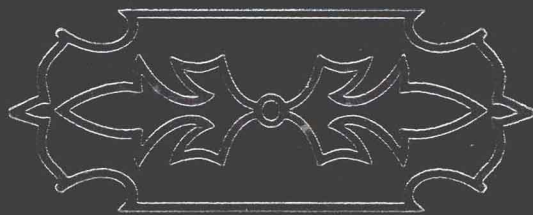


Contracting with the Federal Government

Fourth Edition



Margaret M. Worthington
Louis P. Goldsman

PRICE WATERHOUSE

Contracting with the Federal Government

Fourth Edition

Margaret M. Worthington
Partner, Price Waterhouse LLP
Washington, D.C.

Louis P. Goldsman
Partner, Price Waterhouse LLP
Costa Mesa, California



JOHN WILEY & SONS, INC.

New York • Chichester • Weinheim • Brisbane • Singapore • Toronto

This text is printed on acid-free paper. ∞

Copyright ©1984, 1988, 1992, 1998 by John Wiley & Sons, Inc.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 750-4744. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 605 Third Avenue, New York, NY 10158-0012, (212) 850-6011, fax (212) 850-6008, E-Mail: PERMREQ @ WILEY.COM.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

Library of Congress Cataloging-in-Publication Data:

Worthington, Margaret M.

Contracting with the federal government / Margaret M. Worthington,

Louis P. Goldsman. — 4th ed.

p. cm.

Rev. ed. of: Contracting with the federal government / Frank M. Alston. 3rd ed. c1992.

Kept up to date by supplements.

Includes bibliographical references and index.

ISBN 0-471-24218-7 (alk. paper)

1. Public contracts—United States. 2. Government purchasing—Law and legislation—United States. I. Goldsman, Louis P. II. Alston, Frank M. Contracting with the federal government. III. Title.

KF849.C664 1998

346.7302'3 — dc21

97-31547

CIP

Printed in the United States of America.

10 9 8 7 6 5 4 3 2

About the Authors

MARGARET M. WORTHINGTON, CPA, is a partner in the Government Contractor Consulting Services Group at Price Waterhouse LLP. She has extensive experience in developing and reviewing cost estimating and cost accounting systems. She has assisted numerous clients in implementing programs of self-governance. She actively consults with clients and provides expert witness testimony on issues relating to cost allowability, cost accounting standards, defective pricing, contract terminations, and equitable adjustment proposals. Before joining Price Waterhouse, she was employed by the Defense Contract Audit Agency in a variety of positions, including program manager in the Cost Accounting Division of DCAA Headquarters and Special Assistant to the Director of DCAA.

LOUIS P. GOLDSMAN, CPA, is a partner in Price Waterhouse LLP Government Contractor Consulting Services Group with years of experience dealing with almost all types of businesses contracting with the federal government. Mr. Goldsman has extensive experience in assisting clients in resolving defective pricing issues and in preparing and resolving contract claims for equitable price adjustments. Prior to joining Price Waterhouse, he was a technical programs specialist in the Los Angeles Region of the Defense Contract Audit Agency, serving as a cost accounting standards monitor.

Both authors are active lecturers on topics relating to the accounting and administrative requirements of federal contracting.

Preface to the Fourth Edition

"The only constant is change." That's how we started the Preface to our third edition and history has shown this adage to be true in the government contracting environment. But different from the past, change is now being motivated, and in some ways instigated, by the private sector more so than the government. Today the changes are more in the nature of the basic structure of the contracting community as it reacts to the economic environment in which that community operates. The changes in the procurement process are in many ways an attempt by the government to address industry's structural realignment.

The end of the cold war and the reductions in the federal acquisition budgets resulting from the change in the security risk to the United States has eliminated the need for many programs and products. Additionally, products the government intends to continue purchasing, particularly for defense purposes, are being bought in smaller quantities. In some cases there may not be a need for the kind or minimum quantities of items that contractors can economically produce. This creates a dilemma for both buyers and sellers. On one hand, the seller needs to have enough sales to make the recovery of production costs economically viable. On the other hand, the buyer needs to have enough sellers so there will be meaningful competition to control price demands.

