PRE-NEGOTIATION MEMORANDUM
FORMAT TO BE USED FOR ACTIONS OVER
THE COST AND PRICING DATA THRESHOLD
WHEN COST ANALYSIS IS PERFORMED

________________________
(Date Prepared)

GOVERNMENT AGENCY
Office of the Assistant Secretary of Defense
Health Affairs
TRICARE Management Activity
16401 East Centretech Parkway
Aurora, Colorado  80011-9043

CONTRACTOR
Contractor Name and Address

1. PURPOSE OF THE NEGOTIATION AND DESCRIPTION OF THE ACTION
INCLUDING APPROPRIATE IDENTIFYING NUMBERS

- Identify:
  Contract Number
  Modification Number(s)
  Contractor’s Proposal Number
- Summarize the contract action.
- Identify the Operations/Policy/ADP Manual(s) implementation date, if applicable.
- Discuss any meaningful background information.
- Identify the authority to negotiate.

2. REFERENCES USED IN POSITION DEVELOPMENT

List the reference documents used in developing the negotiation position. The list may include
but is not limited to the documents shown below. Each document listed shall include any
identifying document number and the document’s date.

  Technical Evaluation(s)
  Advisory reports or field information reports
  DCAA Audit Report
  Other Audit Reports
  Past Performance Reports
  Factfinding memo
  Independent Government Cost Estimate
  Cost/Price Analysis with attachments
  Weighted Guidelines
3. NEGOTIATING PARTIES

The name, position, and organization of each person representing the contractor and the Government in the negotiation.

### SCHEDULED NEGOTIATION PARTICIPANTS

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Name</th>
<th>Position</th>
<th>Organization</th>
<th>Phone</th>
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- Identify date negotiations scheduled.

4. CURRENT STATUS OF CONTRACTOR SYSTEMS

The current status of any contractor systems (e.g., purchasing, estimating, accounting, and compensation) to the extent they affected and were considered in establishing the government's objective.

- Identify contractor systems deficiencies that will impact negotiations.
- Identify cognizant ACO determination
- Reference Disclosure Statement describing the contractor’s cost accounting practices and procedures, and date of disclosure. Note, date of determination the Disclosure Statement is considered adequate by the Cognizant Federal Agency Official (e.g. DCMA ACO).

5. COST OR PRICING DATA

Discuss the extent to which the contracting officer relied on cost or pricing data in establishing the negotiation position [See FAR 15.406-3(a)(6)].
6. SUMMARY OF CONTRACTOR’S PROPOSAL AND GOVERNMENT’S OBJECTIVE [See FAR 15.406-3(a)(7)]

The following chart is an example of major cost elements typically found in a contractor proposal. The chart developed by the preparer should be tailored to reflect the unique cost elements contained in the individual proposal being analyzed.

<table>
<thead>
<tr>
<th>Cost Element</th>
<th>Proposed</th>
<th>Pricing Recommendation</th>
<th>Objective</th>
<th>Difference</th>
<th>Notes</th>
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<tr>
<td>Material</td>
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<td></td>
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<td>a.</td>
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<td>Direct Labor</td>
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<td>Overhead</td>
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<td>Other Direct Costs</td>
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<td>Subtotal</td>
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<td>G&amp;A Expense</td>
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<td>e.</td>
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<td>Total Cost</td>
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<td>FCCOM</td>
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<td>g.</td>
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<td>Profit/Fee</td>
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<td>h.</td>
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<td>Total</td>
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All discussions of each cost element shall be tied to the note(s). The notes shall be lower case alpha and include, at a minimum, the following:

- Identify and discuss the contractor's proposal for the cost element.

- Identify the government’s objective for the cost element. Discuss how the government reached that objective considering audit/technical/cost reviews.

- In the case of disagreement with the audit/technical comments, discuss and provide supporting rationale for alternate position(s). Detail reconciliation of differences or describe why differences could not be resolved.

- For overhead and G&A expense rates, address whether the dollar differences are the result of differences in the application base or in the rates themselves. Appropriate rate tables should be included, either in the narrative or an attachment, to reflect cost buildup.

- Discuss the basis for the profit or fee pre-negotiation objective in accordance with DFARS 215.4.
  - Attach DD Form 1547, Record of Weighted Guidelines
  - Provide rationale for weights and values assigned to each element of performance risk and rationale for value assigned to contract type risk.
- Discuss the total and identify the basis for price reasonableness.

7. SIGNIFICANT FACTS AND IMPACT BY OTHERS

- The most significant facts or considerations controlling the establishment of the prenegotiation objectives.

- Identify special payment procedures, incentive/share arrangements, unusual contract finance arrangements (advance payments or provisional payments), intellectual property issues, availability of funding, economic price adjustments, etc.

- 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).

8. DOCUMENTS ATTACHED TO THE PRE-NEGOTIATION MEMORANDUM

List all attachments.

SIGNATURES

Prepared by:

Name ___________________________ DATE ___________________________

Title ___________________________

Approved by:

Name ___________________________ DATE ___________________________

Contracting Officer