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SUBCHAPTER C—CONTRACTING METHODS AND CONTRACT TYPES

PART M815—CONTRACTING BY NEGOTIATION

**M815.000 Scope of part.**

This part prescribes VA's policies and procedures regarding competitive and noncompetitive negotiated acquisitions.

**M815.001 Definitions.**

The following terms are associated with, and often used in the course of conducting negotiated acquisitions:

*Best value* means the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement.

*Clarifications* means the limited exchanges between the Government and offerors that may occur when award without discussions is contemplated.

*Communications* means the exchanges, between the Government and offerors, after receipt of proposals.

*Competitive range* means and consists of the offers rated most highly after proposal evaluations. Discussions will be held only with offerors in the competitive range. (See [FAR 15.306\(c\)](#)).

*Discussions* means the negotiations conducted in a competitive acquisition. Discussions take place after establishment of the competitive range.

*Industry Day* means an event held by the Government to present requirements to industry representatives (e.g., pre-solicitation conference, pre-proposal conference, etc.).

*Lowest Price Technically Acceptable* means a process used in competitive negotiated contracting where the best value is expected to result from selection of the technically acceptable proposal with the lowest evaluated price.

*Minor or clerical error* means a minor informality or irregularity that is merely a matter of form and not of substance or a clerical error apparent on its face in the proposal.

*Peer review* means the review of processes and strategies by other experts in a particular field.

*Proposal modification* means a change made to a proposal before the solicitation closing date and time, or made in response to an amendment, or made to correct a mistake at any time before award.

*Proposal revision* means a change to a proposal made after the solicitation closing date, at the request of or as allowed by a contracting officer, as the result of negotiations. ([See FAR 15.001.](#))

*Requirements documents* means all aspects of the Request for Proposal (RFP) that convey the needs of the Government to offerors, including the Statement of Objectives (SOO), Statement of Work (SOW), Performance Work Statement (PWS), technical requirement documents, and system requirement documents.

*Requiring office* means the entity (for example, a program management office or other organizational entity) responsible for translating user requirements into the requirements documents within the RFP that communicate those requirements to offerors.

*Risk*, as it pertains to source selection, is the potential for unsuccessful contract performance. The consideration of risk assesses the degree to which an offeror's proposed approach to achieving the contract objectives may involve risk of disruption of schedule, increased cost or degradation of performance, the need for increased Government oversight, and the likelihood of unsuccessful contract performance.

*Source selection* means the process used in competitive, negotiated contracting to select the proposal that offers the best value to the Government.

*Source Selection Authority (SSA)* means the Government official responsible for selecting the source(s) in a negotiated acquisition.

*Source Selection Advisory Council (SSAC)* means a group of senior Government personnel who provide counsel during the source selection process and must prepare the comparative analysis of the SSEB's evaluation results, when directed by the SSA. Organizations should establish an SSAC for acquisitions with a total estimated value of \$100M or more. An SSAC is optional for acquisitions with a total estimated value of less than \$100M.

*Source Selection Evaluation Board (SSEB)* means a group of Government and, if needed, approved non-Government personnel, representing the various functional disciplines relevant to the acquisition. The SSEB is comprised of a Chairperson and Evaluators (also known as SSEB Members). Use of non-Government personnel as voting members of the SSEB is strictly prohibited (see [FAR 7.503\(c\)\(12\)\(ii\)](#), [FAR 37.203](#) and [FAR 37.204](#)).

*Source Selection Plan (SSP)* means a plan that describes how the source selection will be organized, how proposals will be evaluated and analyzed, and how source(s) will be selected.

*Source Selection Team (SST)* means a team that is tailored to the unique acquisition, tasked with carrying out a source selection. Composition of the team generally consists of the SSA, contracting officer (if different from the SSA), SSAC, SSEB, Advisors, Cost or Price Experts, Legal Counsel, Small Business Specialists, and other subject-matter experts.

*Source Selection Decision Document (SSDD)* refers to the document that reflects the SSA's independent, integrated and comparative assessment and decision.

