whitney refused, arguing that such data could be used by the Air Force in forthcoming negotiations and

²² Department of Defense Inspector General, *Defense Logistics Agency Did Not Obtain Fair and Reasonable Prices for Meggitt Aircraft Braking Systems for Sole-Source Commercial Spare Parts*, May 8, 2015, p. i.

<https://media.defense.gov/2015/May/08/2001713503/-1/-1/1/DODIG-2015-120.pdf>

²³ Department of Defense Inspector General, *Defense Logistics Agency Did Not Obtain Fair and Reasonable Prices for Meggitt Aircraft Braking Systems for Sole-Source Commercial Spare Parts*, May 8, 2015, p. 17.

<https://media.defense.gov/2015/May/08/2001713503/-1/-1/1/DODIG-2015-120.pdf>

²⁴ Department of Defense Inspector General, *U.S. Air Force May Be Paying Too Much For F117 Engine Sustainment*, December 22, 2014, p. i. <https://media.defense.gov/2014/Dec/22/2001713454/-1/-1/1/DODIG-2015-058.pdf>

²⁵ Department of Defense Inspector General, *U.S. Air Force May Be Paying Too Much For F117 Engine Sustainment*, December 22, 2014, p. i. <https://media.defense.gov/2014/Dec/22/2001713454/-1/-1/1/DODIG-2015-058.pdf>

²⁶ Department of Defense Inspector General, *U.S. Air Force May Be Paying Too Much For F117 Engine Sustainment*, December 22, 2014, p. 12. <https://media.defense.gov/2014/Dec/22/2001713454/-1/-1/1/DODIG-2015-058.pdf>

²⁷ Department of Defense Inspector General, *U.S. Air Force May Be Paying Too Much For F117 Engine Sustainment*, December 22, 2014, p. 14. <https://media.defense.gov/2014/Dec/22/2001713454/-1/-1/1/DODIG-2015-058.pdf>

		requested that the IG not release its report until those negotiations concluded. The company also did not comply with a subpoena issued by the IG. ²⁸
<i>Naval Supply Systems Command Needs to Improve Cost Effectiveness of Purchases for the Phalanx Close-In Weapon System</i> (December 19, 2014)	In a sole-source commercial item contract, the IG found that the Navy “may be overpaying Raytheon. In addition ... [The Navy] cannot quantify the work Raytheon performed for the \$69.6 million spent on the current performance-based logistics contract.” “Overall, our price-reasonableness analysis identified that [the Navy] would have potentially overpaid approximately \$17.8 million net.” ²⁹	“Raytheon could not provide [unit price] data because of deficiencies in its accounting system and inability to track costs at the piece part level.” ³⁰
<i>Air Force Life Cycle Management Center’s Management of F119 Engine Spare Parts Needs Improvement</i> (December 19, 2014)	The Air Force may have been overcharged for \$2.3 million in “obsolete spare parts,” on a sole-source, 10-year contract to provide parts for the F119. ³¹	Pratt and Whitney could not provide prices for 4,433 spare parts in the Air Force’s central repository or 6,186 parts in its operating base level inventory. ³²
<i>Military Sealift Command Oversight of Excess Spare-Parts Inventory and Purchases for Sealift Program Roll-On/Roll-Off Ships Needs Improvement</i> (September 9, 2014)	Military Sealift Command “did not ensure that Patriot Contract Services (PCS) had acceptable justifications for 13 spare-parts purchases not adequately competed. ... MSC potentially overpaid for parts	“MSC’s failure to review PCS’s justification for the inadequate competition increased the risk that

²⁸ Department of Defense Inspector General, *U.S. Air Force May Be Paying Too Much For F117 Engine Sustainment*, December 22, 2014, p. 14. <https://media.defense.gov/2014/Dec/22/2001713454/-1/-1/1/DODIG-2015-058.pdf>

²⁹ Department of Defense Inspector General, *Naval Supply Systems Command Needs to Improve Cost Effectiveness of Purchases for the Phalanx Close-In Weapon System*, December 19, 2014, p. i,6. <https://media.defense.gov/2018/Jul/23/2001945902/-1/-1/1/DODIG-2015-053.PDF>

