

TYPES OF FEDERAL CONTRACTS ACQUISITION HOUR WEBINAR

DECEMBER 3, 2019



WEBINAR ETIQUETTE

PLEASE

- Log into the GoToMeeting session with the name that you registered with online
- Place your phone or computer on MUTE
- Use the CHAT option to ask your question(s).
 - We will share the questions with our guest speaker who will respond to the group

THANK YOU!

ABOUT WPI SUPPORTING THE MISSION

**Celebrating 32 Years of
serving Wisconsin Business!**

Assist businesses in creating, developing and growing their sales, revenue and jobs through Federal, state and local government contracts.

- **INDIVIDUAL CONSELING** – At our offices, at clients facility or via telephone/GoToMeeting
- **SMALL GROUP TRAINING** – Workshops and webinars
- **CONFERENCES** to include one on one or roundtable sessions

Last year WPI provided training at over 100 events and provided service to over 1,200 companies

WPI is a Procurement Technical Assistance Center (PTAC) funded in part by the Defense Logistics Agency (DLA), WEDC and other funding sources.

WPI OFFICE LOCATIONS

▪ MILWAUKEE

- *Technology Innovation Center*

▪ MADISON

- *FEED Kitchens*
- *Dane County Latino Chamber of Commerce*
- *Wisconsin Manufacturing Extension Partnership (WMEP)*
- *Madison Area Technical College (MATC)*

▪ CAMP DOUGLAS

- *Juneau County Economic Development Corporation (JCEDC)*

▪ STEVENS POINT

- *IDEA Center*

▪ APPLETON

- *Fox Valley Technical College*

▪ OSHKOSH

- *Fox Valley Technical College*
- *Greater Oshkosh Economic Development Corporation*

▪ EAU CLAIRE

- *Western Dairyland*

▪ MENOMONIE

- *Dunn County Economic Development Corporation*

▪ LADYSMITH

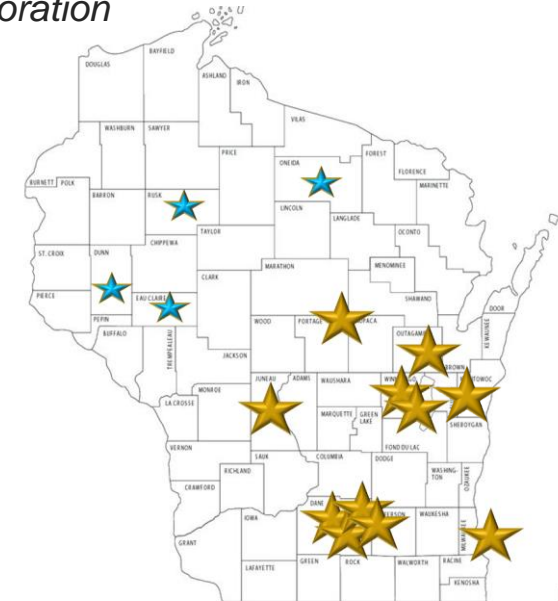
- *Indianhead Community Action Agency*

▪ RHINELANDER

- *Nicolet Area Technical College*

▪ GREEN BAY

- *Advance Business & Manufacturing Center*





WHAT WE WILL COVER TODAY

- Contract Types- Categorized by Price
 - Firm Fixed Price
 - Cost Reimbursement
 - Time & Materials
- Contract Types – Categorized by Structure
 - Base Contract with Option Periods
 - Indefinite Delivery Contracts
 - Letter Contracts
 - Basic Ordering or Purchasing Agreements

CONTRACT TYPES CATEGORIZED BY PRICE

FIXED PRICE

Most common types of federal fixed price contracts:

- Firm Fixed Price (FFP)
- Fixed Price with an Economic Adjustment (FFP EPA)
- Fixed Price with Award Fee
- Fixed Price with Incentive Fee

