



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

SEP 17 2007

MEMORANDUM FOR DIRECTORS OF THE DEFENSE AGENCIES  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(POLICY AND PROCUREMENT), ASA (ALT)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(ACQUISITION MANAGEMENT), ASN (RDA)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC

SUBJECT: Contracting Practices – Independent Government Estimates, Government Surveillance, and Contract Quality Assurance

Although the following guidance stems primarily in response to a DoDIG Report on contracting practices at the Major Range and Test Facilities Base, DoDIG Report No. D2007-036, issued December 27, 2006, the issues identified therein have appeared in sufficient frequency in a number of recently published reports to warrant due consideration and attention throughout the Department. In the report noted, there were findings on Independent Government Estimates (IGEs), Government surveillance, and contract quality assurance. Please reinforce the following areas with the appropriate individuals in your respective organizations.

FAR 15.406-1(a) provides that prenegotiation objectives should be based on an analysis of the contractor's proposal, taking into consideration all pertinent information including field pricing assistance, audit reports, technical analysis, fact-finding, IGEs, and price histories. In preparing for negotiation, the contracting officer should analyze the IGE to determine: (1) how the IGE was developed (2) what assumptions were made (3) what information and estimating tools were used (4) where was the information obtained, and (5) how did previous estimates compare with prices paid. Business clearances/negotiation memoranda should document the answers to these questions.

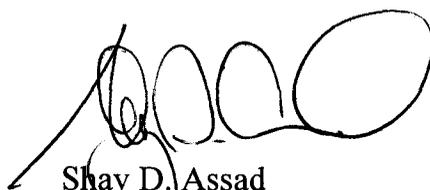
FAR 16.301-3(a)(2) requires Government surveillance during contract performance to provide reasonable assurance that efficient methods and effective cost controls are in place. Surveillance of contractor operations must be conducted in accordance with a comprehensive and well substantiated quality assurance surveillance plan, appropriate and specific to the circumstances of the particular acquisition.

FAR 46.401(a) calls for Government quality assurance at such times (including any stage of manufacture or performance of services) and places (including subcontractors' plants) as may be necessary to determine that the supplies or services



conform to contract requirements. Quality assurance surveillance plans, as appropriate to the circumstances of the acquisition, should document what work requires surveillance and the method of surveillance to ensure that supplies and/or services comply with contract requirements. Plans should include measurable inspection and acceptance criteria corresponding to the statement of work and frequency of reviews.

My point of contact for this memorandum is Mr. Anthony E. Cicala, at 703-693-7062, or email: [anthony.cicala@osd.mil](mailto:anthony.cicala@osd.mil).

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the left.

Shay D. Assad  
Director, Defense Procurement and  
and Acquisition Policy