*Strength* means an aspect of an offeror's proposal that has merit or exceeds specified performance or capability requirements in a way that will be advantageous to the Government during contract performance.

*Uncertainty* means any aspect of a non-cost/price factor proposal for which the intent of the offer is unclear (e.g. more than one way to interpret the offer or inconsistencies in the proposal indicating that there may have been an error, omission, or mistake).

### **Subpart M815.1—Source Selection Processes and Techniques**

#### **M815.101 Best value continuum.**

##### **M815.101-1 Tradeoff process.**

(a) This process allows for a tradeoff between non-cost factors and cost/price and allows the Government to accept other than the lowest priced proposal or other than the highest technically rated proposal to achieve a best-value contract award. Further, it describes various rating approaches to evaluating proposals when using a tradeoff process.

(b) Tradeoff process is appropriate when—

- (1) The requirement is complex;
- (2) The Government anticipates substantive differences in the proposed solutions; or
- (3) The Government is willing to pay for added benefits of a higher priced solution.

**Subpart M815.2—Solicitation and Receipt of Proposals and Information**

**M815.203 Requests for Proposals.**

**M815.203-70 Developing the request for proposals.**

A well-written RFP is critical to the success of the source selection. There should be consistency between the requirements documents, SSP (if utilized), and the RFP. Therefore, the acquisition team must ensure a clear linkage between the requirements and evaluation factors to maximize the accuracy and clarity of the RFP.

**M815.204 Contract format.**

(e) The cognizant head of the contracting activity (HCA) may exempt individual contracts or classes of contracts that are not identified in [FAR 15.204\(a\) through \(d\)](#) from the use of a uniform contract format. Written justification for the exempted use shall be prepared by the contracting officer (CO), with the coordination/review of the affected contract administration and payment offices. The justification shall be forwarded to the HCA for review/approval/disapproval.

**Subpart M815.3—Source Selection**

**M815.303-70 Source Selection roles and responsibilities.**

The extent to which one will use the positions and procedures outlined below will depend upon the complexity and dollar value of each acquisition and the available resources. COs should apply prudent business sense to tailor the processes to fit the circumstances. (See [Appendix M815-A](#), Department of Veterans Affairs Source Selection Guide)

(a) A typical source selection organization consists of—

- (1) SSA;
- (2) CO;
- (3) SSEB;
- (4) Source Selection Evaluation Board Chairperson;
- (5) SSAC; and

(6) Advisors, Cost or Pricing Experts, Legal Counsel, Small Business Specialists, and other subject-matter experts.

(b) The SSA shall—

(1) Be responsible for the proper and efficient conduct of the source selection process in accordance with this procedure and all applicable laws and regulations;

(2) Appoint the chairpersons for the SSEB and, when used, the SSAC;

(3) Ensure that personnel appointed to the SST are knowledgeable of policies and procedures for properly and efficiently conducting the source selection. Ensure the SST members have the requisite acquisition experience, skills, and training necessary to execute the source selection, and ensure the highest level of team membership consistency for the duration of the selection process;

(4) Ensure that realistic source selection schedules are established and source selection events are conducted efficiently and effectively in meeting overall program schedules. The schedules should support proper and full compliance with source selection procedures outlined in this document and the established Source Selection Plan (SSP) for the acquisition;

(5) Ensure all involved in the source selection are briefed and knowledgeable of Subsection 27(a) of the Office of Federal Procurement Policy Act, 41 U.S.C., Section 423, and [FAR 3.104](#) regarding unauthorized disclosure of contractor bid and proposal information, as well as source selection information;

(6) Ensure that all persons receiving source selection information are instructed to comply with applicable standards of conduct (including procedures to prevent the improper disclosure of information) and sign a Non-Disclosure Agreement and a conflict of interest statement;

(7) Ensure Conflict of Interest Statements (from both Government members/advisors and non-Government team advisors) are appropriately reviewed and actual or potential conflict of interest issues are resolved prior to granting access to any source selection information (see CFR 2635);

(8) Make a determination to award without discussions or enter into discussions;

(9) Select the source whose proposal offers the best value to the Government in accordance with the established evaluation criterion in the appropriate section of a non-Uniform Contract Format (UCF) solicitation or in accordance with the established evaluation criterion in Section M of the solicitation; and

(10) Document the rationale in the SSDD.

