

United States Senate

WASHINGTON, DC 20510

October 20, 2026

The Honorable Stephen Andrew Feinberg
Deputy Secretary
U.S. Department of Defense
1010 Defense Pentagon
Washington, D.C., 20301

Dear Deputy Secretary Feinberg,

We write in support of the stated objectives of the Department's August 18, 2026, directive on "Supplier Cost and Pricing Transparency"¹ to hold defense contractors accountable for overcharging the military by allowing the Pentagon to gain "maximum insight into cost and pricing data from industry to negotiate the best price for our weapon systems and other contracts on behalf of the Warfighter, the taxpayer, and our Nation."² This directive could be an important step to make the Pentagon a more intelligent buyer of weapon systems and save taxpayer dollars. We seek clarity on the directive to inform legislation that may be necessary to support the Department's ability to negotiate fair and reasonable contract prices.

For far too long, defense contractors have taken advantage of the Department's inability to prevent price gouging.³ It notoriously paid for "\$436 hammers, \$640 toilet seats, and \$7,600 coffee makers" in the 1980s⁴ and more recently has been overcharged nearly 8,000% for lavatory soap dispensers.⁵ The culture of overcharging within the defense industry that has driven this behavior has come with significant costs to both readiness and the American taxpayer.

The August 18 Directive on Contractor Cost Transparency

Your August 18 directive declares that the Department's acquisition workforce "will establish a new standard for transparency, competition, and performance" as it "resets the Department's expectations regarding supplier cost and pricing information."⁶ It seeks to accomplish this by

¹ Office of the Deputy Secretary of Defense, "Supplier Cost and Pricing Transparency," memorandum, August 18, 2026, https://federalnewsnetwork.com/wp-content/uploads/2026/08/DoW-Supplier-Cost-and-Pricing-Transparency-Memo_18_260821_133707.pdf.

² *Id.*

³ Office of U.S. Senator Chuck Grassley, "Grassley, Colleagues Introduce Legislation To Expand Transparency in Government Defense Maintenance Contracts, Crack Down on Price Gouging," press release, September 17, 2025, <https://www.grassley.senate.gov/news/news-releases/grassley-colleagues-introduce-legislation-to-expand-transparency-in-government-defense-maintenance-contracts-crack-down-on-price-gouging>; Letter from U.S. Senators Elizabeth Warren, Chuck Grassley, Mike Braun, and John Fetterman to Secretary of Defense Lloyd Austin, May 28, 2024, https://www.warren.senate.gov/wp-content/uploads/media/doc/final_-_warren_grassley_braun_fetterman_letter_to_dod_re_contractor_sweeping_practice.pdf.

⁴ Project on Government Oversight, "Close Accountability Loopholes for Military Contractors," Julia Gledhill and Scott Amey, April 28, 2022, <https://www.pogo.org/fact-sheets/close-accountability-loopholes-for-military-contractors>.

⁵ Department of Defense Office of the Inspector General, Audit of C-17 Spare Parts Pricing," October 25, 2024, p. 9, <https://www.oversight.gov/sites/default/files/documents/reports/2024-11/DODIG-2025-009-SECURE.pdf>.

⁶ Office of the Deputy Secretary of Defense, "Supplier Cost and Pricing Transparency," memorandum, August 18, 2026, https://federalnewsnetwork.com/wp-content/uploads/2026/08/DoW-Supplier-Cost-and-Pricing-Transparency-Memo_18_260821_133707.pdf.

using “modern information technology and current business best practices” that will support negotiations with defense contractors to procure products and services valued at or over \$10 million,⁷ including the use of automated “Application Programming Interfaces to pull cost information directly from contractors’ enterprise resource planning or other financial systems.”⁸ In addition, the directive underscores the need for “accurate and timely submission of Cost and Software Data Reporting (CSDR)” for post-award contract administration as “thousands of these cost reports are currently delinquent... impair[ing] our ability to assess which programs are providing the most value for the Department...”⁹

Lack of Appropriate Cost Data Results in Waste and Abuse in the Pentagon’s Contracts

