

P-7730.15
March 1990

★ SUMMARY ★

**Independent Research and Development
and Bid and Proposal Cost
Incurred by Major Defense Contractors
in the Years 1988 and 1989**



★ ★ ★ Prepared by ★ ★ ★
Defense Contract Audit Agency
March 1990

FOREWORD

This report presents the latest available Defense Contract Audit Agency (DCAA) statistics on the independent research and development (IR&D) and bid and proposal (B&P) costs allocated to defense contracts. The statistical data are to be included in the Secretary of Defense's annual report to the Congress on or before 15 March 1990, in accordance with Public Law 91-441, Section 203, paragraph (c).

This report includes data on major contractors which had an annual auditable volume of costs incurred in excess of \$40 million during the contractor's fiscal year 1989. To be compatible with statistics in the advance agreement reports prepared by the Army, Navy, and Air Force, this report also lists other defense contractors which did not meet the above criteria but had negotiated IR&D and B&P advance agreements. Contractors for which 1988 data were shown in the 1987-88 report are included in the present report in order to preserve continuity, even if no data are reportable for 1989. Contractors specifically excluded from this report are construction companies, educational institutions, foreign contractors and overseas operations of U.S. contractors, insurance companies, marine transport contractor, and military medical contractors. These contracting activities incurred only nominal IR&D and B&P costs.

DCAA obtained the IR&D and B&P cost and sales data from contractors' records; that is, data as recorded by the contractors. Cost and sales reported here do not necessarily represent audited amounts. Where actual cost and sales data were not available, as in the case of contractors which had not closed their books for 1989, DCAA auditors obtained reasonable estimates. Where costs not charged to IR&D were determined to be more properly classified as IR&D, these costs were reclassified by the auditors and included in IR&D costs incurred. Reclassified costs were accepted to the extent that the adjusted IR&D costs do not exceed negotiated advance agreement ceilings.

The first page of the summary shows the totals of IR&D and B&P costs incurred by 131 defense contractors, comprising 469 reporting divisions or operating groups, during their fiscal years 1988 and 1989, amounts accepted which are allocable to all work, and the share allocated to DoD contracts. Amounts accepted which are allocable to all work represent costs accepted in overhead negotiations and through advance agreements. These costs are allocable to all contractor work performed--Government and commercial. (The constraints of the IR&D and B&P ceilings mandated by Public Law 91-441 are not applicable to DoD contracts for Foreign Military Sales (FMS).) The DoD share of the accepted costs each year is based on the individual contractor's actual method for allocating such costs to DoD work. The summaries on pages 2 and 3 separate the IR&D and B&P amounts between those contractors and/or reporting divisions with negotiated advance agreements and those without.

SUMMARY OF INDEPENDENT RESEARCH AND DEVELOPMENT
AND BID AND PROPOSAL COSTS INCURRED AND SALES
ACHIEVED BY MAJOR DEFENSE CONTRACTORS

FOR CONTRACTOR FISCAL YEARS 1988 AND 1989

	1988 (IN MILLIONS)		1989 (IN MILLIONS)		DOD SHARE OF ALLOWABLE COSTS
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK *	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK *	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	
Independent Research and Development (IR&D)	4,825	3,694	4,831	3,770	2,117
DoD Excluding Foreign Military Sales (FMS)		2,066			109
DoD FMS	2,397	1,954	2,270	1,868	1,335
Bid and Proposal (B&P)					54
DoD Excluding FMS		1,426			
DoD FMS		59			
TOTAL IR&D and B&P COSTS	7,222	5,658	7,101	5,638	3,615

SALES, TOTAL GOVERNMENT and COMMERCIAL
for REPORTING UNITS

	177,545	183,703
Sales, DoD Excluding FMS	112,959	113,741
Sales, DoD FMS	5,064	4,871
SALES, TOTAL DoD	118,023	118,612

Minor differences from amounts in detail
report are due to intermediate rounding.

* = Determined based on IR&D/B&P advanced
agreements and formula computations.

SUMMARY OF INDEPENDENT RESEARCH AND DEVELOPMENT
AND BID AND PROPOSAL COSTS INCURRED AND SALES
ACHIEVED BY MAJOR DEFENSE CONTRACTORS
WITH ADVANCE AGREEMENTS

FOR CONTRACTOR FISCAL YEARS 1988 AND 1989

	1988 (IN MILLIONS)			1989 (IN MILLIONS)		
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS TO GOVT. & COMMERCIAL WORK *	DOD SHARE OF ALLOWABLE COSTS	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS TO GOVT. & COMMERCIAL WORK	DOD SHARE OF ALLOWABLE COSTS
Independent Research and Development (IR&D)	4,796	3,673	2,163	4,801	3,746	2,216
Bid and Proposal (B&P)	2,325	1,897	1,435	2,204	1,813	1,353
TOTAL IR&D and B&P COSTS	7,121	5,570	3,598	7,005	5,559	3,569

Minor differences from amounts in detail report are due to intermediate rounding.

* = Determined based on IR&D/B&P advanced agreements and formula computations.

SUMMARY OF INDEPENDENT RESEARCH AND DEVELOPMENT
AND BID AND PROPOSAL COSTS INCURRED AND SALES
ACHIEVED BY MAJOR DEFENSE CONTRACTORS
WITHOUT ADVANCE AGREEMENTS

FOR CONTRACTOR FISCAL YEARS 1988 AND 1989

	1988 (IN MILLIONS)		1989 (IN MILLIONS)		
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	DOD SHARE OF ALLOWABLE COSTS
Independent Research and Development (IR&D)	29	21	30	24	10
Bid and Proposal (B&P)	72	67	66	55	37
TOTAL IR&D and B&P COSTS	101	88	96	79	47