For many products there are too few buyers and too many sellers. As a result, many contractors no longer have the luxury of concentrating on the U.S. government as a customer; or to survive they must be the principal source of supply for the reduced government requirements. The result has been mergers and acquisitions on a major scale. These mergers and acquisitions have significantly reduced the number of major government contractors. The government reaction demonstrated that the government contracting environment is still very much a regulated environment. The government has changed some of the procurement rules and regulations as it has sought to protect itself from an environment that did not have sufficient incentives to keep contractors from passing unreasonable merger and acquisition related costs to the government.

At the same time the government recognized that there was and is an economic cost to the procurement regulations. Presumably the cost incurred by contractors complying with the procurement regulations is included in the price paid by the government for the goods and services it procures from the private sector. The government has sought to change the procurement process to reduce this cost. It has sought, to the extent practical, to use commercial practices as the

basis for controlling the buyer/seller relationship. In addition, after an approximately two-year effort, the rewrite to streamline and simplify the Federal Acquisition Regulation, Part XV—*Contracting by Negotiation*, was issued on September 30, 1997. Its use became mandatory for solicitations issued on or after January 1, 1998. As we write this Fourth Edition, the competing forces, those seeking to “commercialize” and simplify the procurement process and those seeking greater protections for the government, are creating a more complex environment for those charged with buying and selling goods and services in this marketplace.

Politicians and defense planners must also deal with domestic and geopolitical pressures and risks. Fortunately, the procurement related changes are taking place in a period of strong economic growth and low inflation. As we write this edition the federal deficit is at its lowest level since 1970. Nevertheless, the goal to eliminate the federal deficit, coupled with a reduced security risk, creates political pressure to reduce procurements and the cost of government. Congress has responded by including a provision in the Fiscal Year 1998 Defense Authorization Act to reduce the defense acquisition work force by 25,000 positions in Fiscal Year 1998. It will be interesting to observe how the changes to the Federal Acquisition Regulation, Part 15, which provide more discretion to the contracting officer, will be implemented by a shrinking government acquisition workforce. In one sense the increased flexibility provided by the revised regulations provides a greater opportunity for second-guessing. If the economy does not maintain its current strength, we may relive the government procurement related “horror stories” of the mid-1980s. Only time will tell.

Perhaps it is time for a new adage: the only certainty is uncertainty. As each party seeks to address change, processes evolve; one party takes a step and the other reacts. The mergers and acquisitions by industry, and the changes in the rules and regulations by the government are but examples of this dynamic at work.

We have endeavored to update this book to reflect the changes in the rules and regulations brought about by changes in the economic and political environment that have occurred since our last edition. Our objective for this edition remains the same as prior editions: to provide timely, practical information regarding the rules and regulations that define the federal procurement process. We have attempted to provide the information necessary for both buyers and sellers to operate successfully in the current environment.

Washington, D.C.
Costa Mesa, California
January 1998

MARGARET M. WORTHINGTON
LOUIS P. GOLDSMAN

EDITOR'S NOTE

While we have made every attempt to ensure that the forms included in this book are complete and current, the reader/user should investigate any changes in regulations and forms that may have been issued since the publication of the book.

Preface to the Third Edition

"The only constant is change." While this adage is often used to describe our modern society, it is particularly relevant in the arcane and dynamic world of federal procurement. How the U.S. Government behaves as a customer, especially in meeting the nation's defense needs, is directly influenced by political and economic developments, both international and domestic, which define those needs, determine the available resources to meet them, and shape the acquisition process to be followed by the participants. Certainly, since publishing our second edition, momentous geopolitical and economic changes (e.g., the abrupt end of the Cold War, the Persian Gulf Conflict, the savings and loan debacle) have occurred which will profoundly alter the federal marketplace for the foreseeable future. The challenge for procurement professionals, from both government and industry, is to discern what fundamental changes must be made to the contracting process to ensure continued effectiveness in meeting redefined needs. Equally important, participants in this process must keep in sharp focus what must remain constant. These judgments must be made with a clear and unwavering commitment to what must continue to be the basic objective of a procurement system: to motivate industry to meet government procurement needs by providing quality goods and services, delivered on time, at fair and reasonable prices.

Our objective for the reader of the third edition remains the same as that established for the earlier versions: to provide timely, practical information regarding the rules and regulations that define the federal procurement process. We continue to emphasize that, from industry's perspective, the federal government must be viewed as a unique and complex marketplace. As in any marketplace, a prerequisite for success is a thorough knowledge of its requirements. This edition is intended to update the material to reflect not only the expected changes in regulations and federal procurement organizations, but also to recognize the structural changes that have occurred in this important market and the implications of those changes for those responsible for awarding and performing government contracts.