The new directive is not the first attempt to ensure that the Pentagon has the cost data it needs to avoid contracting ripoffs. The *Truth in Negotiations Act* (TINA), initially enacted in 1962 and later renamed the *Truthful Cost or Pricing Data Act*, was enacted to prevent abuse from government contractors and require those seeking contracts from the Federal government to provide certified cost or pricing data to “safeguard the U.S. government from being overcharged by contractors” during the negotiation phase¹⁰ for sole-source contracts valued over a specific threshold, which has risen to \$10 million.¹¹ Obtaining certified cost or pricing data is essential for contracting officers to ensure that the Department gets the most competitive price for taxpayers. Without certified data, the Department cannot include “a contract clause that provides for price adjustments in the government’s favor for the submission of defective data” in its contracts.¹² Therefore, the Pentagon may have “no recourse if a contractor submits inaccurate (“defective”) data and overprices the contract.”¹³ Yet despite these requirements, the Department’s Office of Inspector General (OIG) has found that the Pentagon struggles to obtain the cost and pricing data necessary to prevent overcharges.¹⁴

Our offices have a long history of investigating the Department’s improper spending on spare parts and lack of oversight.¹⁵ One of the most notorious examples involved the TransDigm

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ Deltek, “Understanding the Impact of the Truth in Negotiations Act,” December 12, 2024, <https://www.deltek.com/resources/articles/truth-in-negotiations-act/>.

¹¹ Senate Committee on Armed Services, Report 119-60, on National Defense Authorization Act for Fiscal Year 2026, S. 1071, December 9, 2025, <https://www.congress.gov/bill/119th-congress/senate-bill/1071>.

¹² American Economic Liberties Project, “Caveat Emptor: Reversing the Anti-Competitive and Over-Pricing Policies that Plague Government Contracting,” Richard C. Loeb, June 2020, p. 13, https://www.economicliberties.us/wp-content/uploads/2020/06/Working-Paper-Series-on-Corporate-Power_4.pdf.

¹³ *Id.*

¹⁴ Department of Defense Office of Inspector General, “Audit of the Business Model for TransDigm Group Inc. and Its Impact on Department of Defense Space Parts Pricing,” December 13, 2021, <https://www.dodig.mil/reports.html/article/2871623/audit-of-the-business-model-for-transdigm-group-inc-and-its-impact-on-department/>; Department of Defense Office of Inspector General, “U.S. Air Force Spent Billions on F117 Engine Sustainment Without Knowing What a Fair Price Was,” March 11, 2016, <https://www.oversight.gov/sites/default/files/documents/reports/2017-08/DODIG-2016-059.pdf>; Department of Defense Office of Inspector General, “Audit of C-17 Spare Parts Pricing,” October 25, 2024, <https://www.oversight.gov/sites/default/files/documents/reports/2024-11/DODIG-2025-009-SECURE.pdf>.

¹⁵ Office of U.S. Senator Elizabeth Warren, “Warren, Slotkin, Grassley, Ernst Unveil Plan To Take On Military Contractors’ Price Gouging, Expand Transparency in Maintenance Contracts,” press release, September 16, 2025, <https://www.warren.senate.gov/newsroom/press-releases/warren-slotkin-grassley-ernst-unveil-plan-to-take-on->

Group, an aerospace company that promises “private equity-like”¹⁶ profits and provides components for “nearly all commercial and military aircraft in service today.”¹⁷ In a February 2019 audit, the Pentagon’s OIG found that TransDigm “earned excess profit” on 112 of 113 total contracts that were reviewed and “denied 15 requests for uncertified cost data” when requested by contracting officers¹⁸ – successfully evading pricing and cost transparency. In response to the OIG’s report, Chairman Grassley sent letters on May 13, 2019, and October 3, 2019, to the Department raising concerns about TransDigm’s price gouging at the taxpayers’ expense.¹⁹ Following the Department’s OIG audit, TransDigm was not forced to repay its excess profits. Instead, the OIG recommended that contracting officers “seek a voluntary refund.”²⁰ Yet, TransDigm continued to evade its requests for cost and pricing information.²¹

Auditors have found major prime contractors engaging in similar behavior.²² Boeing overcharged the Air Force by placing a 7,943 percent markup on lavatory soap dispensers,²³ Raytheon was forced to pay nearly \$686 million in connection with defective pricing schemes and making false

military-contractors-price-gouging-expand-transparency-in-maintenance-contracts/; Office of U.S. Senator Chuck Grassley, “Grassley Continues Pushing DoD For Answers On TransDigm Contracts,” press release, October 7, 2019, <https://www.grassley.senate.gov/news/news-releases/grassley-continues-pushing-dod-answers-transdigm-contracts>; Office of U.S. Senator Chuck Grassley, “Air Force Halts Purchase of \$1,280 Cups Following Grassley Oversight; Grassley Seeks More Information,” press release, October 25, 2018, <https://www.grassley.senate.gov/news/news-releases/air-force-halts-purchase-1280-cups-following-grassley-oversight-grassley-seeks>.