³⁰ Department of Defense Inspector General, *Naval Supply Systems Command Needs to Improve Cost Effectiveness of Purchases for the Phalanx Close-In Weapon System*, December 19, 2014, p. 11. <https://media.defense.gov/2018/Jul/23/2001945902/-1/-1/1/DODIG-2015-053.PDF>

³¹ Department of Defense Inspector General, *Air Force Life Cycle Management Center’s Management of F119 Engine Spare Parts Needs Improvement*, December 19, 2014, pp. 2, 15. <https://www.muckrock.com/foi/united-states-of-america-10/dod-ig-air-force-life-cycle-management-centers-management-of-f119-engine-spare-parts-needs-improvement-15265/#file-52893>

³² Department of Defense Inspector General, *Air Force Life Cycle Management Center’s Management of F119 Engine Spare Parts Needs Improvement*, December 19, 2014, p. 38. <https://www.muckrock.com/foi/united-states-of-america-10/dod-ig-air-force-life-cycle-management-centers-management-of-f119-engine-spare-parts-needs-improvement-15265/#file-52893>

	procured without adequate competition and paid about \$63,674 more than [the Defense Supply System] price for 28 of 76 parts purchased.” ³³	MSC paid more than necessary.” ³⁴
<i>Defense Logistics Agency Aviation Potentially Overpaid Bell Helicopter for Sole-Source Commercial Spare Parts</i> (July 3, 2014)	“DLA potentially overpaid Bell about \$9 million on 33 of 35 sole-source commercial spare parts reviewed. ... DLA may overpay as much as \$2.6 million over the next 12 months on future orders under this contract.” ³⁵ Potential overpayments were the result of the contracting officer not sufficiently determining whether the prices were fair and reasonable. ³⁶ Cost data was supplied to the IG only after a subpoena was issued to Bell, a power that isn’t available to the contracting officer.	“The Director [of the Defense Logistics Agency] explained that Bell has consistently refused to provide cost data for commercial parts; therefore, DLA does not believe they have the ability to obtain cost data.” ³⁷
<i>Defense Logistics Agency and Maritime Paid Too Much for High Mobility Multipurpose Wheeled Vehicle Repair Parts</i> (April 4, 2014)	In a sole-source commercial contract “contracting officials paid an additional \$26.3 million for escalation [labor] rates that were not supported” or request cost data before purchasing \$563.2 million in parts. AM General credited DoD \$1.62 million for overpayments	Contracting officers did not request sales or cost data to analyze price reasonableness, instead relying on other “primary and secondary” sources. ³⁹

³³ Department of Defense Inspector General, *Military Sealift Command Oversight of Excess Spare-Parts Inventory and Purchases for Sealift Program Roll-On/Roll-Off Ships Needs Improvement*, September 9, 2014, p. i. <https://media.defense.gov/2014/Sep/09/2001713398/-1/-1/1/DODIG-2014-106.pdf>

³⁴ Department of Defense Inspector General, *Military Sealift Command Oversight of Excess Spare-Parts Inventory and Purchases for Sealift Program Roll-On/Roll-Off Ships Needs Improvement*, September 9, 2014, p. 16. <https://media.defense.gov/2014/Sep/09/2001713398/-1/-1/1/DODIG-2014-106.pdf>

³⁵ Department of Defense Inspector General, *Defense Logistics Agency Aviation Potentially Overpaid Bell Helicopter for Sole-Source Commercial Spare Parts*, July 3, 2014, p. i. http://www.pogoarchives.org/strauss/reports/fouo_dodig_2014_088_dla_aviation_bell_helicopter.pdf

³⁶ Department of Defense Inspector General, *Defense Logistics Agency Aviation Potentially Overpaid Bell Helicopter for Sole-Source Commercial Spare Parts*, July 3, 2014, p. 4. http://www.pogoarchives.org/strauss/reports/fouo_dodig_2014_088_dla_aviation_bell_helicopter.pdf

³⁷ Department of Defense Inspector General, *Defense Logistics Agency Aviation Potentially Overpaid Bell Helicopter for Sole-Source Commercial Spare Parts*, July 3, 2014, p. 16. http://www.pogoarchives.org/strauss/reports/fouo_dodig_2014_088_dla_aviation_bell_helicopter.pdf

