

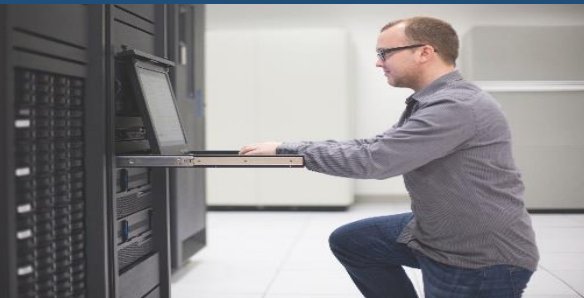


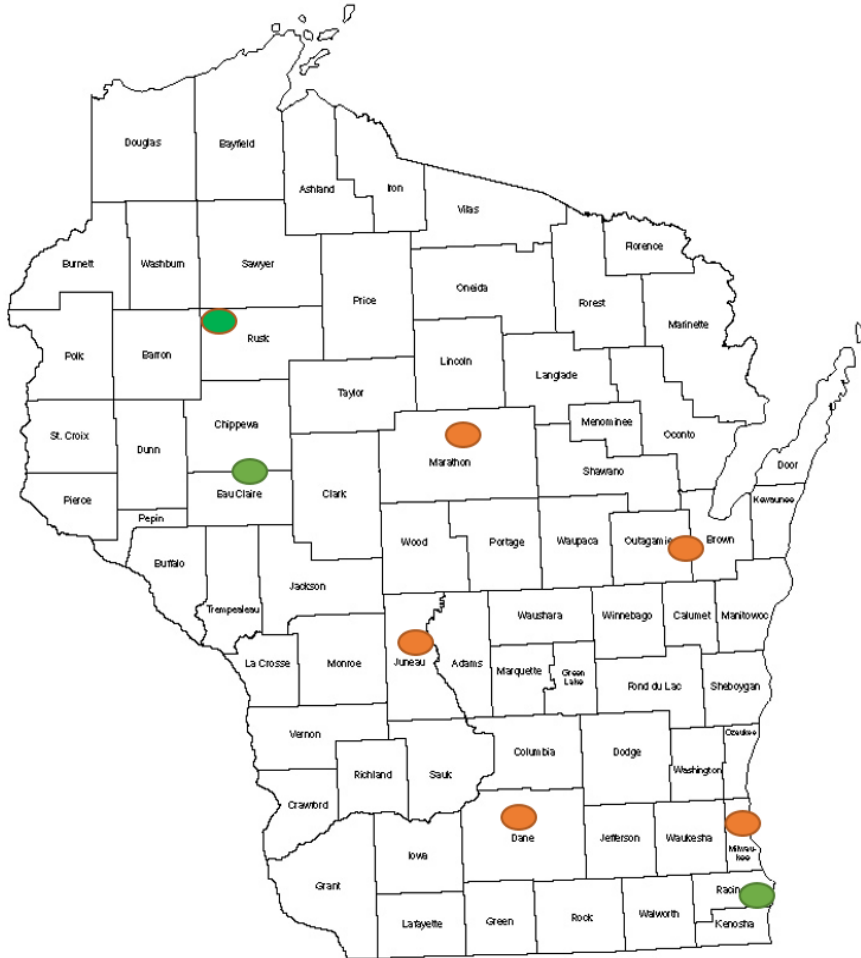
Wisconsin
Procurement
Institute

A Procurement Technical
Assistance Center (PTAC)

FEDERAL GOVERNMENT CONTRACT TYPES

April 2017





LOCATIONS:

- **Primary office – Milwaukee** - Technology Innovation Center
- **Staffed Satellite offices**
 - Madison** (FEED – Food Enterprise & Economic Development / MEC – Madison Enterprise Center)
 - Camp Douglas** (Juneau County Economic Development Corporation)
 - Wausau** (Wausau Regional Chamber of Commerce)
 - Appleton** (Fox Valley Technical College)
- **Active Partnerships**
 - Racine** – LaunchBox
 - Eau Claire** - Western Dairyland
 - Ladysmith** – Indianhead Community Action