¹⁶ TransDigm Group, “TransDigm Announces Acquisition of Prince & Izant,” July 27, 2026, <https://transdigmgroupinc.gcs-web.com/news-releases/news-release-details/transdigm-announces-acquisition-prince-izant/>.

¹⁷ TransDigm Group, “Products,” <https://www.transdigm.com/transdigm-overview/products/>.

¹⁸ Department of Defense Office of Inspector General, “Review of Parts Purchased From TransDigm Group, Inc. DODIG-2019-060,” press release, February 25, 2019, <https://www.dodig.mil/Reports/Audits-and-Evaluations/Article/1769041/review-of-parts-purchased-from-transdigm-group-inc-dodig-2019-060/>.

¹⁹ Office of U.S. Senator Chuck Grassley, “Grassley Presses Acting Secretary of Defense on Price Gouging at Pentagon,” press release, May 15, 2019, <https://www.grassley.senate.gov/news/news-releases/grassley-presses-acting-secretary-defense-price-gouging-pentagon>; Office of U.S. Senator Chuck Grassley, “Grassley Continues Pushing DOD for Answers on TransDigm Contracts,” press release, October 7, 2019, <https://www.grassley.senate.gov/news/news-releases/grassley-continues-pushing-dod-answers-transdigm-contracts>.

²⁰ *Id.*

²¹ Letter from U.S. Senator Elizabeth Warren and U.S. Representative John Garamendi to U.S. Department of Defense Secretary Lloyd Austin, November 29, 2023, <https://www.warren.senate.gov/wp-content/uploads/media/doc/2023.11.29%20Follow%20up%20Letter%20to%20DoD%20re%20Cost%20or%20Pricing%20Data.pdf>.

²² Department of Defense Office of the Inspector General, Audit of C-17 Spare Parts Pricing,” October 25, 2024, <https://www.oversight.gov/sites/default/files/documents/reports/2024-11/DODIG-2025-009-SECURE.pdf>; U.S. Department of Justice, “Raytheon Company to Pay Over \$950M in Connection with Defective Pricing, Foreign Bribery, and Export Control Schemes,” October 16, 2024, <https://www.justice.gov/archives/opa/pr/raytheon-company-pay-over-950m-connection-defective-pricing-foreign-bribery-and-export>.

²³ Department of Defense Office of the Inspector General, Audit of C-17 Spare Parts Pricing,” October 25, 2024, p. 9, <https://www.oversight.gov/sites/default/files/documents/reports/2024-11/DODIG-2025-009-SECURE.pdf>.

claims during contract negotiations,²⁴ and Lockheed Martin paid over \$29 million to settle defective pricing allegations for several F-35 contracts.²⁵

These problems have continued over many presidential administrations, and have been exacerbated by implementation failures, including marking reports of contractors that refused to provide the cost data requested as “controlled unclassified information” (CUI) – an executive branch designation which limits public dissemination of information.²⁶ Designating documents with CUI, or any other marking, does not bar Congress from obtaining this information.

The Department Must Use the Tools of Its August 18 Directive on All Applicable Contracts and Use Its Authority to Make Contractors Ineligible if Data is Denied

The August 18 directive appears to be another attempt to address these ongoing problems. As you implement this directive, it is critical that you address the core problems that allow contractors to hide key cost and pricing information.

