

Contract Types

| FIXED-PRICE FAMILY | | | | |
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| | FIRM FIXED-PRICE (FFP) | FIXED-PRICE WITH ECONOMIC PRICE ADJUSTMENT (FP-EPA) | FIXED-PRICE INCENTIVE (FPI) | PRICE REDETERMINATION |
| DESCRIPTION | <p>Government pays price which is not subject to any adjustment regardless of contractor's cost experience.</p> <p>Place maximum risk on contractor.</p> <p>Contractor has greatest incentive to control costs.</p> <p>Minimum administrative burden on parties.</p> <p>Preferred contract type.</p> <p>Level of Effort: Payment is based on effort expended rather than results achieved. Contractor provides specified effort over a stated period for fixed price.</p> | <p>The price paid by the government may be revised upward or downward if certain contingencies exist.</p> <p>Provides for price adjustment to protect parties against significant economic fluctuation or changes in contractor's established prices.</p> <p>EPA provisions can be based on established (published) prices, actual costs, or cost index.</p> <p>Adjustments based on established prices restricted to Industry-wide contingencies.</p> <p>Adjustment based on labor or material costs limited to contingencies beyond the contractor's control.</p> | <p>Firm Target: Government pays price that is the sum of final negotiated cost and final profit. Final profit determined by comparing final negotiated cost to target cost and adjusting target profit IAW formula (share-ratio). Final price cannot exceed ceiling price.</p> <p>Successive Targets: At predetermined production point, firm target cost is negotiated and firm target profit is determined IAW adjustment formula; either an FFP or FPI(F) can be negotiated.</p> | <p>Prospective: Government pays fixed price for goods or services for a given period, but price is subject to revision at stated times during performance of contract.</p> <p>Retroactive: Government pays price (subject to ceiling), that is negotiated after contract performance.</p> |
| ELEMENTS | Price | Price EPA Clause | <p>Firm Target: Target Cost Target Profit Ceiling Price Sharing Formula</p> <p>Successive Targets: Initial Target Cost Initial Target Profit Ceiling Price Target Profit Adjustment Formula</p> | <p>Prospective: Price Ceiling (Optional)</p> <p>Retroactive: Ceiling Price</p> |
| APPLICATION | <p>When fair and reasonable prices can be established at outset.</p> <p>Particularly suitable for standard or modified commercial items or military items for which sound prices can be developed.</p> <p>Level of effort: R&D investigation or study.</p> | <p>When contingencies resulting from unstable market or labor conditions can be identified and covered by a separate price adjustment clause.</p> | <p>Where assumption of a degree of cost responsibility by contractors will provide incentive for effective cost control.</p> <p>Can combine with incentives on performance and schedule.</p> | <p>Prospective: Quantity production or services when a fair and reasonable price can be negotiated for initial period but not entire contract period.</p> <p>Retroactive: When fair and reasonable FFP cannot be negotiated and low value or short period of performance renders other types impracticable.</p> |
| LIMITATIONS | <p>Level of effort: Used only when work cannot be clearly defined but effort desired can be agreed upon.</p> | | <p>Sole purpose cannot be to shift cost responsibility to government; requires simultaneous agreement on all elements of pricing structure.</p> | <p>Prospective: FFP not feasible; pricing periods conform to contractor's accounting system; assurance that price predetermination will be taken promptly.</p> <p>Retroactive: Reasonable assurance that price Redetermination will be taken promptly; requires HCA Approval</p> |
| <p>Not for use with sealed bid method Adequate Contractor Cost Accounting System</p> | | | | |

