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| Informational Guidance |

### IG5315.406-3 Price Negotiation Memorandum Checklist

# *June 2009*

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| Price Negotiation Memorandum Checklist | | | | |
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| **PNM CONTENTS** | **PRE** | **POST** | **NA** | **SEE**  **NOTES** |
| **1. SUBJECT** |  |  |  |  |
| a. Contractor name, division or group and location |  |  |  |  |
| b. Contract or RFP Number (include modification number) |  |  |  |  |
| c. Item or service acquired |  |  |  |  |
| d. Case number |  |  |  |  |
| **2. INTRODUCTORY SUMMARY** |  |  |  |  |
| a. Settlement date |  |  |  |  |
| b. Type of contractual action (*new contract, supplemental agreement, etc.)* |  |  |  |  |
| c. Tabular summary of cost, COM, profit/fee and price: |  |  |  |  |
| (1) Proposed and objective |  |  |  |  |
| (2) Negotiated |  |  |  |  |
| (3) Separate summaries for options, etc. |  |  |  |  |
| (4) Fee or profit rate for each position |  |  |  |  |
| (5) Award fee pool for each position |  |  |  |  |
| (6) Share ratios for each position |  |  |  |  |
| (7) Min/Max fee for each position |  |  |  |  |
| (8) Ceiling price and percentage for each position |  |  |  |  |
| (9) Type of contract for each position |  |  |  |  |
| **3. PARTICULARS** |  |  |  |  |
| a. Item or service identification: |  |  |  |  |
| (1) Types and quantities |  |  |  |  |
| (2) Previous buys of the same or similar items |  |  |  |  |
| (a) When they were bought |  |  |  |  |
| (b) Quantity |  |  |  |  |
| (c) Contract type |  |  |  |  |
| (d) Prior unit or total prices (*target/finals if applicable and available: document*  *separately recurring and non-recurring costs)* |  |  |  |  |
| (e) Current unit or CLIN prices (*may be attached)* with name of item, NSN, part number, quantities, etc., as applicable (*document separately recurring/ non-recurring costs)* |  |  |  |  |
| (f) Summary explanation of significant differences between the instant buy and most recent historical price(s) |  |  |  |  |
| b. Explain method used to establish line item or unit prices |  |  |  |  |
| c. Clearance authority |  |  |  |  |
| (1) Approval authority |  |  |  |  |
| (2) Approval date |  |  |  |  |
| (3) Limitations specified by the approval authority |  |  |  |  |
| (4) Sessions, dates, and participants |  |  |  |  |
| d. Fact-finding/negotiation dates, places, names, titles, and office symbols for the  government and the contractor |  |  |  |  |
| e. Principal government/contractor negotiator identities |  |  |  |  |
| **4. ACQUISITION SITUATION** |  |  |  |  |
| a. Acquisition background (contract type, pricing structure, etc.) |  |  |  |  |
| b. Period of performance and/or delivery schedule (*address resolution of* *differences between*  *required, proposed and negotiated)* |  |  |  |  |
| c. Outside influences/unusual time constraints |  |  |  |  |
| d. Government furnished facilities, equipment or base support unique to this acquisition |  |  |  |  |
| e. Unique features: e.g. should cost, design-to-cost, life cycle cost, special payment procedures,  business modernization certification or special provisions (*clauses: savings, EPA, performance*  *based payments, etc.)* |  |  |  |  |
| **5. NEGOTIATION SUMMARY** |  |  |  |  |
| a. Discussion/explanation of price analysis performed by the contractor and/or the government's  price analysis in the following areasor a statement why it was not performed |  |  |  |  |
| (1) Price element summary for proposed, objective, and considered negotiated amount |  |  |  |  |
| (2) Basis or estimating technique used to determine price reasonableness  *(attach exemption/waiver if in lieu of cost and pricing data)* |  |  |  |  |
| (3) Identify submission of other than cost or pricing data necessary to determine a reasonable  price. Include discussion on rationale and required updates *(attach sales data, catalogues,*  *competitive price list, independent market prices, other data, etc.)* |  |  |  |  |
| (4) Identify subcontractors required to provide cost and pricing data where the prime's  requirement has been waived |  |  |  |  |
| (5) Requirement changes and how the price analysis and objective were adjusted |  |  |  |  |
| (6) Significant differences between the objective and negotiated amounts |  |  |  |  |
| (7) Use of advisory information/report to establish the objective, including significant  differences between them, the objective, and the final negotiated agreement |  |  |  |  |
| b. Identify proposal of record used to establish objective |  |  |  |  |
