

Procurement Division/OL
Memo: Chief: ~~St/PTD~~
Through Chief SS/NPIC
Subject: ~~Contract No. blank & blank~~
~~Contracts~~

Reference a Mr's letter.
Reference b Ed's study.
Reference c

Your memo of requested ^{a requisition} 150,000 ^{# \$}
from NPIC to cover the cost of
settlement on the subject
contracts.

It has been the position of _____
as stated in our memo
reference _____ that in order
to effect a equitable settlement
and not financially distress
a valuable supplier that
we would ^{reluctantly} support an after-the-
fact change of scope for ^{only 4 items} one ~~item~~
~~only of _____~~ ^{done by} the contractors
i.e., Item 1 the Vacuum
hold down.

It is a source of great concern to

This office is ~~greatly~~ ^{deeply} concerned that the majority of these ^{contracts} ~~contracts~~ ^{contracts} apparently stems from the fact ~~because~~ ^{that} the contract ~~was~~ ^{was} not ~~tailored~~ ^{well matched} to the requirements of ^{technical} ~~development~~ ^{development} undertaken, i. e., a fixed price (supply type) contract for a state of the art R & D development. Particularly since this type of contract was objected to violently by ~~representatives~~ ^{representatives} of this office at the time of ^{contract} ~~negotiations~~ ^{negotiations}. The problem was further compounded by the failure of the OI to include the design objectives as a part of the contract ^{normal prudent procedure would} therefore binding us legally only to the contractor's ^{dictate} technical proposal, normally poor etc.

~~It is the position of this office~~

This office questions the size of the ^{negotiated} settlement not in respect to its amount but ~~in respect to its relative~~

because of the amount of money involved but because we can not see how this figure was obtained on the basis of a change in scope on only item one. The best figures this office has been able to obtain ^{from the contractors} would indicate that

we do not feel that we can accept the contractors figures, ^{because this would indicate} ~~in some labor confusion~~ indicate the Technical Development Staff that strongly feels that they can not support any settlement which would imply ^{our} ~~and~~ sanctioning of a change in scope other than on item 1 -

→ 50% of the total work was against these item obviously unrealistic. accepting the auditor allowable cost chargeable against item ~~will~~ would indicate a settlement on the order of \$500,000 will not

There is a significant legal question as to whether or not this change of scope can in fact be charged against the year in which they occurred. Fy 63 + Fy 64 or must come from Fy 67 fund (already extremely tight).

This office would recommend a settlement based on total allowable cost on Item 1 + a reasonable profit. Unless OL can suggest some alternative method of handling this negotiation ~~the~~ ^{that} does not require a ~~change~~ ^{an} after the fact "change-of-scope".

The funding problem is further compounded by the fact that part of the costs of a settlement on contract would by necessity have to be charged against the Army + Navy since 2 of the four units ^{participated} ~~participated~~ theirs ~~by~~ through a joint procurement action unless the agency is willing to absorb this cost. We have no basis for going to the services for funds since they did not concur in the so called change of scope. ~~To~~ To them as to us this was a Fixed Price supply type contract.

Price

This is a difficult legal problem which will probably have to be ruled on by the general counsel.