

**Information Memorandum No.**

**Subject:** Forward Pricing Rate Recommendations (INFORMATION)

**Date:**

**Target Audience:**

**New Information/Guidance/Tools:**

- The September 14, 2010, Under Secretary of Defense for Acquisition Technology and Logistics memorandum, subject, Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending, directed that where DCAA has completed an audit on a contractor's Forward Pricing Rate Proposal (FPRP), DCMA shall adopt the DCAA recommended rates as the Department's FPRR position. Effective immediately our policy regarding FPRR development is amended as follows.
- When a contractor submits a FPRP, the ACO shall review the proposal as soon as possible and may issue a new FPRR. When developing the FPRR the ACO shall follow the FPRR documentation and internal review requirements set forth in paragraph 6 of the Forward Pricing Rates Instruction.
- After issuing the FPRR, the ACO shall inform DCAA of any new information that may impact the rates or the FPRP audit.
- Upon ACO receipt of the audit report, the DCAA recommended rates shall be reviewed by the ACO within 5 working days and the DCAA recommended rates shall be issued immediately thereafter as the Government's recommended position.
- If the FPRP contains unsupported costs, the ACO shall work with DCAA to obtain the required supporting data from the contractor. The ACO shall opine on any unsupported cost elements in the audit report and shall include that opinion in the FPRR memorandum that accompanies the issuance of the DCAA recommended rates.
- In those rare circumstances when the ACO notes significant deficiencies in the audit report which render the report untenable, the ACO shall immediately contact DCAA to coordinate a revision to the recommended rates. If the issues cannot be resolved at the local level, the issues shall be elevated for a Contract Management Board of Review following the FPRR documentation and internal review requirements set forth in paragraph 6 of the Forward Pricing Rates Instruction.
- If the contractor issues an updated FPRP with significant changes requiring a new audit, DCMA shall develop and issue a FPRR pending receipt of the audit report. The ACO shall follow the FPRR documentation and internal review requirements set forth in paragraph 6 of the Forward Pricing Rates Instruction.
- The ACO shall continuously monitor the validity of the recommended rates as the actual base and pool expenses are incurred and more contractor cost data is collected and analyzed. If the ACO determines that the current rates require revision, the ACO shall work with DCAA to determine the rate impact prior to issuance of a new FPRR. The ACO shall follow the PNOM documentation and review requirements for a FPRR set forth in paragraph 6 of the Forward Pricing Rates Instruction.
- DCAA shall be invited to participate at all review levels of the FPRA review process.
- This memo will be incorporated into affected paragraphs of Instruction - Forward Pricing Rates.

**Point of Contact for Further Information**

**Signature:**   
Ronald Youngs, Acting Executive Director, Contracts

1/11/2011