³⁹ Department of Defense Inspector General, *Defense Logistics Agency Land and Maritime Paid Too Much for High Mobility Multipurpose Wheeled Vehicle Repair Parts*, April 4, 2014, Summary. http://s3.amazonaws.com/fcmd/documents/documents/000/003/787/original/MacAndrews_and_Forbes_-_Humvee_Parts_Audit_DODIG_SUMMARY.pdf?1430853901

	related to \$1.5 million in overpayments for parts. ³⁸	
<i>Ontic Engineering and Manufacturing Overcharged the Defense Logistics Agency for Sole-Source Spare Parts</i> (February 15, 2014)	“DLA paid approximately \$8 million more than is fair and reasonable for 21 sole-source spare parts [and] will spend approximately \$11 million more than is fair and reasonable over the next 5 years if no change is made.” ⁴⁰	“DLA contracting officials did not obtain fair and reasonable prices for sole-source spare parts purchased from Ontic for 21 parts, valued at \$26.2 million,” instead relying on “previous DoD purchase prices without determining the price reasonableness of the historical prices.” ⁴¹ “Negotiations spanned 14 months and eventually were elevated to the DLA Division Chief and Ontic’s Director of Contracts, because Ontic failed to provide requested cost and pricing data in a timely manner. ... DLA determined the price was not fair and reasonable but was the best attainable price and that further delays in awarding the contract jeopardized the readiness level of the

³⁸ Department of Defense Inspector General, *Defense Logistics Agency Land and Maritime Paid Too Much for High Mobility Multipurpose Wheeled Vehicle Repair Parts*, April 4, 2014, Summary.

[http://s3.amazonaws.com/fcmd/documents/documents/000/003/787/original/MacAndrews and Forbes - Humvee Parts Audit DODIG SUMMARY.pdf?1430853901](http://s3.amazonaws.com/fcmd/documents/documents/000/003/787/original/MacAndrews_and_Forbes_-_Humvee_Parts_Audit_DODIG_SUMMARY.pdf?1430853901)

⁴⁰ Department of Defense Inspector General, *Ontic Engineering and Manufacturing Overcharged the Defense Logistics Agency for Sole-Source Spare Parts*, February 15, 2014, p. i.

<https://media.defense.gov/2016/Apr/20/2001774183/-1/-1/1/DODIG-2014-110.pdf>

⁴¹ Department of Defense Inspector General, *Ontic Engineering and Manufacturing Overcharged the Defense Logistics Agency for Sole-Source Spare Parts*, February 15, 2014, p. 3.

<https://media.defense.gov/2016/Apr/20/2001774183/-1/-1/1/DODIG-2014-110.pdf>

		CH-53 Sea Stallion helicopter." ⁴²
<i>Air Force Life Cycle Management Center Could Not Identify Actual Cost of F119 Engine Spare Parts Purchased From Pratt and Whitney</i> (February 10, 2014)	A version of the report released to the <i>Dayton Daily News</i> reported the Air Force could not determine if it paid Pratt and Whitney fair and reasonable prices for F-22 Raptor engine parts as part of a sole-source cost-plus-fee \$1.6 billion sustainment contract. ⁴³	"The [Air Force] requests and receives all cost or pricing data from Pratt and Whitney required to complete negotiations. However, the [Air Force] contracting officers did not take full advantage of the provided cost or pricing data, because [they] focused their negotiations on quantities of F119 engine spare parts rather than unit prices. ... The contracting officers relied on full engine costs previously negotiated on a prior production contract rather than negotiating individual unit costs of F119 engine spare parts." ⁴⁴
<i>U.S. Army Contracting Command Did Not Obtain Fair and Reasonable Prices for Communications Equipment</i> (December 5, 2013)	"[Army Contracting Command] potentially overpaid up to \$3.3 million for communications equipment purchased for the Afghan National Security Forces," because the contracting officer didn't "obtain fair and reasonable prices" or "most	"The [Contracting Officer] assigned during the pre-award process requested commercial sales data from Datron for 298 items but accepted that Datron only provided data for