(c) The CO shall—

(1) Manage all business aspects of the acquisition and advise and assist the SSA in the execution of the responsibilities as outlined above and work with the SSEB

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Chair to ensure the evaluation is conducted in accordance with the evaluation criteria specified in the solicitation;

(2) Ensure that required approvals are obtained before non-Government personnel are allowed to provide source selection support (See [FAR 37.203](#));

(3) Ensure that procedures exist to safeguard source selection information and contractor bid or proposal information;

(4) Ensure that all non-Government advisors who are to assist in the source selection process do not have access to proprietary information until the CO receives the consent of the submitting contractor(s) to provide access thereto;

(5) Maintain the documents and source selection evaluation records;

(6) Release the final solicitation only after obtaining all required approvals;

(7) Serve as the single point of contact for all solicitation-related inquiries from actual or prospective offerors;

(8) Control exchanges with offerors after receipt of proposals (see [FAR 15.306](#));  
and

(9) Enter discussions, with the approval of the SSA, to establish the competitive range. Note that only the CO may conduct discussions with the offeror(s).

(d) The SSEB (members) shall—

(1) Conduct a comprehensive review and evaluation of proposals against the solicitation requirements and the approved evaluation criteria;

(2) Ensure the evaluation is based solely on the evaluation criteria outlined in the RFP;

(3) Not perform comparative analysis of proposals;

(4) Assist the SSEB Chairperson in documenting the SSEB evaluation results;

(5) Support any post-source-selection activities, such as debriefings and post-award reviews/meetings, as required; and

(6) Not make source selection recommendations unless requested by the SSA.

(e) The SSEB Chairperson shall—

(1) Be responsible for the overall management of the SSEB and act as the SSEB's interface to the SSA and the SSAC (if used);



(2) Establish evaluation teams, as appropriate, to support an effective source selection evaluation. Appoint members to the evaluation teams, subject to approval of the SSA;

(3) Ensure the skills of the personnel, the available resources, and times assigned are commensurate with the complexity of the acquisition;

(4) Ensure members of the SSEB are trained and knowledgeable on how an evaluation is conducted prior to reviewing any proposals;

(5) Ensure the evaluation process follows the evaluation criteria and ratings are being consistently applied;

(6) Provide consolidated evaluation results to the SSA or the SSAC if the SSAC is designated as the interface between the SSEB and SSA; and

(7) Support all post source selection activities such as debriefings and post-award reviews/meetings, as required.

(f) SSAC Members shall—

(1) Review the evaluation results of the SSEB to ensure the evaluation process follows the evaluation criteria and the ratings are appropriately and consistently applied; and

(2) Consolidate the advice and recommendations from the SSAC into a written analysis and recommendation for use by the SSA in making the best-value decision. Ensure that minority opinions within the SSAC are documented and included within the analysis.

(g) The SSAC Chairperson shall appoint SSAC members, subject to SSA approval.

(h) Government Advisors: When an SSAC is not used, consideration should be given to the use of Government advisors to assist the SSA. These advisors can provide expertise within specific functional areas, similar to the involvement of the SSAC, but need not provide the formal written comparative analysis required of an SSAC. Government advisors may also be used to provide assistance to the SSEB as subject-matter experts.