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WPI'S CURRENT NEWSLETTER

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UPCOMING EVENTS

FEBRUARY 7 2017
ACQUISITION HOUR: THE HUBZONE PROGRAM -
CERTIFICATION BENEFITS AND NEW REGULATIONS

FEBRUARY 7 2017
ACQUISITION HOUR – OVERVIEW OF DIBBS

FEBRUARY 14 2017
ACQUISITION HOUR – THE CONTRACTOR
PURCHASING SYSTEM REVIEW (CPSR) SERIES PART 2
OF 4

FEBRUARY 15 2017
FEDERAL ACQUISITION REGULATIONS (FAR) REVIEW -
SESSION 1: ORIENTATION

FEBRUARY 15 2017
WHAT IT TAKES TO WIN – SELLING TO STATE AND
LOCAL GOVERNMENTS
MILWAUKEE, WI »

CURRENT OPPORTUNITIES (3)

GET STARTED WITH THE BASICS

Questions & answers on how to get started.

[GET STARTED](#)

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HAVE A QUESTION? WE'RE HERE TO HELP.

One of our staff of experts is available to answer your questions.

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What we will Cover Today

Contract Types

Firm Fixed Price

Cost Reimbursement

Incentive Fee

Other Contract Types

Purchase Card Orders



Contract Types

- A wide selection of contract types is available for the contracting officer to use to provide needed flexibility in acquiring the supplies and services the Government requires.
- Contract types vary according to the degree and timing of the responsibility assumed by the contractor for the cost of performance and the amount and nature of the profit incentive offered to the contractor for achieving or exceeding specified standards or goals.

Fixed Price

- Fixed-price types of contracts provide for a firm price or, in appropriate cases, an adjustable price.
- Time-and-materials contracts and labor-hour contracts are not fixed-price contracts.
- This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss.

Fixed Price

- Firm Fixed Price Contracts are used when:
 - (a) There is adequate price competition;
 - (b) There are reasonable price comparisons with prior purchases of the same or similar supplies or services made on a competitive basis or supported by valid certified cost or pricing data;
 - (c) Available cost or pricing information permits realistic estimates of the probable costs of performance; or
 - (d) Performance uncertainties can be identified and reasonable estimates of their cost impact can be made, and the contractor is willing to accept a firm fixed price representing assumption of the risks involved.

Fixed Price with Economic Price Adjustment

- A fixed-price contract with economic price adjustment provides for upward and downward revision of the stated contract price upon the occurrence of specified contingencies. Economic price adjustments are of three general types:
 - *Adjustments based on established prices.*
 - *Adjustments based on actual costs of labor or material.*
 - *Adjustments based on cost indexes of labor or material.*

Fixed Price with Economic Price Adjustment

- A fixed-price contract with economic price adjustment may be used when
 - (i) there is serious doubt concerning the stability of market or labor conditions that will exist during an extended period of contract performance, and
 - (ii) contingencies that would otherwise be included in the contract price can be identified and covered separately in the contract.

Cost Reimbursement

- Cost Types:
 - Cost – cost reimbursement contract in which the contractor receives no fee.
 - Cost Sharing – cost reimbursement contract in which the contractor receives no fee and is reimbursed only for an agreed-upon portion of its allowable costs
 - Cost Plus Incentive Fee – cost reimbursement contract that provides for an initially negotiated fee to be adjusted later by a formula based on the relationship of total allowable costs to total target costs
 - Cost Plus Award Fee – cost reimbursement contract that provides for a fee consisting of a base amount and an award amount
 - Cost Plus Fixed Fee – cost reimbursement contract that provides for payment of a negotiated fee that is fixed at the inception of the contract.