⁴² Department of Defense Inspector General, *Ontic Engineering and Manufacturing Overcharged the Defense Logistics Agency for Sole-Source Spare Parts*, February 15, 2014, p. 17. <https://media.defense.gov/2016/Apr/20/2001774183/-1/-1/1/DODIG-2014-110.pdf>

⁴³ Barrie Barber, "Defense department report questions amount spent on F-22 spare parts," *Dayton Daily News*, October 10, 2014. <https://www.daytondailynews.com/news/local-military/defense-department-report-questions-amount-spent-spare-parts/eai6LD0mTSRWGwb6nY48DI/>; Department of Defense Inspector General, *Air Force Life Cycle Management Center Could Not Identify Actual Cost of F119 Engine Spare Parts Purchased from Pratt and Whitney*, February 10, 2014, p. 2. https://docs.pogo.org/document/2019/DOD+IG+report_searchable2.pdf

⁴⁴ Department of Defense Inspector General, *Air Force Life Cycle Management Center Could Not Identify Actual Cost of F119 Engine Spare Parts Purchased from Pratt and Whitney*, February 10, 2014, p. 6. https://docs.pogo.org/document/2019/DOD+IG+report_searchable2.pdf

	<p>avored customer price on 40 of 75 commercial sales items.”⁴⁵</p>	<p>23 items.”⁴⁶ For 40 of 75 that had commercial customers, the government did not pay the lower commercial price. For one part, this resulted in an overpayment of \$614,258.50 for manpack transceivers.⁴⁷</p>
<p><i>Improved Guidance Needed to Obtain Fair and Reasonable Prices for Sole-Source Spare Parts Procured By the Defense Logistics Agency From The Boeing Company</i> (June 7, 2013)</p>	<p>“DLA Aviation paid approximately \$13.7 million in excess of fair and reasonable prices” on 1,469 delivery orders valued at \$27.2 million for sole-source spare parts.⁴⁸ The IG stated, “If prices are not corrected, DLA Aviation will continue to overpay on future sole-source spare parts procured from Boeing.”⁴⁹</p>	<p>DLA did not require its officers to conduct fair and reasonable price analyses, nor require reviews of pricing for long-term contracts. Boeing did not maintain complete cost and pricing data “because DLA Aviation contracting officers did not conduct adequate contract oversight as required by the FAR.”⁵⁰</p>
<p><i>Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract with Sikorsky to Support the Corpus Christi Army Depot</i> (September 8, 2011)</p>	<p>“Sikorsky charged the Army \$11.8 million or 51.4 percent more ... than fair and reasonable for 28 parts. If prices are not corrected [Army] officials will pay excessive profits of approximately \$16.6 million over the</p>	<p>“Pricing problems also occurred because Sikorsky officials proposed, and AMCOM officials accepted, questionable cost or</p>

⁴⁵ Department of Defense Inspector General, *U.S. Army Contracting Command Did Not Obtain Fair and Reasonable Prices for Communications Equipment*, December 5, 2013, p. i.

<https://media.defense.gov/2013/Dec/05/2001713324/-1/-1/1/DODIG-2014-020.pdf>

⁴⁶ Department of Defense Inspector General, *U.S. Army Contracting Command Did Not Obtain Fair and Reasonable Prices for Communications Equipment*, December 5, 2013, p. 5.

<https://media.defense.gov/2013/Dec/05/2001713324/-1/-1/1/DODIG-2014-020.pdf>

⁴⁷ Department of Defense Inspector General, *U.S. Army Contracting Command Did Not Obtain Fair and Reasonable Prices for Communications Equipment*, December 5, 2013, p. 8.

<https://media.defense.gov/2013/Dec/05/2001713324/-1/-1/1/DODIG-2014-020.pdf>

⁴⁸ Department of Defense Inspector General, *Improved Guidance Needed to Obtain Fair and Reasonable Prices for Sole-Source Spare Parts Procured By the Defense Logistics Agency From The Boeing Company*, June 7, 2013, p. i.

<https://media.defense.gov/2017/Oct/31/2001835927/-1/-1/1/DODIG-2013-090.PDF>

⁴⁹ Department of Defense Inspector General, *Improved Guidance Needed to Obtain Fair and Reasonable Prices for Sole-Source Spare Parts Procured By the Defense Logistics Agency From The Boeing Company*, June 7, 2013, p. 4.