(i) Non-Government Advisors: Use of non-Government personnel as advisors may be authorized, but should be minimized as much as possible. Non-Government advisors shall be supported by a written determination (see [FAR 37.203](#), Policy, and [37.204](#), Guidelines for determining availability of personnel). The CO must ensure that the non-Government advisor who will assist in the source selection process does not have access to proprietary information until the CO receives the consent of the submitting

contractor(s) to provide access to the non-Government advisor to execute this requirement; the following is suggested solicitation language:

(1) Offerors are advised that employees of the firms identified below may serve as nongovernment advisors in the source selection process. These individuals will be authorized access only to those portions of the proposal data and discussions that are necessary to enable them to perform their respective duties. Such firms are expressly prohibited from competing on the subject acquisition.

INSERT NAMES, ADDRESSES, AND TELEPHONE NUMBERS OF FIRMS

(2) In accomplishing their duties related to the source selection process, the aforementioned firms may require access to proprietary information contained in the offerors' proposals. Therefore, pursuant to [FAR 9.505](#), these firms must execute an agreement with each offeror that states that they will (1) protect the offerors' information from unauthorized use or disclosure for as long as it remains proprietary and (2) refrain from using the information for any purpose other than that for which it was furnished. To expedite the evaluation process, each offeror must contact the above companies to effect execution of such an agreement prior to the submission of proposals. Each offeror shall submit copies of the agreement with their proposal.

(j) Program Management/Requirements Office: The requirements development process is vital to the success of the negotiated acquisition. The leadership of the Program Management/Requirements Office shall:

(1) Ensure the technical requirements—consistent with the cognizant requirements document—are approved and stable, establish technical specifications, and develop a SOW, SOO, or PWS.

(2) Allocate the necessary resources including personnel, funding and facilities to support the source selection process.

(3) Assist in the establishment of the SST to include serving as an advisor or member to the SSAC and/or the SSEB as needed.

(4) Assist in the development of the evaluation criteria consistent with the technical requirements/risk.

**M815.303-71 Source Selection Authority.**

The authority of the Secretary to appoint an individual other than the CO to serve as the source selection authority for a particular acquisition or a group of acquisitions is delegated to the HCA. If an HCA needs to designate an individual other than the CO as the source selection authority for a particular acquisition or a group of acquisitions, the HCA shall prepare a written request/justification and shall submit the request/justification to the Senior Procurement Executive for approval/disapproval.

**M815.303-72 Developing the Source Selection Plan.**

(a) An SSP is recommended for all best-value, negotiated, competitive acquisitions under [FAR 15](#). The SSP documents the source selection organization that is established. Likewise, a typical source selection plan sets out evaluation factors, evaluation standards, and evaluation procedures. All factors and significant subfactors that will affect contract award and their relative importance shall be stated clearly in the solicitation (see [FAR 15.204-5\(c\)](#)). The rating method need not be disclosed in the solicitation. The general approach for evaluating past performance information shall be described (see [FAR 15.304\(d\)](#)).

(b) The SSA shall approve the SSP before the final solicitation is issued. At a minimum, the SSP (if utilized), shall—

(1) Include a brief description of the requirement, a summary of the objectives, and any reference to applicable guidance;

(2) Provide a summary of the planned acquisition approach to include a description of how the specific acquisition being competed fits into the entire program;

(3) Describe the organizational structure and identify the various roles and responsibilities of each of the source selection teams, such as the SSET, the SSAC, the CO, and the SSA, during the phases of the source selection. List members and advisors by name, position title, company affiliation, if applicable, or by functional area;

(4) Describe the process and controls for communication with industry as well as internal Government team communication, to include the use of email, during the source selection, and outline the security measures that will be utilized to ensure the information is protected as source selection information. (See [FAR 2.101](#) and [FAR 3.104](#));

(5) Identify the evaluation factors, subfactors, their relative order of importance; the importance of all non-cost or price factors to the cost or price factor; and the evaluation process, including specific procedures and techniques to be used in evaluating proposals. Include within the SSP document or attach the relevant and most current portions of Sections L and M in the RFP (or a non-UCF solicitation) to preclude inconsistencies between the SSP and RFP;

