



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JUL 05 2007

The Honorable Daniel K. Inouye
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate
Washington, DC 20510-6028

Dear Mr. Chairman:

Section 817 of the Bob Stump National Defense Authorization Act for FY 2003 (Public Law 107-314) requires the Secretary of Defense to transmit annually to the congressional defense committees a report on commercial item exceptions and exceptional case exceptions to the Truth in Negotiations Act (TINA), 10 U.S.C. 2306a, and waivers of the Cost Accounting Standards (CAS) pursuant to section 26 (f)(5)(b) of the Office of Federal Procurement Policy Act (41 U.S.C. 422(f)(5)(b)) that were granted for actions over \$15,000,000 during the preceding fiscal year.

Enclosed is the Department of Defense (DoD) Report to Congress on TINA waivers granted for FY 2006, which includes the summary report and three enclosures:


- (1) FY 2006 commercial item exceptions to TINA requirements.
- (2) FY 2006 exceptional case waivers to TINA requirements.
- (3) FY 2006 exceptional case waivers to CAS requirements.

Over the past few months, my office has conducted an assessment of the waivers listed in this and past reports. As a result of that assessment, we initiated several actions, including: (1) increasing scrutiny by our Senior Procurement Executives regarding the granting of TINA waivers; (2) issuing a policy memorandum emphasizing the limited criteria for using exceptional circumstance waivers; and (3) providing additional guidance to DoD contracting personnel regarding the importance of obtaining information other than cost or pricing data when necessary to determine a fair and reasonable price for a commercial item. Furthermore, we are re-emphasizing the overall contract pricing function within DoD. Actions in this area include the re-establishment of the Cost, Pricing and Finance Division within the Office of Director, Defense Procurement and Acquisition Policy, the ongoing assessment of the skills, competencies and resources of our contract cost/price analysts, and the ongoing evaluation of the current organizational structure for providing pricing support to DoD Contracting Officers.



A similar letter has been provided to the other congressional defense committees.

Sincerely,


for Kenneth J. Krieg

Enclosure:
As stated

cc:
The Honorable Ted Stevens
Ranking Member



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JUL 05 2007

The Honorable Robert C. Byrd
Chairman, Committee on Appropriations
United States Senate
Washington, DC 20510-2402

Dear Mr. Chairman:

Section 817 of the Bob Stump National Defense Authorization Act for FY 2003 (Public Law 107-314) requires the Secretary of Defense to transmit annually to the congressional defense committees a report on commercial item exceptions and exceptional case exceptions to the Truth in Negotiations Act (TINA), 10 U.S.C. 2306a, and waivers of the Cost Accounting Standards (CAS) pursuant to section 26 (f)(5)(b) of the Office of Federal Procurement Policy Act (41 U.S.C. 422(f)(5)(b)) that were granted for actions over \$15,000,000 during the preceding fiscal year.

Enclosed is the Department of Defense (DoD) Report to Congress on TINA waivers granted for FY 2006, which includes the summary report and three enclosures:


- (1) FY 2006 commercial item exceptions to TINA requirements.
- (2) FY 2006 exceptional case waivers to TINA requirements.
- (3) FY 2006 exceptional case waivers to CAS requirements.

Over the past few months, my office has conducted an assessment of the waivers listed in this and past reports. As a result of that assessment, we initiated several actions, including: (1) increasing scrutiny by our Senior Procurement Executives regarding the granting of TINA waivers; (2) issuing a policy memorandum emphasizing the limited criteria for using exceptional circumstance waivers; and (3) providing additional guidance to DoD contracting personnel regarding the importance of obtaining information other than cost or pricing data when necessary to determine a fair and reasonable price for a commercial item. Furthermore, we are re-emphasizing the overall contract pricing function within DoD. Actions in this area include the re-establishment of the Cost, Pricing and Finance Division within the Office of Director, Defense Procurement and Acquisition Policy, the ongoing assessment of the skills, competencies and resources of our contract cost/price analysts, and the ongoing evaluation of the current organizational structure for providing pricing support to DoD Contracting Officers.



A similar letter has been provided to the other congressional defense committees.

Sincerely,


for Kenneth J. Krieg

Enclosure:
As stated

cc:
The Honorable Thad Cochran
Ranking Member



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JUL 05 2007

The Honorable David Obey
Chairman, Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515-6018

Dear Mr. Chairman:

Section 817 of the Bob Stump National Defense Authorization Act for FY 2003 (Public Law 107-314) requires the Secretary of Defense to transmit annually to the congressional defense committees a report on commercial item exceptions and exceptional case exceptions to the Truth in Negotiations Act (TINA), 10 U.S.C. 2306a, and waivers of the Cost Accounting Standards (CAS) pursuant to section 26 (f)(5)(b) of the Office of Federal Procurement Policy Act (41 U.S.C. 422(f)(5)(b)) that were granted for actions over \$15,000,000 during the preceding fiscal year.