<https://media.defense.gov/2017/Oct/31/2001835927/-1/-1/1/DODIG-2013-090.PDF>

⁵⁰ Department of Defense Inspector General, *Improved Guidance Needed to Obtain Fair and Reasonable Prices for Sole-Source Spare Parts Procured By the Defense Logistics Agency From The Boeing Company*, June 7, 2013, pp. 3,

4. <https://media.defense.gov/2017/Oct/31/2001835927/-1/-1/1/DODIG-2013-090.PDF>

	<p>remaining 2 years of the contract.”⁵¹ This contract was for “noncompetitive spare parts.”⁵² Sikorsky agreed to refund \$1 million for certain overpriced spare parts in this case.</p>	<p>pricing data that had no relationship to the actual price Sikorsky negotiated with its subcontractors.” Additionally, “Sikorsky officials proposed, and [Army] officials accepted, questionable cost or pricing data that had no relationship to the actual price Sikorsky negotiated with its subcontractors.”⁵³</p>
<p><i>Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract with Boeing to Support the Corpus Christi Army Depot (May 3, 2011)</i></p>	<p>“Boeing charged the Army about \$13 million or 131.5 percent more (\$23 million versus \$10 million) than fair and reasonable prices for the 18 parts. During the audit, Boeing issued the Army a credit for \$324,616 for one of the defectively priced parts. After [the IG] issued the draft report, Boeing provided additional refunds of about \$1.3 million.”⁵⁴</p>	<p>“Neither the Army nor Boeing officials performed adequate cost or price analyses to establish the reasonableness of the proposed subcontract prices that were used to support negotiated prices. ... Boeing officials routinely proposed, and [Army] officials accepted, egregiously deficient cost or pricing data.”⁵⁵ Boeing furnished outdated prices for quantities of one and “certified cost or pricing data that were not complete, accurate,</p>

⁵¹ Department of Defense Inspector General, *Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract with Sikorsky to Support the Corpus Christi Army Depot*, September 8, 2011, p. i.
<https://media.defense.gov/2011/Sep/08/2001712905/-1/-1/1/11-104redacted.pdf>

⁵² Department of Defense Inspector General, *Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract with Sikorsky to Support the Corpus Christi Army Depot*, September 8, 2011, p. 4.
<https://media.defense.gov/2011/Sep/08/2001712905/-1/-1/1/11-104redacted.pdf>

⁵³ Department of Defense Inspector General, *Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract with Sikorsky to Support the Corpus Christie Army Depot*, September 8, 2011, p. 4.
<https://media.defense.gov/2011/Sep/08/2001712905/-1/-1/1/11-104redacted.pdf>

⁵⁴ Department of Defense Inspector General, *Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract with Boeing to Support the Corpus Christi Army Depot*, May 3, 2011, p. i.
<https://assets.documentcloud.org/documents/204808/full-unredacted-dod-office-of-inspector-general.pdf>

⁵⁵ Department of Defense Inspector General, *Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract with Boeing to Support the Corpus Christi Army Depot*, May 3, 2011, p. 26.
<https://www.documentcloud.org/documents/204808-full-unredacted-dod-office-of-inspector-general>

		and current at the time of the material certification cutoff date (seven parts). ⁵⁶
<i>Lean Six Sigma Project – Defense Logistics Agency/Honeywell Long-Term Contract Model Using One-Pass Pricing for Sole-Source Parts</i> (February 18, 2011)	In a sole-source spare parts contract, repricing based on advice from DLA Cost/Price, DoD IG, DCAA, and DECMA led to being able to reduce prices by about \$9.5 million or 9.4 percent for future procurements. ⁵⁷	The price reduction was due to access to Honeywell sales data as well as other pricing data. ⁵⁸
<i>Procuring Noncompetitive Spare Parts Through an Exclusive Distributor</i> (February 6, 2008)	“DoD contracting officers were unable to effectively negotiate prices or obtain best value for noncompetitive spare parts procured through Dutch Valley Supply. As a result, DoD paid about \$3.0 million (75.0 percent) more than the fair and reasonable prices for 33 parts that cost about \$6.9 million. ... If problems are not addressed, DoD will pay about \$17.8 million more than fair and reasonable prices for the same items over the next 6 years.” ⁵⁹	“Dutch Valley Supply did not negotiate prices proposed by single-source manufacturers unless DoD contracting officers questioned the reasonableness of the price.” ⁶⁰ “DoD contracting officers primarily relied on ineffective tools such as price analysis, cost analysis of dealer costs, and dealer competition to support price reasonableness decisions.” ⁶¹
<i>Procurement of Propeller Blade Heaters for the C-130 Aircraft</i> (August 27, 2007)	“We calculate [DoD] could have achieved cost savings of about \$2 million for the Air Force and the	“Sundstrand refused to negotiate catalog prices for commercial items

