DEFENSE CONTRACT MANAGEMENT AGENCY
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FORT LEE, VA 23801-1809

April 11, 2022

MEMORANDUM FOR COMPONENT HEADS

SUBJECT: DCMA Policy-Type Memorandum 22-002, "Policy Change to DCMA-MAN
             2201-01, Forward Pricing Rates"

References: DCMA Manual 501-01, "Policy Issuances Procedures," April 13, 2017
             DCMA Manual 2201-01, "Forward Pricing Rates," April 14, 2021, as amended
             DoD Directive 5105.64, "Defense Contract Management Agency (DCMA),"
                 January 10, 2013

Purpose. This DCMA Policy-Type Memorandum (DCMA-PTM) amends several areas
in DCMA Manual (DCMA-MAN) 2201-01, "Forward Pricing Rates," that requires clarification
so that personnel have clear and concise guidance. This PTM:

- Clarifies the use of a Prenegotiation Objective Memorandum (PNOM) and
  Memorandum for Record (MFR) for Forward Pricing Rate actions in Paragraphs
  3.4.a.3., 3.4.b., and 3.4.c.

- Adds Paragraph 4.3.a.(6) pertaining to the review of Cost Estimating
  Relationships.

- Replaces language pertaining to reviews of Forward Pricing Rate actions
  throughout the manual.

- Removes the requirement to go through the FPRA eTool to upload FPRR/A
  associated documents into CBAR.

Applicability. This DCMA-PTM applies to all DCMA activities unless higher-level
regulations, policy, guidance, or agreements take precedence.

Policy. It is DCMA policy to support Procuring Activities in negotiating fair and
reasonable prices through Forward Pricing Rate Recommendations (FPRR) and Forward Pricing
Rate Agreements (FPRA).

Responsibilities. No changes in responsibilities that are listed in DCMA-MAN 2201-01.

Procedures. Revisions are as follows:

- Paragraph 3.4.a.3., updated: In the case where the Administrative Contracting Officer
  (ACO) issues an FPRR without cost analysis, such as when Defense Contract Audit
  Agency (DCAA) issues an audit report, the ACO must issue a revised FPRR within 5
  business days of the date the ACO receives the audit report. In that case, the ACO
  can issue the FPRR without a PNOM but with an MFR and the historical rate data. In

this situation, the ACO must upload the MFR and historical rate data in Contract Business Analysis Repository (CBAR). Within 90 calendar days from the FPRR date, the MFR must be replaced by a PNOM, if the ACO determines to negotiate the forward pricing rates. If the ACO determines negotiations are not appropriate, the ACO should follow Paragraph 3.4.c., if issuing an updated FPRR.

- Paragraph 3.4.b., updated: Format and Required Documentation. With the exception of DCMA Special Programs (DCMAS) classified information, which is not to be uploaded to CBAR, the ACO must use the PNOM format located on this Manual's Resource Page before entering negotiations on forward pricing rates and upload the signed and reviewed PNOM into CBAR. The scope and depth of the documentation and analysis supporting the PNOM should be directly related to the dollar value, importance, and complexity of the contractor's overall rates and individual elements of cost. The PNOM must include, but is not limited to, the following documentation as appropriate:

  - NOTE: Paragraph 3.4.b.(1) and 3.4.b.(2) remain unchanged in manual.

- Paragraph 3.4.c., added to manual: An ACO may use an MFR format to document the FPRR position when ACO negotiations are not appropriate or when updates to forward pricing rates are warranted in accordance with Paragraph 4.3.c.1.a., in this Manual. The depth of the MFR documentation depends on the stage at which the FPRR is developed. The ACO should ensure the MFR adequately documents and supports the FPRR.

  - NOTE: DCMA-MAN 2201-01, Change 1, dated April 14, 2021 paragraphs below are renumbered as follows:

  - Paragraph 3.4.d. The ACO will invite the cognizant contract auditor and contracting officers having a significant interest to participate in developing a Government objective and in negotiations IAW FAR 42.170(b). Documentation of the invitation must be kept in the ACO's file.

  - Paragraph 3.4.e. The ACO and reviewing officials must use the FPRR/FPRA Review Checklist, linked in the Resource Page, to confirm whether the ACO conducted the necessary review processes and documented all processes. The FPRR/FPRA Review Checklist in this Paragraph and Contractor Forward Pricing Rate Proposal Adequacy Checklist in Paragraph 3.2.b.(1) must be included in the PNOM package.

  - Paragraph 3.4.f. The data from a historical rate template, located on the Resource Page, should be incorporated by ACOs in the PNOM or MFR at CMP sites. This template must be uploaded into CBAR, and whenever there are any subsequent negotiation position changes. The template can be adjusted as discussed in Paragraph 4.3.c.(5) in this Manual.

- Paragraph 4.3.a.(6), added to manual: The assigned Cost Monitor Specialist (CMS) will collaborate with other functional specialists, as needed, to perform analysis of Cost Estimating Relationships.

- Paragraph 6.3.a., updated: The ACO or cost monitor will consider for incorporation, the recommendations of the CIPR Center into a PNOM/MFR, as appropriate. The ACO will submit the PNOM/MFR for supervisor review and concurrence. Failure to agree with the recommendation of the CIPR Center may require a BoR IAW DCMA-MAN 2201-05, "Boards of Review," and the BoR Matrix located on the 2201-05 Resource Page.

Throughout Manual:

- Replaced "review and approval" with "review and concurrence."

- Removed language requiring personnel to go through the FPRA eTool to upload FPRR/A associated documents into CBAR. Agency personnel can upload FPRR/A associated documents directly to CBAR.

Labor Codes. Located on Resource Page.

Resource Page.
https://360.intranet.dcma.mil/Sites/Policy/IC/SitePages/DCMA-MAN%202201-01r.aspx

Releasability. Cleared for public release.

Effective. This DCMA-PTM is effective immediately and will be incorporated into DCMA-MAN 2201-01, "Forward Pricing Rates." This DCMA-PTM will expire effective 12 months from the date of issuance.

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