Enclosed is the Department of Defense (DoD) Report to Congress on TINA waivers granted for FY 2006, which includes the summary report and three enclosures:

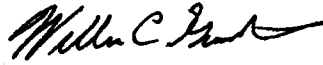
- (1) FY 2006 commercial item exceptions to TINA requirements.
- (2) FY 2006 exceptional case waivers to TINA requirements.
- (3) FY 2006 exceptional case waivers to CAS requirements.

Over the past few months, my office has conducted an assessment of the waivers listed in this and past reports. As a result of that assessment, we initiated several actions, including: (1) increasing scrutiny by our Senior Procurement Executives regarding the granting of TINA waivers; (2) issuing a policy memorandum emphasizing the limited criteria for using exceptional circumstance waivers; and (3) providing additional guidance to DoD contracting personnel regarding the importance of obtaining information other than cost or pricing data when necessary to determine a fair and reasonable price for a commercial item. Furthermore, we are re-emphasizing the overall contract pricing function within DoD. Actions in this area include the re-establishment of the Cost, Pricing and Finance Division within the Office of Director, Defense Procurement and Acquisition Policy, the ongoing assessment of the skills, competencies and resources of our contract cost/price analysts, and the ongoing evaluation of the current organizational structure for providing pricing support to DoD Contracting Officers.



A similar letter has been provided to the other congressional defense committees.

Sincerely,



for Kenneth J. Krieg

Enclosure:
As stated

cc:
The Honorable Jerry Lewis
Ranking Member



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JUL 05 2007

The Honorable John P. Murtha
Chairman, Subcommittee on Defense
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515-6015

Dear Mr. Chairman:

Section 817 of the Bob Stump National Defense Authorization Act for FY 2003 (Public Law 107-314) requires the Secretary of Defense to transmit annually to the congressional defense committees a report on commercial item exceptions and exceptional case exceptions to the Truth in Negotiations Act (TINA), 10 U.S.C. 2306a, and waivers of the Cost Accounting Standards (CAS) pursuant to section 26 (f)(5)(b) of the Office of Federal Procurement Policy Act (41 U.S.C. 422(f)(5)(b)) that were granted for actions over \$15,000,000 during the preceding fiscal year.

Enclosed is the Department of Defense (DoD) Report to Congress on TINA waivers granted for FY 2006, which includes the summary report and three enclosures:


- (1) FY 2006 commercial item exceptions to TINA requirements.
- (2) FY 2006 exceptional case waivers to TINA requirements.
- (3) FY 2006 exceptional case waivers to CAS requirements.

Over the past few months, my office has conducted an assessment of the waivers listed in this and past reports. As a result of that assessment, we initiated several actions, including: (1) increasing scrutiny by our Senior Procurement Executives regarding the granting of TINA waivers; (2) issuing a policy memorandum emphasizing the limited criteria for using exceptional circumstance waivers; and (3) providing additional guidance to DoD contracting personnel regarding the importance of obtaining information other than cost or pricing data when necessary to determine a fair and reasonable price for a commercial item. Furthermore, we are re-emphasizing the overall contract pricing function within DoD. Actions in this area include the re-establishment of the Cost, Pricing and Finance Division within the Office of Director, Defense Procurement and Acquisition Policy, the ongoing assessment of the skills, competencies and resources of our contract cost/price analysts, and the ongoing evaluation of the current organizational structure for providing pricing support to DoD Contracting Officers.



A similar letter has been provided to the other congressional defense committees.

Sincerely,


for Kenneth J. Krieg

Enclosure:
As stated

cc:
The Honorable C.W. "Bill" Young
Ranking Member



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JUL 05 2007

The Honorable Carl Levin
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510-6050

Dear Mr. Chairman:

Section 817 of the Bob Stump National Defense Authorization Act for FY 2003 (Public Law 107-314) requires the Secretary of Defense to transmit annually to the congressional defense committees a report on commercial item exceptions and exceptional case exceptions to the Truth in Negotiations Act (TINA), 10 U.S.C. 2306a, and waivers of the Cost Accounting Standards (CAS) pursuant to section 26 (f)(5)(b) of the Office of Federal Procurement Policy Act (41 U.S.C. 422(f)(5)(b)) that were granted for actions over \$15,000,000 during the preceding fiscal year.