In the middle 1980s, the government made, what appeared to be, a rather dramatic change in its approach to enforcing compliance with the prescribed procurement process. The emphasis on contractor self-governance; greater inclination in federal agencies to use the judicial process to resolve product pricing and contract administration disputes; and the proliferation of regulations and

contract clauses imposing certification requirements and exacting penalties for administrative noncompliances; all point to the need for contractors to reassess their management strategy for assuring that the contractually mandated procurement process is, in fact, followed. The legal and financial risks of dealing with the matter of regulatory compliance on an ad hoc basis had simply become too high. The second edition was intended to assist the contracting community to successfully respond to this development.

We perceive that the changes occurring since our second edition are fundamentally different. Unlike the past developments which required us to reexamine and establish or improve processes within a market structure, these geopolitical and economic events have profoundly and unalterably changed the fundamental structure of the market itself. Managers of industry must now develop, design, and implement new business strategies for entering, staying in, or exiting a marketplace dramatically different and, in many ways, much more complex and demanding than it was just two or three years before.

With astonishing suddenness, the Cold War abruptly ended, rendering virtually obsolete a defense policy of preparing to deter, and if necessary, fight an unthinkable strategic nuclear war. Before we could begin to “beat our swords into plowshares,” a full-fledged military conflict erupted in the Persian Gulf, emphasizing the need for a military response materially different from what had been the core of our defense strategy for over 40 years. Added to this was the nation’s desire to address pressing social needs and federal budget deficit reduction, with the “peace dividend” ostensibly resulting from the fact that the Soviet Union and the eastern bloc countries were no longer regarded as a serious threat to our national security. Public support for defense spending appeared to diminish even more when the “peace dividend”—if there ever was one—was more than absorbed by the need to bail out of the savings and loan industry using public funds. These events accelerated and intensified the ongoing efforts in the Pentagon to rethink and redefine the nation’s defense needs. The outcome of this process is likely to be a marketplace that is structurally different from what we have known.

More so than ever before, the watchword for federal contracting, especially relating to defense procurement, will be *cost-effectiveness*. That is, doing more with less. Dr. Jacques Gansler, a former deputy assistant secretary of defense, accurately described the major concern of the nation’s defense planners in this new environment as: how to reduce the cost of defense equipment while maintaining a viable defense base that keeps cost to a minimum and ensures surge capability for future emergencies. Unquestionably, industry will find more intense competition for a smaller, and less predictable market. In commenting on the new defense marketplace, the editors of *Fortune* magazine observed that, “Budget holddowns means that U.S. forces will have to get smaller, smarter, swifter, and stronger. Wise contractors are finding ways to turn this imperative to their advantage.”

The authors of our third edition recognize and fully appreciate the challenges facing those involved in the federal procurement process. The pricing, costing, and administration of contracts, already complex, will become even more formidable as government agencies redefine their needs and cope with the realities of severe budgetary constraints. Concurrently, industry will be seeking innovative ways to compete successfully to fulfill federal procurement needs while providing their owners a reasonable return. All parties, those responsible for enforcing as well as those obligated to comply, require a thorough knowledge of the rules and regulations in order to ensure that the process works as intended.

We certainly hope the contents of this text make a meaningful contribution to facilitating this important activity: federal contracting.

Bethesda, Maryland
Newport Beach, California
January 1992

FRANK M. ALSTON
MARGARET M. WORTHINGTON
LOUIS P. GOLDSMAN

Preface to the Second Edition

Since our first edition in 1984, the Federal contracting environment has undergone a rather dramatic and fundamental change. Those who are reasonably knowledgeable about this activity would recognize that government procurement is truly a dynamic process and that a certain amount of change is expected. Even so, we believe there was general surprise at the rapid and extensive change in the procurement culture; that is, change in the basic set of assumptions and ground rules that underline the rules and regulations and define the government–contractor relationship. This cultural change manifested itself in a spate of new and revised regulations as well as a noticeably different approach by the government in its enforcement practices. Unquestionably, these developments materially altered the way contractors must conduct business with the government customers. For this text to continue to fulfill its purpose of not only helping the reader to identify and understand the relevant regulations but also understand the government’s attitude toward implementation, an update of the material to reflect this new environment is certainly required. With this revision, we are hopeful that the book will remain a practical guide for all who are involved in this complex activity of pricing, costing, and administering federal contracts.

