

ATTACHMENT 5
IMPORTANCE OF DOCUMENTATION
IN CONTRACT PRICING

In most cases, the documentation of contract pricing takes either the form of a Price Negotiation Memorandum (PNM) or a Price Competition Memorandum (PCM). FAR 15.403-3 states that the CO "...shall document in the contract file the principle elements of the negotiated agreement." This section of the FAR continues to list information that the documentation "...shall include...." Additional information on/requirements for documentation can be found in the DFARS, AFFARS, and AFMCFARS. The AFMC PNM/PCM Guide is available at <https://www.afmc-mil.wpafb.af.mil/HQ-AFMC/PK/pkp/pkpc/pnmpcm.htm>

The PNM/PCM is meant to tell the story of how the final contract price was arrived at. This document is meant to be a stand-alone document, providing the reader (be it a later PCO, buyer, reviewer, and/or auditor, etc) to understand the basis for the price without having to dig through the rest of the contract file. It must detail the decisions made, analysis performed, negotiations conducted, and any other actions/facts/etc. that pertains to the to price. The exact content of the PNM/PCM will vary according to the nature of the contractual action being discussed. The typical rule is, as you get higher in dollar value, you need to increase the level of effort in pricing the action, and documenting the efforts undertaken.

Recent GAO and DoDIG audits make it very clear that we are not adequately documenting our pricing efforts. The auditors have been unable to read a PNM/PCM and follow the contracting officer's rationale in deciding what pricing approach to take, the analysis performed, etc. They make the assumption that if something is not covered in the PNM/PCM, then it did not happen. They also work under the assumption that if you do not include your rationale for decisions, then the decision is open to question. }*

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