Subpart 42.17 - Forward Pricing Rate Agreements

Parent topic: Part 42 - Contract Administration and Audit Services

42.1701 Procedures.

(a) Negotiation of *forward pricing rate agreements* (FPRA's) *may* be requested by the *contracting officer* or the contractor or initiated by the administrative *contracting officer* (ACO). In determining whether or not to establish such an agreement, the ACO *should* consider whether the benefits to be derived from the agreement are commensurate with the effort of establishing and monitoring it. Normally, FPRA's *should* be negotiated only with contractors having a significant volume of Government contract proposals. The cognizant contract administration agency *shall* determine whether an FPRA will be established.

(b) The ACO *shall* obtain the contractor's forward *pricing* rate proposal and require that it include *cost or pricing data* that are accurate, complete, and current as of the date of submission (but see 15.407-3(c)). The ACO *shall* invite the cognizant contract auditor and *contracting offices* having a significant interest to participate in developing a Government objective and in the negotiations. Upon completing negotiations, the ACO *shall* prepare a price negotiation memorandum (PNM) (see 15.406-3) and forward copies of the PNM and FPRA to the cognizant auditor and to all *contracting offices* that are known to be affected by the FPRA.

(c) The FPRA *shall* provide specific terms and conditions covering expiration, application, and data requirements for systematic monitoring to ensure the validity of the rates. The agreement *shall* provide for cancellation at the *option* of either party and *shall* require the contractor to submit to the ACO and to the cognizant contract auditor any significant change in *cost or pricing data* used to support the FPRA.

(d) When an FPRA is invalid, the contractor *should* submit and negotiate a new proposal to reflect the changed conditions. If an FPRA has not been established or has been invalidated, the ACO will issue a *forward pricing rate recommendation* (FPRR) to buying activities with documentation to assist negotiators. In the absence of an FPRA or FPRR, the ACO *shall* include support for rates utilized.

(e) The ACO *may* negotiate continuous updates to the FPRA. The FPRA will provide specific terms and conditions covering notification, application, and data requirements for systematic monitoring to ensure the validity of the rates.