(6) Identify the types of documents that will be prepared during the course of the source selection, to include at a minimum an SSEB Report covering the initial evaluation, updated as necessary following responses to discussion questions, and a final SSEB Report after receipt of Final Proposal Revisions, an SSAC Report, if there is an SSAC, which reflects the SSAC's consideration of the final SSET Report and makes the SSAC's recommendation to the Source Selection Authority, and in accordance with [FAR 15.308](#), the Source Selection Decision Document (SSDD), which reflects the

SSA's independent determination. A power point presentation is acceptable to brief the SSA and the SSAC on the status of the procurement, but should not, as a general rule, constitute the official Reports required for the source selection;

(7) Identify the major acquisition activities and projected completion dates. Reference the information on the use of independent management reviews, Industry Days, and draft RFPs as significant source selection activities;

(8) Address the use of non-Government personnel and compliance with requirements; and

(9) Detail the plan for securing all source selection materials throughout the evaluation process.

### **M815.304 Evaluation factors and significant subfactors.**

#### **M815.304-70 Evaluation factor commitments.**

If an offeror proposes to use an SDVOSB or VOSB subcontractor in accordance with [VAAR 852.215-70](#), Service-Disabled Veteran-Owned and Veteran-Owned Small Business Evaluation Factors, the CO shall ensure that the offeror, if awarded the contract, actually does use the proposed subcontractor or another SDVOSB or VOSB subcontractor for that subcontract or for work of similar value. The CO should monitor this contract as delineated in [FAR 19.704\(a\)\(10\)\(ii\)](#), which requires the offer to submit periodic reports so that the Government can determine the extent of compliance by the offer through the subcontracting plan.

#### **M815.305 Proposal evaluation.**

(a)(2)(i) *Past performance evaluation.* When a past performance evaluation is required by [FAR 15.304](#), and the solicitation includes either the clause at [FAR 52.219-8](#), Utilization of Small Business Concerns, or the clause at [FAR 52.219-9](#), Small Business Subcontracting Plan, the evaluation factors shall include the past performance of offerors in complying with requirements of these clauses. Contractors may not be given “downgraded” past performance evaluations for availing themselves of their rights by filing protests and claims or for deciding not to use Alternate Dispute Resolution (ADR) and contractors may not be given more “positive” past performance evaluations for refraining from filing protest and claims or for agreeing to use ADR.

#### **M815.306 Exchanges with offerors after receipt of proposals.**

(d) For acquisitions with an estimated value of \$25 million or more, COs should conduct discussions and follow the procedures at [FAR 15.306](#).

## Subpart M815.4—Contract Pricing

### M815.404 Proposal analysis

#### M815.404-1 Proposal analysis techniques.

(d) *Cost realism analysis.* (1) A cost realism analysis is the process of independently reviewing and evaluating specific elements of each offeror's cost estimate to determine whether the estimated proposed cost elements are realistic for the work to be performed. The results of the analysis should be able to answer the following key questions:

- (i) Is the offer based on realistic assumptions?
- (ii) Does it show sufficient understanding of the requirements?
- (iii) Are its various parts consistent with one another?
- (iv) Is the cost/price data current, reasonably accurate, and verifiable? and
- (v) Does the whole thing make sense in view of the experience?

(2) A cost realism analysis shall be performed when a cost-type contract is anticipated. In accordance with [FAR 15.404-1\(d\)\(3\)](#), cost realism on fixed price incentive contracts may be performed or in exceptional cases, on other competitive fixed price contracts. Adjustments for the most probable cost estimate should not be based solely on differences from the Independent Government Cost Estimate (IGCE). Where performance specifications are used, the IGCE is based on the Government's implicit approach to the work, which may differ from the offerors approach. Also, the IGCE rates may not be comparable. The technical evaluation should reveal areas where each offeror's approach is inadequate or its resourcing unrealistic, given the proposed approach. The technical evaluators and the cost evaluators should crosswalk technical deficiencies and weaknesses and their impact on cost to assure proper adjustments can be made to the proposed costs. However, this crosswalk should not be performed until after each group has completed their initial evaluation to avoid intentional or unintentional bias.

