



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
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JUN 22 2007

MEMORANDUM FOR DISTRIBUTION

Subj: DETERMINING FAIR AND REASONABLE CONTRACT PRICES -  
REVISED PROCEDURES, GUIDANCE AND INSTRUCTION (PGI)

Encl: (1) DPAP memo of June 8, 2007

Enclosure (1) provides the revision to Procedures, Guidance and Instruction (PGI) regarding the application of existing FAR/DFARS requirements for determining fair and reasonable contract prices. Please ensure widest dissemination of enclosure (1).

For further information on this issue, please contact Ronald G. Ostrom at (703) 693-4012, or by email at (ronald.ostrom@navy.mil).

*for Bruce A. Shoyke*  
M. F. Jaggard  
Chief of Staff/Policy  
for DASN(ALM)

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ACQUISITION,  
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OFFICE OF THE UNDER SECRETARY OF DEFENSE

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JUN 08 2007

MEMORANDUM FOR 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  
(ACQUISITION), SAF/AQ  
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Determining Fair and Reasonable Contract Prices - Revised Procedures,  
Guidance and Instruction (PGI)

DPAP published the attached revision to the PGI on May 31, 2007 to provide guidance regarding the application of existing FAR/DFARS requirements for determining fair and reasonable contract prices. This PGI change is in response to several oversight reports, including findings contained in DoD IG Report D2005-D000CH-0183.000, "Commercial Contract for Noncompetitive Spare Parts with Hamilton Sundstrand Corporation." This revised PGI coverage:

- Emphasizes the requirement that contracting officers obtain cost or pricing data if the procurement is above the TINA threshold and none of the exceptions to submission of cost or pricing data apply.
- Emphasizes that contracting officers must obtain whatever information or data is necessary to determine a fair and reasonable price when TINA does not apply. In particular, the PGI coverage highlights the importance of adequately assessing sole source commercial items, including obtaining information other than cost or pricing data where necessary.
- Includes procedures and guidance regarding TINA waivers.
- Includes procedures and guidance for determining when to perform price analysis, cost analysis, and technical analysis.
- Includes a requirement for Senior Procurement Executive review of exceptional case TINA waivers over \$100 million.



ENCLOSURE( / )

Please ensure your contracting activities are aware of this PGI revision. My point of contact for this memorandum is Mr. John McPherson, Senior Procurement Analyst, who can be reached at 703-602-0296 or via e-mail at [john.mcpherson@osd.mil](mailto:john.mcpherson@osd.mil).

A handwritten signature in black ink, appearing to read 'Shay D. Assad', with a large, stylized flourish at the end.

Shay D. Assad  
Director, Defense Procurement  
and Acquisition Policy

**Attachments:**  
**As stated**