According to the Government Accountability Office (GAO), when Congress raised the TINA threshold from \$750,000 to \$2 million in 2018, seven percent of the Pentagon’s total applicable award obligations – \$1.7 billion – no longer required certified cost or pricing data.²⁷ Last year, the Fiscal Year 2026 National Defense Authorization Act (NDAA) raised the TINA threshold to \$10 million.²⁸ A House Armed Services Committee analysis revealed that, under this increased threshold the Department will lose access to certified cost and pricing data for over 60 percent of its contracts.²⁹

The Pentagon can implement the August 18 directive in a way that limits the scope of these problems and ensures contracting officers have the necessary data to negotiate fair and reasonable prices. Specifically, the reviews under the August 18 directive should not be limited only to those contracts that exceed \$10 million. A lower limit would allow review of the vast majority of the Department’s contracts and provide fresh opportunities to return billions of dollars to the military and taxpayers.

²⁴ U.S. Department of Justice, “Raytheon Company to Pay Over \$950M in Connection with Defective Pricing, Foreign Bribery, and Export Control Schemes,” October 16, 2024, <https://www.justice.gov/archives/opa/pr/raytheon-company-pay-over-950m-connection-defective-pricing-foreign-bribery-and-export>.

²⁵ U.S. Department of Justice, “Lockheed Martin Corporation Agrees to Settle False Claims Act Allegations of Defective Pricing,” February 6, 2025, <https://www.justice.gov/opa/pr/lockheed-martin-corporation-agrees-settle-false-claims-act-allegations-defective-pricing>.

²⁶ Department of Defense Office of the Under Secretary of Defense for Acquisition and Sustainment, “Annual Report on Denials of Contracting Officer Uncertified Cost or Pricing Data Requests: October 2024 – September 2025,” June 24, 2026 [On file with the Office of Senator Elizabeth Warren].

²⁷ Government Accountability Office, “Federal Contracting Implementation of Changes to Cost or Pricing Data Requirements,” April 14, 2022, p. 15, <https://www.gao.gov/assets/730/720027.pdf>.

²⁸ Senate Committee on Armed Services, Report 119-60, on National Defense Authorization Act for Fiscal Year 2026, S. 1071, December 9, 2025, <https://www.congress.gov/bill/119th-congress/senate-bill/1071>.

²⁹ House Armed Services Committee, “The Need for Speed: Streamlining Procurement for Effective Execution and Delivery Act,” p. 9, https://armedservices.house.gov/uploadedfiles/speed_act_overview.pdf.

In addition to establishing a low review threshold, the “Supplier Cost and Pricing Transparency” directive could address major cost risks by allowing the Department to use its authority to terminate contract negotiations with vendors that refuse to provide this data to contracting officers. According to 10 U.S.C. § 3705(b), an “offeror who fails to make a good faith effort to comply with a reasonable request to submit data... is ineligible for award,” unless determined otherwise by “the head of the contracting activity, or the designee.”³⁰ This is a powerful tool – if the Department uses it. But a Fiscal Year 2021 denial report shows that defense contractors refused to give contracting officers reasonable pricing and cost information for 10,934 items, yet the head of contracting authority (HCA) determined “it was in the best interest of the Government to make an award without all requested information.”³¹ As a result, the Pentagon “continues to enter into bad deals because it is still at the mercy of price-gouging companies.”³²

Legislative Reforms to Bolster Transparency Efforts

Last year, in response to questions for the record following your nomination hearing, you committed to “work with Congress as necessary to strengthen laws and support reform to assure that DoD receives cost and pricing data when there is no competitive market.”³³ Thus, in addition to fully and effectively implementing the August 18 directive, the Department should support our legislation in the 2027 NDAA to comprehensively address this pricing transparency problem with new statutory authorities. We find that an internal directive from the Pentagon on this longstanding problem is not enough to address the breadth of issues.

In 2022, the *Stop Price Gouging the Military Act* was introduced, which would bolster the Pentagon’s ability to obtain certified cost and pricing data from defense contractors and close legal loopholes.³⁴ In response to the Department’s OIG audit of spare parts pricing,³⁵ we introduced *Transparency in Contract Pricing Act* in 2025 to require defense contractors to report price increases within 30 days to contracting officers and enable the Defense Contract Audit Agency (DCAA) to report contractors that fail to comply with pricing notifications to a publicly

³⁰ 10 U.S.C. § 3705.

³¹ U.S. Department of Defense Office of the Under Secretary of Defense for Acquisition and Sustainment, “Annual Report to Congress on Denials of Contracting Officer Uncertified Cost or Pricing Data Requests, October 2020 – September 2021,” January 2022, pp. 1-2 (On file with the Office of Senator Elizabeth Warren).

