

15.406-3 Documenting the negotiation.

(a) The contracting officer shall document in the contract file the principal elements of the negotiated agreement. The documentation (*e.g.*, price negotiation memorandum (PNM)) shall include the following:

- (1) The purpose of the negotiation.
 - (2) A description of the acquisition, including appropriate identifying numbers (*e.g.*, RFP No.).
 - (3) The name, position, and organization of each person representing the contractor and the Government in the negotiation.
 - (4) The current status of any contractor systems (*e.g.*, purchasing, estimating, accounting, and compensation) to the extent they affected and were considered in the negotiation.
 - (5) If certified cost or pricing data were not required in the case of any price negotiation exceeding the certified cost or pricing data threshold, the exception used and the basis for it.
 - (6) If certified cost or pricing data were required, the extent to which the contracting officer-
 - (i) Relied on the certified cost or pricing data submitted and used them in negotiating the price;
 - (ii) Recognized as inaccurate, incomplete, or noncurrent any certified cost or pricing data submitted; the action taken by the contracting officer and the contractor as a result; and the effect of the defective data on the price negotiated; or
 - (iii) Determined that an exception applied after the data were submitted and, therefore, considered not to be certified cost or pricing data.
 - (7) A summary of the contractor's proposal, any field pricing assistance recommendations, including the reasons for any pertinent variances from them, the Government's negotiation objective, and the negotiated position. Where the determination of a fair and reasonable price is based on cost analysis, the summary shall address each major cost element. When determination of a fair and reasonable price is based on price analysis, the summary shall include the source and type of data used to support the determination.
 - (8) The most significant facts or considerations controlling the establishment of the prenegotiation objectives and the negotiated agreement including an explanation of any significant differences between the two positions.
 - (9) To the extent such direction has a significant effect on the action, a discussion and quantification of the impact of direction given by Congress, other agencies, and higher-level officials (*i.e.*, officials who would not normally exercise authority during the award and review process for the instant contract action).
 - (10) The basis for the profit or fee prenegotiation objective and the profit or fee negotiated.
 - (11) Documentation of fair and reasonable pricing.
- (b) Whenever field pricing assistance has been obtained, the contracting officer shall forward a copy

of the negotiation documentation to the office(s) providing assistance. When appropriate, information on how advisory field support can be made more effective should be provided separately.

Parent topic: 15.406 Documentation.