(i) The probable cost may differ from proposed cost and should reflect the Government's best estimate of the cost of any contract that is most likely to result from the offeror's proposal. The probable cost shall be used for purposes of evaluation to determine the "best value." Therefore, when developing a most probable cost estimate, consider the following:

(A) As the required information is collected to evaluate the realism of the offeror's cost (or price) estimate, the Government is also collecting the information required to develop its own estimate of the most probable contract cost.

(B) In developing the estimate, adopt the portion of the offeror's estimate that appears realistic and modify the portion of the estimate that is believed to be unrealistic. For example, the Government may accept proposed labor hours and adjust the labor rate based on an audit recommendation. Adjustments may increase or decrease cost estimates.

(C) Use relevant estimating tools and techniques.

(D) Conduct meaningful discussions with offerors in the event there are any meaningful adjustments to the offeror's estimated cost.

(E) As the Government completes the estimate, clearly document the rationale for any adjustment.

**M815.404-4 Profit.**

(b) Policy.

(1)(i) The CO shall use a structured approach for developing a prenegotiation profit or fee objective for those acquisitions that require cost analysis.

(2) [FAR 15.404-4\(b\)\(2\)](#) permits agencies to use another agency's structured approach. Therefore, COs are encouraged to use the Department of Defense Weighted Guidelines method as delineated in the [Department of Defense Federal Acquisition Regulation Supplement](#).

**M815.405 Price negotiation.**

(a) The purpose of performing cost or price analysis is to develop a negotiation position that permits the CO and the offeror an opportunity to reach agreement on a fair and reasonable price. The CO is responsible for exercising the requisite judgment needed to reach a negotiated agreement with the offeror and is solely responsible for the final price agreement. However, when significant auditor recommendations are not adopted, the CO must provide rationale that supports the negotiation result in the price negotiation documentation.

(b) The CO's objective is to select an appropriate contract type and negotiate a price that provides the contractor the greatest incentive for efficient and economical performance. The CO must balance the contract type, cost, and profit or fee negotiated to achieve a total result -- a price that is fair and reasonable to both the Government and the contractor. (See [Attachment M815-A](#), Sample Price Negotiation Memorandum (PNM) Checklist)

**M815.406-3 Documenting the negotiation.**

(a) The CO shall document in the form of a price negotiation memorandum (PNM) the principal elements of the negotiated agreement in accordance with [FAR 15.406-3](#). (See the attached [Attachment M815-A](#), Sample PNM Checklist).

(c) The PNM serves as a detailed 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, the negotiated position, and the methodology and rationale used in arriving at the final negotiated agreement.

(d) The CO shall document in the Electronic Contract Management System the principal elements of the negotiated agreement in accordance with [FAR 15.406-3](#).

**Subpart M815.6—Unsolicited Proposals**

**M815.604 Agency points of contact.**

(c) When a VA employee receives an unsolicited proposal from a potential offeror of an unsolicited proposal, they must refer the proposal to the following:

(1) Facility level unsolicited proposals must be referred to the HCA for the field facility.

(2) Proposals to the VA National Acquisition Center must be referred to the Executive Director, VA National Acquisition Center.

(3) Proposals to VA Central Office must be referred to the Executive Director, Office of Procurement, Acquisition, and Logistics.

**M815.606 Agency procedures.**

HCA's shall establish procedures for controlling the receipt, evaluation, and timely disposition of unsolicited proposals consistent with the requirements of [FAR 15.606\(a\)](#). The procedures shall include controls on the reproduction and disposition of proposal material, particularly data identified by the offeror as subject to duplication, use, or disclosure restrictions.