In its legitimate role of establishing the legal framework for the Federal acquisition process, Congress enacts legislation from time to time that alters the basic structure in which this activity takes place. Since 1984, however, the legislators have uncharacteristically gotten involved directly in managing government contracts. Ostensibly responding to media revelation of alleged excesses in contracting, Congress enacted so-called reform legislation that prescribed detailed changes to specific provisions of the procurement regulations. This unprecedented “micromanagement” by Congress has caused difficulty for contractors and government officials; primarily because the direct involvement by Congress at level previously reserved for implementing agencies introduced yet another variable into the government–contractor relationship, causing even greater uncertainty and complexity.

The new procurement laws are intended to remedy a broad spectrum of alleged contractor abuses such as: billing the government for labor costs mischarged to contracts, requesting reimbursement for unallowable indirect expenses, and inflating negotiated prices by failing to provide government negotiators the required cost and pricing data. Moreover, Congress concluded that these problems were widespread and, in many instances, deliberate. The legisla-

tors criticized the federal agencies for being both negligent and inept in discovering these problems and in taking appropriate actions against the guilty contractors. To ensure that agencies became more effective in ferreting out contractor fraud, waste, and abuse, the new laws, among other requirements, (1) made procurement regulations more restrictive, (2) increased the penalties for violating regulations, (3) required contractors to certify under the penalty of perjury that their indirect cost submissions comply with the regulations, (4) directed the contracting agencies to impose tighter control on their suppliers, and (5) mandated an increased level of oversight of the acquisition function. Taken together, these actions had a profound impact on the procurement climate.

Stung by the harsh Congressional criticism that they were lax in their enforcement of the procurement regulations, the executive agencies, especially the Department of Defense, have become more aggressive in performing contract audits and conducting other oversight reviews. As expected, DOD has increased the number of audits and, in many instances, substantially expended the scope of these reviews. Contractors, of course, must respond to this initiative by providing more resources to support this general increase in audit activity. While the increased audit activity certainly adds to the cost of doing business with Uncle Sam, this does not represent the fundamental change in the environment. What does represent change, and is causing considerable trauma among contractors, is the lessening ability to predict how the government will characterize an audit issue or in what forum the government will seek to have the matter resolved. In other words, is the noncompliance a contractual matter or is it to be regarded as an attempt to defraud? It seems that the government is more prone to use criminal rather administrative remedies to resolve problems arising out of the contracting process.

This shift in focus has serious implications for contractors. First, what actions should contractors take to minimize the incidence of noncompliances. Second, when noncompliances are discovered, how can contractors improve their ability to objectively establish that the problem was inadvertent rather than a deliberate attempt to overcharge; and third, what must be done in the way of system design and implementation to demonstrate that adequate safeguards are present to protect the government's interests.

The Department of Defense Inspector General (DODIG) appears to emphasize using the criminal process to deal with contracting problems. Specifically, in its role as overseer of the contract audit function, the DODIG advised auditors and contracting officials *never* to make any assumption about contractor intent or good faith whenever a noncompliance is discovered. Unfortunately, this approach effectively makes every noncompliance a potential crime until a criminal investigator has determined otherwise. This is, without a doubt, a very serious change in the government's approach in resolving alleged noncompliance. Our revised edition discusses, in some detail, how contractors must manage in a business environment that involves considerably more risk as compared to pre-1984. We focus on the imperative for contractors to reevaluate their financial management systems in light of current circumstances for the express purpose of assuring their effectiveness in avoiding, disclosing, and eliminating conditions of noncompliance.

The concept of industry accountability for compliance with federal procurement regulations was given major emphasis by the President's Blue Ribbon Commission on Defense Management (The Packard Commission). Actually, there is nothing new about contractors having an affirmative obligation to comply with the terms and conditions of the contracts they sign. What we believe to be differ-

ent and significant is the increased emphasis the government will place on evaluating how well contractors are policing themselves for compliance with applicable regulations. The Commission in its final report recognized the limits of even the most effective enforcement and oversight activities as means for bringing about the needed improvements in the procurement process and for ensuring reasonable compliance in the future. Corporate self-governance, the Commission asserted, could redress the current weaknesses in the procurement system and could ultimately lead to a more productive relationship between the government and its suppliers. Fundamentally, self-governance requires the contractor to establish and maintain the necessary system of internal accounting and administrative controls to ensure the integrity of their own contract performance. This book describes the attributes of financial management systems that should meet these objectives.