⁵⁶ Department of Defense Inspector General, *Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract with Boeing to Support the Corpus Christi Army Depot*, May 3, 2011, p. 26.

<https://www.documentcloud.org/documents/204808-full-unredacted-dod-office-of-inspector-general>

⁵⁷ Department of Defense Inspector General, *Lean Six Sigma Project – Defense Logistics Agency/Honeywell Long-Term Contract Model Using One-Pass Pricing for Sole-Source Parts*, p. i

<https://media.defense.gov/2011/Feb/18/2001712196/-1/-1/1/D-2011-042.pdf>; Department of Defense Inspector General, *Semiannual Report to the Congress*, October 1, 2010-March 31, 2011, p. 97.

<https://www.dodig.mil/Portals/48/Documents/SAR/SAR-1-oct-2010-31-mar-2011.pdf?ver=2017-02-02-152055-667>

⁵⁸ Department of Defense Inspector General, *Lean Six Sigma Project – Defense Logistics Agency/Honeywell Long-Term Contract Model Using One-Pass Pricing for Sole-Source Parts*, pp. 8, 15

<https://media.defense.gov/2011/Feb/18/2001712196/-1/-1/1/D-2011-042.pdf>

⁵⁹ Department of Defense Inspector General, *Procuring Noncompetitive Spare Parts Through an Exclusive Distributor*, February 6, 2008, pp. i-ii. <https://media.defense.gov/2008/Feb/06/2001713062/-1/-1/1/08-048.pdf>

⁶⁰ Department of Defense Inspector General, *Procuring Noncompetitive Spare Parts Through an Exclusive Distributor*, February 6, 2008, p. 8. <https://media.defense.gov/2008/Feb/06/2001713062/-1/-1/1/08-048.pdf>

⁶¹ Department of Defense Inspector General, *Procuring Noncompetitive Spare Parts Through an Exclusive Distributor*, February 6, 2008, p. 4. <https://media.defense.gov/2008/Feb/06/2001713062/-1/-1/1/08-048.pdf>

	taxpayer, if the blade heater requirement had been competed when two approved sources became available. We also calculate that the Air Force will pay \$1 million more than necessary.” ⁶²	based on price analysis of previous cost-based prices, refused to provide DLA contracting officers with ‘uncertified’ cost or pricing data for commercial catalog items, and terminated Government access to the Sundstrand cost history system.” ⁶³
<i>Commercial Contract for Noncompetitive Spare Parts With Hamilton Sundstrand Corporation</i> (September 29, 2006)	DoD paid prices “significantly higher than the prices paid by some commercial customers,” including \$15.05 for a straight pin sold to others for \$3.88 and \$85.02 for an insulation sleeve that had previously cost \$8.51. ⁶⁴ The \$860 million sole-source commercial item contract was for a period of nine years. ⁶⁵ The IG found questionable commercial item determinations on “basically all” spare parts that exempted Hamilton Sundstrand from submitting cost or pricing data. ⁶⁶ The IG stated, “This strategy places the Government at high risk of paying excessive prices and profits and precludes good	The IG said it had “fundamental differences” with the Air Force’s commercial pricing strategy, specifically that it was inappropriate to “enter into or proceed with a strategic supplier initiative with a contractor that refuses to provide DoD contracting officers cost information when requested.” ⁶⁸ The result was that the DoD was “forced to rely primarily on price analysis of previous Government prices that had been

