

**Forward Pricing Rate Agreement (FPRA) and Provisional Billing Rates:**

A Forward Pricing Rate Agreement (FPRA) is an agreement between a contractor and a government agency in which certain indirect rates are established for a specified period of time. These rates are estimates of costs and are used to price contracts and contract modifications. The use of a FPRA can speed up the contracting process by eliminating the need to audit or analyze the rates. The Administrative Contracting Officer (ACO) is responsible for monitoring the contractor's rates. Any questions concerning the rates should be directed to the ACO. Once a FPRA has been reached, any subsequent proposal should include a copy of the agreement. The establishment of a FPRA is covered under the special cost and pricing areas of *FAR 15.407-3* and *Subpart 42.17*.

Provisional billing rates are indirect cost rates (*FAR 42.701*) established temporarily, for interim reimbursement of incurred indirect costs and adjusted, as necessary, pending establishment of final indirect cost rates. Provisional billing rates should be submitted at the beginning of each new contractor's fiscal year and subsequently as needed. Provisional billing rates are established by DCAA.

**FAR 15.407-3 Forward Pricing Rate Agreements:**

(a) When certified cost or pricing data is required, offerors are required to describe any Forward Pricing Rate Agreements (FPRAs) in each specific pricing proposal to which the rates apply and to identify the latest cost or pricing data already submitted in accordance with the FPRA. All data submitted in connection with the FPRA, updated as necessary, forms a part of the total data that the offeror certifies to be accurate, complete, and current at the time of agreement on price for an initial contract or for a contract modification. (*See the Certificate of Current Cost or Pricing Data at 15.406-2.*)

(b) Contracting officers will use FPRA rates as basis for pricing all contracts, modifications, and other contractual actions to be performed during the period covered by the agreement. Conditions that may affect the agreement's validity shall be reported promptly to the ACO. If the ACO determines that a changed condition invalidates the agreement, the ACO shall notify all interested parties of the extent of its effect and the status of efforts to establish a revised FPRA.

(c) Contracting officers shall not require certification at the time of agreement for data supplied in support of FPRAs or other advance agreements. When a FPRA or other advance agreement is used to price a contract action that requires a certificate, the certificate supporting that contract action shall cover the data supplied to support the FPRA or other advance agreement, and all other data supporting the action.

**Subpart 42.1701—Forward Pricing Rate Agreements Procedures:**

a) Negotiation of FPRAs may be requested by the contracting officer, the contractor, or initiated by the ACO. In determining whether or not to establish such an agreement, the ACO should consider whether the benefits to be derived from the agreement are commensurate with the effort of establishing and

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monitoring it. Normally, FPRA's should be negotiated only with contractors having a significant volume of Government contract proposals. The cognizant contract administration agency shall determine whether a FPRA will be established.

(b) The ACO shall obtain the contractor's forward pricing rate proposal and require that it include cost or pricing data that is accurate, complete, and current as of the date of submission (*see* [15.407-3\(c\)](#)). The ACO shall invite the cognizant contract auditor and contracting offices having a significant interest to participate in developing a government objective in the negotiations. Upon completing negotiations, the ACO shall prepare a Price Negotiation Memorandum (PNM) (*see* [15.406-3](#)) and forward copies of the PNM and FPRA to the cognizant auditor and to all contracting offices that are known to be affected by the FPRA.

(c) The FPRA shall provide specific terms and conditions covering expiration, application, and data requirements for systematic monitoring, to ensure the validity of the rates. The agreement shall provide for cancellation at the option of either party and shall require the contractor to submit to the ACO and to the cognizant contract auditor any significant change in cost or pricing data used to support the FPRA.

(d) When an FPRA is invalid, the contractor should submit and negotiate a new proposal to reflect the changed conditions. If a FPRA has not been established or has been invalidated, the ACO will issue a Forward Pricing Rate Recommendation (FPRR) to buying activities with documentation to assist negotiators. In the absence of either a FPRA or a FPRR, the ACO shall include support for rates utilized.

(e) The ACO may negotiate continuous updates to the FPRA. The FPRA will provide specific terms and conditions covering notification, application, and data requirements for systematic monitoring to ensure the validity of the rates.

For assistance with Provisional Billing Rates and Forward Pricing Rate Agreements, please contact us at 703-437-8877 or [info@millermusmar.com](mailto:info@millermusmar.com).