| c. When cost and pricing data is obtained, a statement that full reliance was placed on contractor  provided data except where specifically identified *(including agreed to cut-off dates)* |  |  |  |  |
| d. Major cost element summary with sub-paragraph indexfor proposed, objective and considered  negotiated amounts *(including direct and indirect costs for labor, materials, etc.)* |  |  |  |  |
| e. Discussions/explanations of cost analysis performed for each major cost element for contractor  proposed, government objective and negotiated positions in the following areas |  |  |  |  |
| (1) Summary breakout of the components which make up the major cost element amount |  |  |  |  |
| (a) Labor hours by rate category |  |  |  |  |
| (b) Identify and discuss indirect rate |  |  |  |  |
| (c) Materials and other costs by category |  |  |  |  |
| (d) Subcontractor cost or pricing data |  |  |  |  |
| 1. Requirement, availability, adequacy, reliance, of subcontractor cost/pricing data |  |  |  |  |
| 2. Sole source or competitive |  |  |  |  |
| 3. Extent and adequacy of the prime's review |  |  |  |  |
| 4. Why certified cost or pricing data not obtained when required *(attach -*  *waiver/exemption)* |  |  |  |  |
| 5. Why certified cost or pricing data obtained when not required |  |  |  |  |
| (e) Basis or estimating method used |  |  |  |  |
| (f) Explanation of contractor data not relied upon and reason for using other than  contractor's data, identify data used to develop the government's position (*see 5.c*) |  |  |  |  |
| (g) Rationale, sources, and currency of the data used to establish the objective *(include*  *modification change determined to be non-commercial where originally commercial)* |  |  |  |  |
| (h) Requirement changes and how costs were adjusted |  |  |  |  |
| (i) Significant differences between the objective and negotiated amounts |  |  |  |  |
| (j) Actual costs to date, % of completion, trends and, if significant, the contractor's  estimate to complete |  |  |  |  |
| (2) With incentive arrangements, describe how the share ratio(s) and ceiling price(s) were  established |  |  |  |  |
| (3) When establishing a final price of an incentive contract |  |  |  |  |
| (a) Compare contractor stated costs incurred and acceptable actuals reflected in the  objective and explain differences. Show the calculations of the incentive  arrangement to adjust the final profit/fee and compare to ceiling price |  |  |  |  |
| (b) Identify significant differences between objective and negotiated position |  |  |  |  |
| (c) Identify supplemental agreements that adjusted targets and state respective  amounts |  |  |  |  |
| (d) Identify any firm fixed price and cost reimbursement amounts not subject to the  incentive settlement, but which were in the total settlement amount |  |  |  |  |
| (4) Profit. Explain how the objective was developed |  |  |  |  |
| (a) If WGM was used, state assigned weights and provide rationale when weights are  below or above normal. *(DD 1547 Attach to the PNM)* |  |  |  |  |
| (b) If WGM not used, explain why not and how profit objective was developed |  |  |  |  |
| **6. MISCELLANEOUS** |  |  |  |  |
| a. List government advisory reports *(audit, pricing, technical, should cost, etc.)* |  |  |  |  |
| (1) Explain use of informal field assistance in lieu of formal report(s) |  |  |  |  |
| (2) Explain basis for any field reports required but not obtained |  |  |  |  |
| b. Provide status and explanation/disposition of the deficiencies on the following contractor  systems that impact the instant negotiations |  |  |  |  |
| (1) Accounting system (*include adequacy of disclosure statement and compliance with cost*  *accounting standards*) |  |  |  |  |
| (2) Purchasing system |  |  |  |  |
| (3) Compensation system |  |  |  |  |
| (4) Estimating system |  |  |  |  |
| (5) Any other systems, as appropriate |  |  |  |  |
| c. List/identify contractor provided cost/price data. Identify certificate of current cost/pricing  data, if provided |  |  |  |  |
| d. Summarize why the negotiated price is fair and reasonable |  |  |  |  |
| (1) Address the 25% limitation on price increases |  |  |  |  |
| e. Include signatures of the Contracting Officer and the author of the PNM |  |  |  |  |
| f. The Price Negotiation Memorandum shall be marked “FOR OFFICIAL USE ONLY” |  |  |  |  |
| **7. ATTACHMENTS** |  |  |  |  |
| a. DD 1547 - Weighted Guidelines (*unsigned without a report number for preliminary PNM)* |  |  |  |  |
| b. DD 1861 - Facilities Capital Cost of Money (*for the objective only)* |  |  |  |  |
| c. Cost/profit charts (if incentive type contract) |  |  |  |  |
| d. Other attachments identified in the PNM |  |  |  |  |