Cost Reimbursement

- Cost-reimbursement types of contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the contracting officer.
- Can be used when:
 - (1) Circumstances do not allow the agency to define its requirements sufficiently to allow for a fixed-price type contract; or
 - (2) Uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract.
- NOT used for Commercial Items

Incentive Contracts

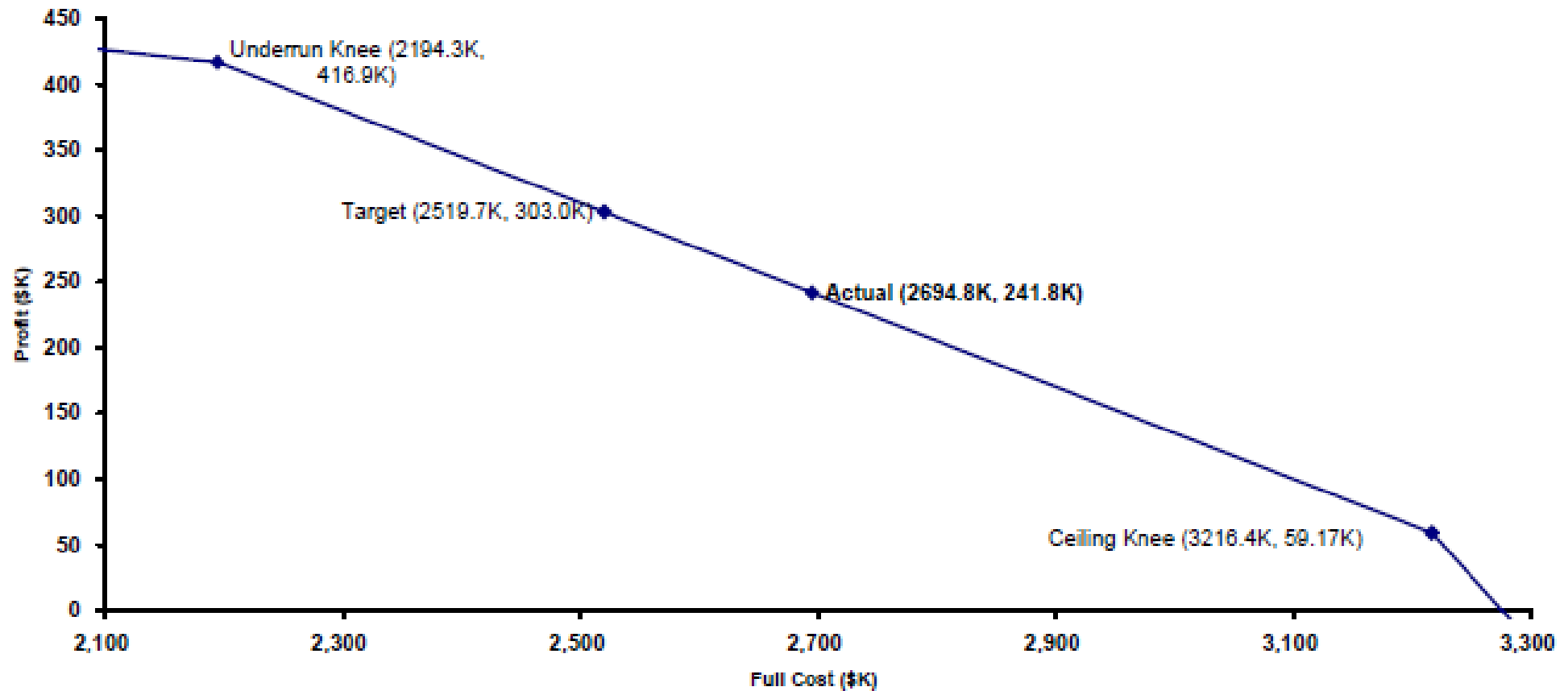
- When is an Incentive contract appropriate?
 - Incentive contracts as described in this subpart are appropriate when a firm-fixed-price contract is not appropriate and the required supplies or services can be acquired at lower costs and, in certain instances, with improved delivery or technical performance, by relating the amount of profit or fee payable under the contract to the contractor's performance.
 - Two types – fixed price incentive contracts and cost-reimbursement incentive contracts

Incentive Contracts

FAR allows several fee arrangements:

- Predetermined, formula-type incentives
 - Cost incentives
 - Performance Incentives
 - Delivery Incentives
- Award Fee
 - Used when other incentives are not specifically measurable
 - Award Fee Board must be established
- Fixed-Price Incentive Contract
 - Firm Target
 - Successive Target

Example: Incentive Fee – Cost Based



Indefinite Delivery Contracts

- Indefinite Delivery Contracts permit Government stocks to be maintained at minimum levels, and direct shipment to users and can offer flexibility in both quantities and delivery scheduling and ordering of supplies or services after requirements materialize
- Types Include
 - Definite quantity: A specified quantity will be ordered for a fixed period, however, the government will determine when to deliver
 - Requirements: Government will order all requirements during a specified contract period from one contractor. No minimum guarantee.
 - Indefinite Quantity (IDIQ): Government will determine how many and when to deliver. Government must order stated minimum quantity. Contract expires when maximum quantity is ordered or contract period expires.