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**ATTACHMENT M815-A**

**SAMPLE  
PRICE NEGOTIATION MEMORANDUM (PNM) CHECKLIST**

PNM CONTENTS CHECKLIST	PRE	POST	NA	SEE NOTE S
<b>1. SUBJECT</b>				
a. Contractor name, division or group and location				
b. Contract or RFP Number (include modification number)				
c. Item or service acquired				
d. Case number				
<b>2. INTRODUCTORY SUMMARY</b>				
a. Settlement date				
b. Type of contractual action				
c. Tabular summary of cost, FCOM, 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				
<b>3. PARTICULARS</b>				
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				



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(d) Prior unit or total prices ( <i>target/finals if applicable and available: document separately recurring and non-recurring costs</i> )				
(e) Current unit or CLIN prices ( <i>may be attached</i> ) with name of item, part number, quantities, etc., as applicable ( <i>document separately recurring/ non-recurring costs</i> )				
(f) Summary explanation of significant differences between the instant buy and most recent historical price(s)				
PNM CONTENTS CHECKLIST ( <i>Continued</i> )	PRE	POST	NA	SEE NOTES
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 approving 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				
<b>4. ACQUISITION SITUATION</b>				
a. Acquisition background (contract type, IPT pricing, etc.)				
b. Period of performance and/or delivery schedule ( <i>address resolution of differences between required, proposed and negotiated</i> )				
c. Outside influences/unusual time constraints				
d. Government furnished facilities, equipment or base support unique to this acquisition				
e. Unique features such as should cost, design-to-cost, life cycle cost, special payment procedures, and special provisions ( <i>clauses: savings, EPA, performance based payments, etc.</i> )				
<b>5. NEGOTIATION SUMMARY</b>				
a. Discussion/explanation of price analysis performed by the contractor and/or the government's price analysis in the following areas or 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 ( <i>attach exemption/waiver if in lieu of cost and pricing data</i> )				
(3) Identify submission of other than cost or pricing data necessary to determine a reasonable price. Include discussion on rationale and required updates ( <i>attach sales data, catalogues, competitive price list, independent market prices, other data, etc.</i> )				
(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				

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c. When cost and pricing data is obtained, a statement that full reliance was placed on contractor provided data except where specifically identified ( <i>including agreed to cut-off dates</i> )				
d. Major cost element summary with sub-paragraph index for proposed, objective and considered negotiated amounts ( <i>including direct and indirect costs for labor, materials, etc.</i> )				
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				
PNM CONTENTS CHECKLIST ( <i>Continued</i> )	PRE	POST	NA	SEE NOTES
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 ( <i>attach waiver/exemption</i> )				
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 ( <i>see 5.c</i> )				
(g) Rationale, sources, and currency of the data used to establish the objective ( <i>include modification change determined to be non-commercial where originally commercial</i> )				
(h) Requirement changes and how costs were adjusted				
(i) Significant differences between the objective and negotiated amounts				
(j) Use of advisory reports/IPT pricing in establishing the objective, including significant differences between them, the objective, and the final negotiated agreement				
(k) 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				

## DEPARTMENT OF VETERANS AFFAIRS ACQUISITION MANUAL

(a) If Weighted Guidelines was used, state assigned weights and provide rationale when weights are below or above normal. <i>(DD 1547 Attached to the PNM)</i>				
(b) If Weighted Guidelines was not used, explain why not and how profit objective was developed				
<b>6. MISCELLANEOUS</b>				
a. List government advisory reports <i>(audit, pricing, technical, should cost, etc.)</i>				
(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 <i>(include adequacy of disclosure statement and compliance with cost accounting standards)</i>				
(2) Purchasing system if applicable				
(3) Compensation system				
(4) Estimating system				
(5) Any other systems, as appropriate				
PNM CONTENTS CHECKLIST <i>(Continued)</i>	PRE	POST	NA	SEE NOTES
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				
<b>7. ATTACHMENTS</b>				
a. DD 1547 - Weighted Guidelines <i>(unsigned without a report number for preliminary PNM)</i>				
b. DD 1861 - Facilities Capital Cost of Money (FCCM) <i>(for the objective only)</i>				
c. Cost/profit charts (if incentive type contract)				
d. Other attachments identified in the PNM				

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