While much has changed during the past three years, much remains the same. We have described in the preceding paragraphs what we perceive to be material changes in the government's fundamental approach to enforcing compliance with a basic procurement process that has stayed fairly constant. However, we emphasize that successfully providing the product or service only partially fulfills a company's contractual obligation to the government. What truly makes the federal government a different customer is that, unlike a commercial contract, it regards complying with administrative requirements as important as technical performance. Our second edition is intended to reflect changes in the current procurement environment that directly impact a contractor's ability to avoid serious economic loss or legal exposure for failure to fulfill the administrative requirements (i.e., pricing and costing, and settling) of government contracts. Since so much of this process is unchanged since 1984, the Preface for the first edition is still relevant and is included with minor revisions.

Bethesda, Maryland
Newport Beach, California
January 1988

FRANK M. ALSTON
MARGARET M. WORTHINGTON
LOUIS P. GOLDSMAN

Preface to the First Edition

To have any reasonable chance of success in business, the entrepreneur must understand the market in which he or she operates. An effective business strategy results not only from insight regarding how the consumer behaves, but even more importantly, what motivates consumer behavior.

Who are my potential customers?

How does the customer decide what to buy and when to buy?

What process is the customer likely to use in selecting the sources to fulfill his or her perceived needs?

What type of relationship will the customer seek to establish with suppliers?

These questions reflect the technical, economic, and legal characteristics of a marketplace, which determine, to a large extent, consumer behavior. The challenge to managers of business organizations is to be sufficiently knowledgeable about the market to anticipate or, in some cases, even influence the demand for their product. Those who succeed in this effort will be able to take the necessary actions to give their companies a competitive advantage.

While intimate knowledge of the critical factors that influence consumer behavior is important for selling in any market, it is doubly so if the consumers are federal agencies. This is true because doing business with Uncle Sam is certainly a unique experience. For reasons that will be discussed in this book, the U.S. government, as a customer, behaves differently than almost any other customer you will encounter. It follows then that any company planning or proceeding to do business in this market should know the rules that govern this particular customer's behavior and should have some understanding of, and appreciation for, why the rules were written in the first place.

The many regulations that control every step of the federal procurement process account for the major differences between government contracting and doing business in the private sector. Since these regulations determine how the federal government behaves as a customer, it would be foolish indeed to operate in the public market without a reasonable level of knowledge about what the rules and regulations require. While the government is certainly not intent on deliberately putting anyone out of business, it, nevertheless, expects a contractor to know and understand the technical and administrative requirements of the contract that is signed. Accordingly, the procuring agency will not rescue

a company from the consequences of bad business judgment made in forming or performing a government contract; neither will the government refrain from penalizing a company for violating an acquisition regulation or failing to fulfill a contractual term or condition simply because the requirements were not known or were misinterpreted. Indeed, in far too many instances, contractors have watched profits on their government work drastically shrink or totally disappear because the applicable regulations were either overlooked, misunderstood, or ignored.

This book is based on the premise that doing business with the U.S. government can be an economically rewarding experience despite the voluminous and complex regulations. Contractors who have and continue to realize reasonable profits on their federal contracts recognize that coping with the unique aspects of government business is much the same as coping with the idiosyncratic behavior of any distinctive market.

This book provides a practical discussion of the rules and regulations that impose special financial and accounting requirements on government contractors. Its purpose is not only to help the reader to identify and understand the relevant regulations but, equally important, to provide significant insight into how the government will go about implementing the requirements. The authors, who are all members of Price Waterhouse's Government and Other Long-Term Contractors Industry Services Group, are uniquely suited for this purpose since they include both former U.S. government officials, who were extensively involved in developing and implementing the regulations affecting procurement, and individuals whose careers in public accounting have been concentrated on matters relating to government contracting. With such backgrounds, the authors are especially capable of providing the reader with practical information to assist in identifying the applicable regulations and establishing a basis for determining what constitutes reasonable compliance. Furthermore, this text represents Price Waterhouse's continuing commitment to provide full financial and accounting services to companies engaged in government business.