Time and Material (T&M)

- Time and Material (T&M)
 - Direct Labor Hours at a negotiated fixed rate per hour.
 - Non-Labor
 - Materials are charged at cost (raw cost + allocable handling costs)
 - Other Direct Costs i.e. Travel & Per Diem
 - Applicable indirect costs

Labor Hour

- Labor Hour
 - Similar to T&M but no materials are necessary.

Agreements

- Basic agreement: written instrument of understanding that contemplates separate future contracts. Often allows for several contracting groups to place contracts referencing it.
- Basic Ordering Agreement (BOA): Similar to the Basic Agreement, authorizes orders to be placed referencing the T&C's, but may require pricing to be provided/negotiated for the material/ services at the time required.
- Neither a Basic Agreement or a BOA is a contract.

Letter Contracts

- Written preliminary contractual instrument that authorizes the contractor to begin performing immediately
- Allows effort to commence while final contract is definitized
- Must contain maximum liability of the Government (an overall price ceiling)

Purchase Card Orders

- Small dollar simple requirements are generally made through the use of a Government Purchase Card (credit card) based on the thresholds below.
 - Supplies under \$3,500
 - Services under \$2,500
 - Construction under \$2,000
- End users/program staff use the credit card as both the method of purchase and the method of payment.
- Called micro-purchases.

Contract Type by Risk

Govt. Risk	High Risk ←————→ Low Risk					
Contractor Risk	Low Risk ←————→ High Risk					
Requirement Definition	Loosely Defined ←————→ Highly Defined					
Production Stages	Concept Studies / Basic Research	Exploratory Development	Test Demonstration	Full Scale Development	Full Production	Follow-on Production
Contract Type	Various Cost Reimbursement Contracts	CPFF CPAF	CPIF, CPAF, FPIF	CPIF, FPIF or FFP	FFP, FPIF or FPEPA	FFP, FPIF or FPEPA

Resources:



- FAR: <https://www.acquisition.gov/?q=browsefar>
- Air Force FAR: <http://farsite.hill.af.mil/>
- Acquisition.gov is: <https://www.acquisition.gov/>
- Wisconsin Procurement Institute –
Phone: 414-270-3600 www.wispro.org

Questions?

Continuing Professional Education



CPE Certificate available, please contact:

Benjamin Blanc

benjaminb@wispro.org

Upcoming Events

- ***Acquisition Hour Live Webinar Series - Tuesdays and Wednesdays***
- ***Federal Acquisition Regulation (FAR) Review Session Webinar – Wednesday Evenings***
- ***What it Takes to Win – Writing an Effective Proposal – April 6, 2017 – Milwaukee, WI***
- ***Fort McCoy Acquisition Open House Forum – April 18, 2017 – Fort McCoy, WI***
- ***Growing New Customers with Government Contracting – Woman Owned Business Programs - April 20, 2017 – Milwaukee, April 25, 2017 – Madison, April 27, 2017 – Eau Claire, WI***
- ***Government Contracting Opportunities for Small Businesses – May 2 & 3, 2017 – Crandon, WI, May 23, 2017 – Florence, WI, June 13, 2017 – Superior, WI***
- ***5th Annual U.S. Department of Veterans Affairs Business Conference – May 10, 2017 – Milwaukee, WI***
- ***DOD Contractor Business System Requirements Critical to Contractor Success – May 17, 2017 – Wauwatosa, WI***
- ***14th Annual Women’s Business Conference – June 8, 2017 – Eau Claire, WI***
- ***Doing Business with the National Park Service - June 14, 2017 – Ashland, WI***
- ***11th Annual Volk Field Small Business Conference – June 27 – 28, 2017 – Camp Douglas, WI***

For Assistance or Additional Information - Contact

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