³² Project on Government Oversight, “POGO Urges Congress to Stop Contract Pricing ‘Whack-a-Mole,’” Danielle Brian, March 23, 2022, <https://www.pogo.org/policy-letters/pogo-urges-congress-to-stop-contract-pricing-whack-a-mole>.

³³ Response from Deputy Secretary of Defense Stephen Feinberg to Questions for the Record from U.S. Senator Elizabeth Warren, March 4, 2025, [On file with the Office of U.S. Senator Elizabeth Warren].

³⁴ Office of U.S. Senator Elizabeth Warren, “Senator Warren and Representative Garamendi Introduce the Bicameral Stop Price Gouging the Military Act,” press release, June 9, 2022, <https://www.warren.senate.gov/newsroom/press-releases/senator-warren-and-representative-garamendi-introduce-the-bicameral-stop-price-gouging-the-military-act/>; Stop Price Gouging the Military Act, S.4374, <https://www.congress.gov/bill/117th-congress/senate-bill/4374/text>.

³⁵ Department of Defense Office of the Inspector General, “Audit of C-17 Spare Parts Pricing,” October 25, 2024, <https://www.oversight.gov/sites/default/files/documents/reports/2024-11/DODIG-2025-009-SECURE.pdf>.

available website.³⁶ These provisions are included in both the Senate³⁷ and House³⁸ versions of the 2027 NDAA. We urge you to support these measures that will better arm contracting officers with statutory backing during negotiations, improve pricing transparency, and ensure the taxpayer gets a fair deal.

Conclusion and Questions

We support the Department's attempt to address pricing and cost data deficits and "establish a new standard for transparency, competition, and performance."³⁹ To ensure our understanding of how this directive "resets the Department's expectations regarding supplier cost and pricing information," and how it will gain transparency through "modern information technology and current business best practices,"⁴⁰ we seek to clarify how the Department will gain such data from refusing companies, conduct consistent oversight, and hold non-compliant companies accountable.

To inform our legislation, we request the following information no later than November 3, 2026:

1. What impact, if any, has the TINA threshold being raised from \$2.5 million to \$10 million had on the Department's ability to gain certified cost and pricing data?
 - a. Has the raised threshold had an impact on negotiating fair deals?
 - b. What is the Department's estimate of the percentage and dollar value of contracts subject to TINA for the past three fiscal years?
 - c. Has the Department conducted an analysis of how much money it has saved due to Congress removing the regulatory burden on defense contractors having to supply certified cost and pricing data for applicable contracts under \$10 million?
2. Will the Department commit to using its authorities under 10 U.S.C § 3705(b) to make contract offerors ineligible if they refuse to provide necessary data to contracting officers?

³⁶ Office of U.S. Senator Elizabeth Warren, "Warren, Slotkin, Grassley, Ernst Unveil Plan To Take On Military Contractors' Price Gouging, Expand Transparency in Maintenance Contracts," press release, September 16, 2025, <https://www.warren.senate.gov/newsroom/press-releases/warren-slotkin-grassley-ernst-unveil-plan-to-take-on-military-contractors-price-gouging-expand-transparency-in-maintenance-contracts/>.

³⁷ Senate Committee on Armed Services, Report 119-127 on National Defense Authorization Act for Fiscal Year 2027, S. 4784, July 27, 2026, <https://www.congress.gov/bill/119th-congress/senate-bill/4784/text>.

³⁸ House Committee on Armed Services, Report 119-698 on National Defense Authorization Act for Fiscal Year 2027, H.R. 8800, July 22, 2026, <https://www.congress.gov/bill/119th-congress/house-bill/8800/text>.

³⁹ Office of the Deputy Secretary of Defense, "Supplier Cost and Pricing Transparency," memorandum, August 18, 2026, https://federalnewsnetwork.com/wp-content/uploads/2026/08/DoW-Supplier-Cost-and-Pricing-Transparency-Memo_18_260821_133707.pdf.

