

PROCUREMENT NEWS

Part 1

WHY PRICE ANALYSIS MATTERS

FAR 15.404-3 requires prime contractors to determine that subcontract prices are fair and reasonable before awarding subcontracts. Simply accepting a supplier's proposed price or relying on historical relationships is not enough.

MISTAKES THAT TRIGGER CPSR FINDINGS

The quality of your subcontract price analysis can determine whether you pass or fail a CPSR. DCMA expects documented evidence that every subcontract award is fair, reasonable, and supported by a defensible price analysis.

HISTORICAL PRICING WITHOUT VALIDATION

Historical pricing alone does not prove a subcontract price is fair and reasonable. DCMA expects contractors to validate prior pricing against current market conditions, inflation, labor and material costs, quantities, scope, and technical requirements.



Subcontract Price Analysis:

THE DCMA RED FLAGS EVERY CONTRACTOR SHOULD KNOW

For government contractors, subcontract price analysis is far more than a procurement exercise but is a critical compliance function. During a CPSR, the Defense Contract Management Agency (DCMA) closely evaluates whether contractors have established, documented, and consistently applied sound price analysis practices.

Weak documentation or inconsistent evaluations can result in CPSR findings, Corrective Action Requests (CARs), increased oversight, and delays in contract awards. Understanding what DCMA reviewers look for is the first step toward strengthening your purchasing system and reducing compliance risk.

▶ Missing or Inadequate Price Analysis

One of the most frequent findings is a file that simply states the price is "fair and reasonable" without explaining why.

DCMA looks for:

- A documented comparison of competitive quotes.
- Historical pricing comparisons.
- Market research.
- Published price lists or catalog pricing.
- Independent Government or internal estimates.
- A clear explanation supporting the final determination.

▶ Price Analysis Doesn't Match the Procurement

Reviewers frequently identify analyses that appear to have been copied from previous files.

Red flags include:

- Generic justification statements.
- Missing discussion of technical differences.
- Ignoring delivery schedule impacts.
- No evaluation of varying scopes of work.