Enclosed is the Department of Defense (DoD) Report to Congress on TINA waivers granted for FY 2006, which includes the summary report and three enclosures:


- (1) FY 2006 commercial item exceptions to TINA requirements.
- (2) FY 2006 exceptional case waivers to TINA requirements.
- (3) FY 2006 exceptional case waivers to CAS requirements.

Over the past few months, my office has conducted an assessment of the waivers listed in this and past reports. As a result of that assessment, we initiated several actions, including: (1) increasing scrutiny by our Senior Procurement Executives regarding the granting of TINA waivers; (2) issuing a policy memorandum emphasizing the limited criteria for using exceptional circumstance waivers; and (3) providing additional guidance to DoD contracting personnel regarding the importance of obtaining information other than cost or pricing data when necessary to determine a fair and reasonable price for a commercial item. Furthermore, we are re-emphasizing the overall contract pricing function within DoD. Actions in this area include the re-establishment of the Cost, Pricing and Finance Division within the Office of Director, Defense Procurement and Acquisition Policy, the ongoing assessment of the skills, competencies and resources of our contract cost/price analysts, and the ongoing evaluation of the current organizational structure for providing pricing support to DoD Contracting Officers.



A similar letter has been provided to the other congressional defense committees.

Sincerely,


for Kenneth J. Krieg

Enclosure:

As stated

cc:

The Honorable John McCain
Ranking Member



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JUL 05 2007

The Honorable Ike Skelton
Chairman, Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515-6035

Dear Mr. Chairman:

Section 817 of the Bob Stump National Defense Authorization Act for FY 2003 (Public Law 107-314) requires the Secretary of Defense to transmit annually to the congressional defense committees a report on commercial item exceptions and exceptional case exceptions to the Truth in Negotiations Act (TINA), 10 U.S.C. 2306a, and waivers of the Cost Accounting Standards (CAS) pursuant to section 26 (f)(5)(b) of the Office of Federal Procurement Policy Act (41 U.S.C. 422(f)(5)(b)) that were granted for actions over \$15,000,000 during the preceding fiscal year.

Enclosed is the Department of Defense (DoD) Report to Congress on TINA waivers granted for FY 2006, which includes the summary report and three enclosures:

- (1) FY 2006 commercial item exceptions to TINA requirements.
- (2) FY 2006 exceptional case waivers to TINA requirements.
- (3) FY 2006 exceptional case waivers to CAS requirements.

Over the past few months, my office has conducted an assessment of the waivers listed in this and past reports. As a result of that assessment, we initiated several actions, including: (1) increasing scrutiny by our Senior Procurement Executives regarding the granting of TINA waivers; (2) issuing a policy memorandum emphasizing the limited criteria for using exceptional circumstance waivers; and (3) providing additional guidance to DoD contracting personnel regarding the importance of obtaining information other than cost or pricing data when necessary to determine a fair and reasonable price for a commercial item. Furthermore, we are re-emphasizing the overall contract pricing function within DoD. Actions in this area include the re-establishment of the Cost, Pricing and Finance Division within the Office of Director, Defense Procurement and Acquisition Policy, the ongoing assessment of the skills, competencies and resources of our contract cost/price analysts, and the ongoing evaluation of the current organizational structure for providing pricing support to DoD Contracting Officers.



A similar letter has been provided to the other congressional defense committees.

Sincerely,



for Kenneth J. Krieg

Enclosure:

As stated

cc:

The Honorable Duncan Hunter
Ranking Member

**REPORT TO CONGRESS ON
COMMERCIAL ITEM EXCEPTIONS AND TRUTH IN NEGOTIATIONS ACT (TINA) AND
COST ACCOUNTING STANDARDS WAIVERS GRANTED
DEPARTMENT OF DEFENSE – FISCAL YEAR 2006
OUSD(AT&L)
March 2007**

SUMMARY OF ENCLOSURES

ENCLOSURE 1 – Commercial Item Exceptions to TINA Over \$15M Pursuant to FAR 15.403-1(c)(3)

<u>ORGANIZATION</u>	<u>NUMBER OF EXCEPTIONS</u>	<u>\$ IN MILLIONS</u>
Army	46	\$2,598
Air Force	22	\$1,486
Navy	11	\$ 263
DLA	2	\$1,371

ENCLOSURE 2 – Exceptional Case Waivers of TINA Over \$15M Granted Pursuant to FAR 15.403-1(c)(4)

Army	9	\$ 486
Air Force	2	\$ 117
Navy	0	0
Tri-Care	1	\$2,062
Defense Information Systems Agency	1	\$ 95

ENCLOSURE 3 – Exceptional Case Waiver of Cost Accounting Standards (FAR 30.201-5)

United States Transportation Command	1	Pre-award waiver, \$ TBD
--------------------------------------	---	--------------------------

