



DEPUTY SECRETARY OF WAR
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

AUG 18 2026

MEMORANDUM FOR SENIOR PENTAGON LEADERSHIP
DEFENSE AGENCY AND DOW FIELD ACTIVITY DIRECTORS

SUBJECT: Supplier Cost and Pricing Transparency

The Department of War must have 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. Through the application of modern information technology and current business best practices, our acquisition workforce will establish a new standard for transparency, competition, and performance. This will rapidly accelerate the President's and the Secretary's direction to rebuild the military, revitalize the Defense Industrial Base, and establish Peace Through Strength.

This directive to the warfighting acquisition workforce resets the Department's expectations regarding supplier cost and pricing information. Full transparency throughout all tiers of the supply chain applies to all contractors and subcontractors. This requirement supports negotiations for products and services valued at \$10 million or more, regardless of whether cost and pricing data requires certification. Additionally, I have directed the Under Secretary of War for Acquisition and Sustainment (USW(A&S)) to establish fair and reasonable contract profit margins by applying commercial best practices tailored to each product or service line.

Contracting officers must have access to actual cost information at both the prime and supplier levels for these contract actions (except for Commercial Off-the-Shelf items) to support the determination of fair and reasonable pricing. To reduce industry's regulatory burden and compliance costs, USW(A&S) will explore an automated solution consistent with commercial best practices. This approach will establish Application Programming Interfaces to pull cost information directly from contractors' enterprise resource planning or other financial systems.

During post-award contract administration, accurate and timely submission of Cost and Software Data Reporting (CSDR) is vital for the effective management of our major acquisition programs. Despite this, thousands of these cost reports are currently delinquent across our acquisition portfolio. The data deficit impairs our ability to assess which programs are providing the most value for the Department and which programs require adjustments to remain on track and on budget. Program managers and contracting officers must actively enforce contractor adherence to CSDR requirements as established in 10 U.S.C. § 3227 and Department of War Instruction 5000.73.

To address this deficit, USW(A&S) will work closely with the Office of the Secretary of War Cost Assessment and Program Evaluation and the Services to ensure:

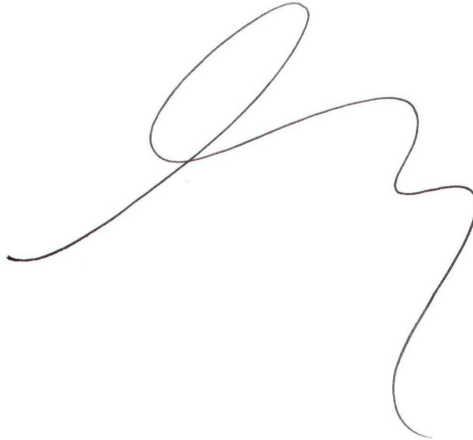
- 1) Delinquent prime contractor and subcontractor CSDR reports are submitted within 30 days of this memorandum;



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- 2) Submitted CSDR data is used to assess the quality of our sole-source contracts over time;
- 3) In non-commercial, sole-source acquisitions where CSDR data is not in use, the USW(A&S) Deal Team collaborates with the Defense Contract Audit Agency to determine cost-effectiveness by comparing actual costs to prices paid. Moving forward, the Department will conduct this comparison as a matter of course; and
- 4) Where negotiation outcomes are not aligned with sound business deals, we aggressively negotiate fair terms to ensure we deliver Warfighters the maximum edge.

The Department does not intend to limit profitability when contractors realize efficiencies after negotiating a fair and reasonable price based on a realistic baseline. Instead, consistent with the Secretary's Acquisition Transformation Strategy, this effort ensures that transparency and measurement of negotiation outcomes become ingrained standards within our acquisition system. USW(A&S) will update relevant underlying issuances and regulations to align with this memorandum.

A handwritten signature in dark ink, featuring a large, stylized loop at the top and a long, sweeping tail that curves downwards and to the right.