

**Independent Research and Development
and Bid and Proposal Costs
Incurred by Major Defense Contractors
in the Years 1997 and 1998**



***** Prepared by *****

Defense Contract Audit Agency

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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.

This report includes data on all contractors that meet either the DFARS 231.205-18(a)(iii) or DCAA definition of a major contractor. These definitions are:

- DFARS 231.205-18(a)(iii):

Major contractor means any contractor whose covered segments allocated a total of more than \$11,000,000 in IR&D/B&P costs to covered contracts during the preceding fiscal year. For purposes of calculating the dollar threshold amounts to determine whether a contractor meets the definition of "major contractor," do not include contractor segments allocating less than \$1,100,000 of IR&D/B&P to covered contracts during the preceding fiscal year.

- DCAA definition:

Major contractor is any contractor that had \$70,000,000 or more in annual auditable costs for the prior fiscal year.

Contractors specifically excluded from this report are construction companies, educational institutions, foreign contractors and overseas operations of U.S. contractors, insurance companies, marine transport contractors, and military medical contractors, since these contracting activities generally incur nominal or no IR&D and B&P costs.

The IR&D and B&P cost data included in this report represents unaudited data obtained from the contractors accounting records. These costs will be audited during DCAA's annual audit of the contractor's incurred costs. The annual audit may disclose significant exceptions to the contractor's recorded IR&D and B&P cost data. The sales data was provided by the contractor and is also unaudited data. The sales data may not be directly comparable to the cost data as a result of the accounting method used by the contractor to recognize sales. For example, if the contractor uses the completed contract method to recognize sales, the entire sales amount for a contract would be recognized in the fiscal year in which the contract was completed, whereas the costs for the contract would be recognized in the years in which they were incurred.

The summary shows the totals of IR&D and B&P costs incurred by all the listed defense contractors during their fiscal years 1997 and 1998, the contractor claimed allowable amounts on all contractor work, and the contractor claimed allowable amounts on DoD contracts. The claimed allowable costs are subject to final audit.

**SUMMARY OF DOD INDEPENDENT RESEARCH AND DEVELOPMENT
AND BID AND PROPOSAL COSTS INCURRED AND SALE
ACHIEVED BY MAJOR DEFENSE CONTRACTOR**

FOR CONTRACTOR FISCAL YEARS 1997 AND 1998

	1997			1998		
	(IN MILLIONS)			(IN MILLIONS)		
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	DoD SHARE OF ALLOWABLE COSTS	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)	2,822	2,675	1,678	2,885	2,735	1,623
DoD FMS			212			
DoD Excluding Foreign Military Sales (FMS)			1,466			
Bid and Proposal (B&P)	1,444	1,440	895	1,652	1,533	1,069
DoD FMS			62			91
DoD Excluding Foreign Military Sales (FMS)			833			977
TOTAL IR&D and B&P COSTS	<u>4,266</u>	<u>4,115</u>	<u>2,573</u>	<u>4,537</u>	<u>4,267</u>	<u>2,695</u>
SALES, TOTAL GOVERNMENT and COMMERCIAL for REPORTING UNITS	<u>135,513</u>			<u>141,264</u>		
Sales, DoD Excluding FMS			72,342			74,434
Sales, DoD FMS			10,312			10,687
SALES, TOTAL DoD			<u>82,654</u>			<u>85,121</u>

Minor differences in the amounts in the Detail Report and Summary Report are due to rounding.