Contract Types

| COST-REIMBURSEMENT FAMILY | | | | |
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| | COST-PLUS- INCENTIVE-FEE (CPIF) | COST-PLUS AWARD-FEE (CPAF) | COST-PLUS- FIXED-FEE (CPFF) | COST AND COST SHARING |
| DESCRIPTION | <p>Government pays allowable cost and incentive fee.</p> <p>Incentive fee determined by comparing actual cost to target cost and adjusting target fee IAW fee adjustment formula (share ratio).</p> <p>Performance incentives should be incorporated if development is feasible and government performance objectives have been determined.</p> | <p>Government pays allowable cost, base fee, and award fee.</p> <p>Contractor earns a base fee which does not vary with performance and all or part of an award fee based on subjective evaluation by government of contractor's performance.</p> <p>Amount of the award fee is unilaterally determined by the government and generally is not subject to Disputes Clause.</p> <p>Evaluation of performance and corresponding partial payment of fee made at stated intervals.</p> | <p>Government pays allowable cost and fixed fee.</p> <p>Fixed fee does not vary with actual costs.</p> <p>Fixed fee may be adjusted for changes in work to be performed.</p> <p>Minimum incentive for contractors to control costs.</p> <p>Completion Form: Requires contractor to deliver end product (preferred form).</p> <p>Term Form: Requires specified level of effort over stated period of time.</p> | <p>Cost: Government pays allowable cost, no fee.</p> <p>Cost Sharing: Government pays only a portion of allowable cost as agreed to by both parties. Contractor absorbs portion of the cost with expectation of gaining other benefits from the effort.</p> |
| ELEMENTS | <p>Target Cost Target Fee Sharing Formula Minimum Fee Maximum Fee</p> | <p>Estimated Cost Base Fee Award Fee</p> | <p>Estimated Cost Fixed Fee</p> | <p>Estimated Cost</p> |
| APPLICATION | <p>Development and test where a profit incentive is likely to provide motivation for more effective management.</p> | <p>Level of effort (R&D or Production)</p> <p>Method of proving fee which motivates excellence in such areas as quality, timelines, technical ingenuity, and cost-effective management.</p> <p>Award fee may be used in conjunction with other types of contracts.</p> | <p>Research</p> <p>Preliminary exploration or study.</p> <p>Development and test where CPIF not practical.</p> | <p>Cost: Non-profit institutions/ organizations and facilities contracts.</p> <p>Cost Sharing: R&D efforts with either profit or non-profit contractors.</p> |
| LIMITATIONS | <p>Adjustment in fee is limited by minimum and maximum fees negotiated.</p> | <p>Base Fee shall not exceed 3 percent of estimated cost.</p> <p>Weighted guidelines (for determining profit objective) shall not be applied.</p> <p>Shall not be used in lieu of CPFF or CPIF when objective measurement is feasible.</p> | <p>Fee shall not exceed 15 percent of estimated cost for R&D or 10 percent of estimated cost for other contracts.</p> <p>Price of A/E contract shall not exceed 6 percent of estimated cost of the public work or utility project.</p> | <p>Cost Sharing: Not applicable for effort specified by government or that has only minor relevance to commercial activities of the contractor.</p> |
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Contract Types

| OTHER TYPES SPECIAL USES | | | |
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| Time and Materials Labor Hours | | Letter CONTRACT | INDEFINITE DELIVERY |
| DESCRIPTION | <p>Government pays fixed hourly rate for supplies or services. With contractor furnished material. Provided at cost.</p> <p>Labor Hours differs only in that no material is supplied by contractor.</p> | <p>Preliminary contractual instrument that authorizes immediate commencement of effort.</p> <p>Method of payment corresponds to type of contract contemplated when definitized</p> | <p>Definite Quantity: Provides for definite quantity of specified supplies or services for a fixed period with deliveries at designated locations upon order</p> <p>Requirements: Provides for furnishing all actual requirements of specified supplies or services during a specified period as ordered by designated activities</p> <p>Indefinite Quantity: Provides for furnishing indefinite quantities of specified supplies or services during a specified time but government must order a stated minimum quantity.</p> |
| ELEMENTS | <p>Hourly labor rate Ceiling Price</p> | | <p>Firm Fixed Price, Fixed Price with EPA, or Price Redetermination</p> |
| APPLICATION | <p>Engineering and design services, repair, maintenance, or overhaul, emergency situations</p> | <p>When interests of national defense demand that work commence immediately and insufficient time available to negotiate a definitive contract</p> | <p>Definite Quantity: Where definite quantity of supplies or services required during a specified period are readily available</p> <p>Requirements: When impossible to determine in advance the precise quantities needed during a definite period of time</p> <p>Indefinite Quantity: Same as requirements but government is only committed to minimum quantity</p> |
| LIMITATIONS | <p>Determination that no other type of contract is suitable</p> | <p>Written determination that no other type suitable</p> <p>Price ceiling required if award based on price competition</p> <p>Must be defined within 180 days or prior to completion of 40% of work</p> <p>Maximum government liability cannot exceed 50% of estimated cost at outset</p> | |
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