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- CONT RELEASED 4/21

UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

OFFICE OF GENERAL COUNSEL

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B-158685

MAY 22 1978

Mr. T.G. Cassidy
Acting Chairman, ASPR
Committee
Office of the Under
Secretary of Defense

Dear Mr. Cassidy:

By letter dated March 10, 1978 you transmitted for our comment proposed policies and procedures for Government versus industry contract support which incorporates the use of a "firm cost" concept. This concept would be used in determining whether the Department of Defense should use industry contract support or maintain in-house services for various requirements.

The proposal contains a requirement that bidders be placed on notice that a specific solicitation is subject to a Government cost comparison to determine the economic feasibility of accomplishing the work in-house or by contract. A government in-house cost estimate is prepared and submitted as a bid to the contracting officer. This Government estimate is opened at the time of bid opening, supplemental calculations are accomplished, a comparison is made with the apparent low bid submitted and a determination made to maintain in-house services or to contract out.

In comparing contractor cost proposals and the written Government estimate, the proposed language requires that the ceiling price be considered the contractor's quoted price.

In our report, "How to Improve Procedures for Deciding Between Contractor and In-house Military Base Support Services," (LCD-76-347; March 28, 1977), we commented that the use of firm bids (costs) was superior to the use of estimates or informational quotes of contract costs for the purpose of making cost comparisons required by Office of Management and Budget Circular A-76.

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Accordingly, we do not object to the proposed procedure but we do have some reservations as to whether the agencies' current management and accounting systems can provide adequate in-house cost estimates. In this connection, we are currently performing audit work concerning cost comparison determinations under Circular A-76.

Sincerely yours,

Paul G. Dembling

Paul G. Dembling
General Counsel

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FEBRUARY 1977
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DEPARTMENTS AND ESTABLISHMENTS

Commercial activities

Private y. Government procurement

Cost comparison

PROCUREMENT

In-house y. commercial sources

WORDS AND PHRASES

Contract support