

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.

Parent topic: [Subpart 42.17 - Forward Pricing Rate Agreements](#)