⁴⁰ *Id.*

3. Will the Department pursue contract terminations or modifications for companies that fail to provide “accurate and timely submission of Cost and Software Data Reporting (CSDR)” post-award data?⁴¹
4. This directive states that “[f]ull transparency throughout all tiers of the supply chain applies to all contractors and subcontractors.”⁴² Please explain the process of how the Department will gain insight into subcontractor supply chains.
 - a. Which specific office within the Pentagon will be tasked with the responsibility for gaining cost and pricing data from all tiers of the supply chain?
5. What current limits does the Department have in understanding subcontractor supply chains to assess price reasonableness?
6. For the purposes of implementing the directive, how is the Pentagon defining “sound business deals” and “fair terms” for contracts where negotiation outcomes are not aligned?⁴³
 - a. How will this negotiation process differ from the traditional contract negotiation process?
 - b. Has the Department established a specific timeline for this process?
 - c. Will the Department use North American Industry Classification System (NAICS) codes to establish metrics that ensure sound business deals are standardized across all industry sectors?
7. Previous Department IG reviews have assumed that profits in excess of 15 percent were not reasonable.⁴⁴ Has the Department established a percentage profit level that represents excessive profits, and if so, what is that percentage?
 - a. If so, how often will the Pentagon reevaluate fair and reasonable contract margins, and what will be the basis for any future revisions?
8. Has the Department established fair and reasonable contract profit margins for each product and service?
9. The Department’s IG has also previously used computer-processed data from Haystack Gold to conduct market research.⁴⁵ Does the Department currently use Haystack Gold or similar commercial systems to negotiate contracts or recoup taxpayer dollars? Please

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ Department of Defense Office of Inspector General, “Review of Parts Purchased from TransDigm Group, Inc.,” February 25, 2019, p. 6, <https://media.defense.gov/2019/Feb/27/2002093922/-1/-1/1/DODIG-2019-060.PDF>.

⁴⁵ *Id.*, p. 48

describe how those systems are used if so and any current or anticipated limitations for current practices.

10. Has the Department established metrics to ensure sound business deals are standardized across all industry sectors? If so, please provide the metrics for each industry sector.
11. The directive references gaining transparency “through the application of modern information technology and current business best practices.”⁴⁶ Please describe the technology and current business practices that will be used by the Department.
 - a. What contracts are currently associated with this work?
12. How will the Department leverage automated solutions to “reduce industry’s regulatory burden and compliance costs”?⁴⁷
 - a. Are any of these automated solutions currently in use by the Pentagon?
 - b. What role will AI play among the automated solutions?
13. Has the Department established accountability measures for companies that are delinquent in submitting CSDR data?
14. What is the exact number of companies that are currently delinquent in supplying cost reports for post-award contract administration? Please provide the complete listing, including the total dollar amount for each delinquency.
 - a. What remediation efforts has the Department taken since August 2025 to correct the deficiencies?
15. How will the Department standardize quality review assessments of sole-source contracts over time?
16. Is the Pentagon aware of any defense contractors that have a company policy that prohibits sharing of cost or pricing data between business units?
17. In how many cases has a contracting officer decided to cancel an acquisition due to insufficient cost or pricing data? Please provide details for each of the past five years.
18. What is the course of action when a contractor claims that requested cost or pricing data does not exist?

⁴⁶ Office of the Deputy Secretary of Defense, “Supplier Cost and Pricing Transparency,” memorandum, August 18, 2026, https://federalnewsnetwork.com/wp-content/uploads/2026/08/DoW-Supplier-Cost-and-Pricing-Transparency-Memo_18_260821_133707.pdf.

⁴⁷ *Id.*

19. Does the Department have any examples or reason to believe companies are manipulating its contracting processes to keep actions below the TINA threshold and evade cost or pricing data submission requirements? If yes, please provide examples of such occurrences and describe the enforcement actions, if any, the Department imposed on such companies.
20. Would the Pentagon benefit from legislation from Congress to support efforts in pricing and cost transparency and empower contracting officers in negotiations, such as the *Stop Price Gouging the Military Act* and the *Transparency in Contract Pricing Act*?
21. Has the Department marked any of its cost denial reports “controlled unclassified information” at the request of companies identified in the report? If so, please identify which companies made that request and produce all reports in unredacted form.

Thank you for your efforts to ensure financial responsibility within the Department’s contracting process. We look forward to your responses.

Sincerely,


Elizabeth Warren
United States Senator


Joni K. Ernst
United States Senator


Charles E. Grassley
United States Senator


Elissa Slotkin
United States Senator