The ability to successfully deal with federal regulations is materially enhanced if the contractor has some knowledge and appreciation of the underlying concepts and rationale followed in developing them. Therefore, the text includes a brief historical background for the major regulatory requirements discussed. Included in this coverage are the authors' views of the particular problem the government was attempting to solve. In the experience of the authors, such information has been found to be extremely helpful in identifying alternative approaches to satisfying the regulatory requirements.

This book covers that portion of the federal procurement process involving the practices followed in making the government's needs known to the public to settling a contract at completion. Because the authors are all accountants by profession, the primary focus of this book is on the financial and accounting considerations related to this process. The book is intended to serve as a practical reference for those who are directly responsible for pricing and administering contracts with federal agencies. Those with overall management responsibilities, as well as individuals involved in marketing or providing legal advice, should also find the material useful. Knowledge of the regulations is critical in establishing short- and long-term business objectives, developing marketing plans and strategies, and avoiding or resolving disputes related to government contracts.

Anyone involved in government business must have a working knowledge of such terms as *allowability*, *reasonableness*, *allocability*, and *defective pricing*. Unfortunately, many contractors become acquainted with these concepts, as they apply

to their government business, when in the midst of a crisis—too late, for often the damage is already done.

For those who are considering the government contracting market, this book should provide a fairly complete overview of the financial and accounting aspects of your decision. Responsible officials should be able to identify the changes that are necessary in management and control systems and assess the impact of those changes on the overall operation of the business. For existing contractors, the book should serve as an aid in identifying relevant regulations, and providing additional insight on what actions are in company's best interest and which satisfy the requirements of the customer—the U.S. Government.

While compliance with applicable government regulations is certainly important, contractors must be sure that their systems used for estimating, accounting, and billing costs meet management's internal needs. As indicated previously, many contract losses occur not because the contractor experienced unexpected technical difficulty in doing the work, but because its management systems failed to provide the necessary information to effectively price the contract and control the cost incurred during performance. In recognition of this need, the book also has a section on accounting systems and internal control. Additionally, throughout the text, the authors suggest what they believe are good practices to follow in estimating costs for contract negotiation purposes and monitoring and controlling costs incurred during contract performance. Particular emphasis is given to the importance of these systems as they relate to pricing the effect of changes to the contract after the date of award.

Los Angeles, California
Bethesda, Maryland
December 1983

FRANK M. ALSTON
FRANKLIN R. JOHNSON
MARGARET M. WORTHINGTON
LOUIS P. GOLDSMAN
FRANK J. DEVITO

Acknowledgments

The authors are particularly indebted to Charles L. Gardiner, Harry N. Hann, and Francis G. Peiffer for their efforts in updating portions of this text.

We also deeply appreciate the dedication and hard work of Cheryle R. Plater and Elizabeth B. Stedman in typing the manuscript and researching the footnote citations.

Contents

List of Figures, Table, and Appendices	xxv
1 Historical Perspectives and Background	1
1-1 Early Federal Procurement Statutes	1
1-2 The Federal Procurement Environment From World War II to Today	2
1-3 The Federal Procurement Process	5
1-4 Major Differences Between Private and Public Contracting	8
1-5 Tax Considerations	12
1-6 Summary	13
2 The Organization of the Government's Acquisition Function	17
2-1 Introduction	17
2-2 Origin of the Government's Acquisition Authority	17
2-3 Role of the Legislative Branch	18
2-4 Role of the Executive Branch	19
2-5 Role of the Judicial Branch	31
3 Obtaining Government Business	33
3-1 Background	33
3-2 Preliminaries for Entering the Government Market	34
3-3 The Government Procurement Process	46
3-4 Subcontractors	57
3-5 Summary	58
4 Profit	83
4-1 Background	83
4-2 Government Profit Policy	84
4-3 DOD Weighted Guidelines	85
4-4 NASA Profit Approach	88
4-5 Other Civilian Agency Approaches	89
4-6 Summary	90
5 Defective Pricing	97
5-1 Requirements of the Truth in Negotiations Act	97
5-2 Exceptions from Submission of Cost or Pricing Data	98
5-3 Cost or Pricing Data	103