⁶² Department of Defense Inspector General, *Procurement of Propeller Blade Heaters for the C-130 Aircraft*, August 27, 2007, p. ii. <https://media.defense.gov/2007/Aug/27/2001711995/-1/-1/1/07-119.pdf>

⁶³ Department of Defense Inspector General, *Procurement of Propeller Blade Heaters for the C-130 Aircraft*, August 27, 2007, p. 33. <https://media.defense.gov/2007/Aug/27/2001711995/-1/-1/1/07-119.pdf>

⁶⁴ Department of Defense Inspector General, *Commercial Contract for Noncompetitive Spare Parts With Hamilton Sundstrand Corporation*, September 29, 2006, pp. 37, 41. <https://www.documentcloud.org/documents/6140126-DoD-IG-Report-Hamilton-Sundstrand.html>

⁶⁵ Department of Defense Inspector General, *Commercial Contract for Noncompetitive Spare Parts With Hamilton Sundstrand Corporation*, September 29, 2006, p. i. <https://www.documentcloud.org/documents/6140126-DoD-IG-Report-Hamilton-Sundstrand.html>

⁶⁶ Department of Defense Inspector General, *Commercial Contract for Noncompetitive Spare Parts With Hamilton Sundstrand Corporation*, September 29, 2006, p. i. <https://www.documentcloud.org/documents/6140126-DoD-IG-Report-Hamilton-Sundstrand.html>

⁶⁸ Department of Defense Inspector General, *Commercial Contract for Noncompetitive Spare Parts With Hamilton Sundstrand Corporation*, September 29, 2006, p. iii. <https://www.documentcloud.org/documents/6140126-DoD-IG-Report-Hamilton-Sundstrand.html>

	fiduciary responsibility for DoD funds.” ⁶⁷	determined not to be fair and reasonable by DLA and on previous audits.” ⁶⁹
<i>Spare Parts Procurements from TransDigm, Inc.</i> (February 23, 2006)	“This audit was initiated in response to a Defense Hotline allegation that AeroControlex was charging the Defense Logistics Agency excessive prices and using the commercial item definition to avoid the Federal requirement to provide cost or pricing data.” ⁷⁰ The IG stated that if the “problems are not addressed, the Defense Logistics Agency will pay about \$31.8 million more than fair and reasonable prices for the same items over the next 6 years.” ⁷¹	“After the commercial determination was made, AeroControlex refused to provide more detailed cost data to support the substantial price increase.” ⁷² “When contracting officers requested information other than cost or pricing data to support substantial price increases, TransDigm routinely refused to provide the requested data.” ⁷³

⁶⁷ Department of Defense Inspector General, *Commercial Contract for Noncompetitive Spare Parts With Hamilton Sundstrand Corporation*, September 29, 2006, pp. ii. <https://www.documentcloud.org/documents/6140126-DoD-IG-Report-Hamilton-Sundstrand.html>

⁶⁹ Department of Defense Inspector General, *Commercial Contract for Noncompetitive Spare Parts With Hamilton Sundstrand Corporation*, September 29, 2006, p. 15. <https://www.documentcloud.org/documents/6140126-DoD-IG-Report-Hamilton-Sundstrand.html>

⁷⁰ Department of Defense Inspector General, *Spare Parts Procurements from TransDigm, Inc.*, February 23, 2006, p. i. <https://media.defense.gov/2018/Oct/10/2002049899/-1/-1/1/D-2006-055.PDF>

⁷¹ Department of Defense Inspector General, *Spare Parts Procurements from TransDigm, Inc.*, February 23, 2006, p. 3. <https://media.defense.gov/2018/Oct/10/2002049899/-1/-1/1/D-2006-055.PDF>

⁷² Department of Defense Inspector General, *Spare Parts Procurements from TransDigm, Inc.*, February 23, 2006, pp. 10-11. <https://media.defense.gov/2018/Oct/10/2002049899/-1/-1/1/D-2006-055.PDF>

⁷³ Department of Defense Inspector General, *Spare Parts Procurements from TransDigm, Inc.*, February 23, 2006, p. 15. <https://media.defense.gov/2018/Oct/10/2002049899/-1/-1/1/D-2006-055.PDF>