



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3000

NOV 16 2011

ACQUISITION  
TECHNOLOGY  
AND LOGISTICS

MEMORANDUM FOR COMMANDER UNITED STATES SPECIAL OPERATIONS  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
COMMANDER, UNITED STATES TRANSPORTATION  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PROCUREMENT)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(ACQUISITION AND PROCUREMENT)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING)  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

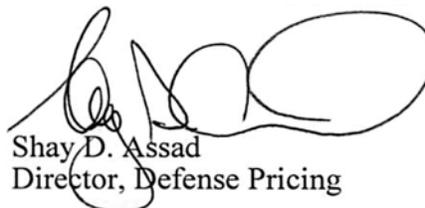
SUBJECT: Forward Pricing Rates

In my January 4, 2011, memo on aligning the Defense Contract Management Agency (DCMA) and the Defense Contract Audit Agency (DCAA) processes, I indicated how the various oversight duties and responsibilities are distributed between DCMA and DCAA. One role I discussed is the forward pricing rate process. Specifically, DCMA's Corporate Administrative Contracting Officers (CACOs) and Divisional Administrative Contracting Officers (DACOs) are responsible for issuing Forward Pricing Rate Agreements (FPRAs) and Forward Pricing Rate Recommendations (FPRRs) in those cases where DCMA is the cognizant administration office. To improve coordination, here is the DCMA web link to identify the responsible CACO or DACO office, shown by the company name:

[https://home.dema.mil/DCMAHQ/center\\_k/index.cfm](https://home.dema.mil/DCMAHQ/center_k/index.cfm)

I also mentioned DCMA will use, when available, DCAA forward pricing rate audit recommendations as a basis for the FPRRs provided to our contracting officers. Contracting officers should use DCMA FPRAs when they exist. Absent FPRAs, contracting officers should use DCMA FPRRs to establish pre-negotiation objectives. During negotiations, contracting officers may deviate from FPRAs/FPRRs when there are solid reasons for doing so. For example, a contracting officer may, as a result of more current data, determine the contractor's FPRRs/FPRAs do not accurately reflect the amount of direct labor hours proposed for a current action, thus making the allocation base too low or too high. However, I expect contracting officers to discuss such exceptions with the DCMA CACO or DACO, as the case may be, and to document the rationale for their exceptions in their business clearance or negotiation memorandum.

My point of contact for this memorandum is Ms. Lesa Scott, who can be reached at 703-602-0293 or via e-mail at Lesa.Scott@osd.mil.

  
Shay D. Assad  
Director, Defense Pricing