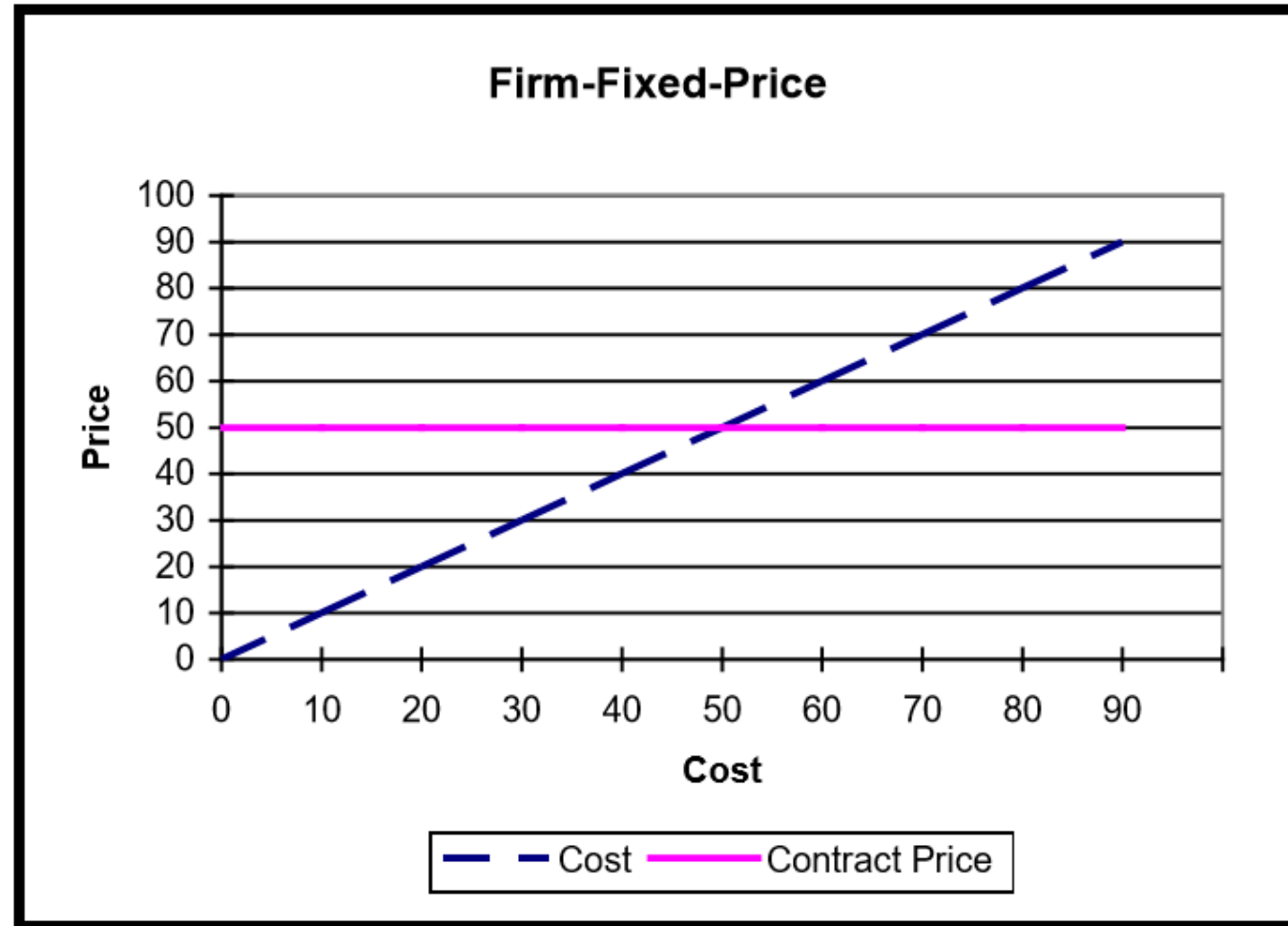
FIRM FIXED PRICE

- Price is firm and fixed - Not adjustable solely based on contractor's cost
- Used when clear requirements and prices can be established at the outset.
- Contractor bears the risk and liability for cost overruns
- Contractor gets the benefits of decreased costs of performance (i.e. cost underruns).

FIRM FIXED PRICE - EXAMPLE

EXAMPLE:

Firm Fixed Price
- \$50



FIXED PRICE WITH AN ECONOMIC PRICE ADJUSTMENT

Prices will be adjusted upward or downward based upon:

- Cost indexes
- Published/established price of a specific item
- Actual costs of specified labor or specified material

(Note: Contract may have ceiling or cap on upward adjustment.)

Used when:

- There is doubt about stability of the market or labor conditions, and
- Contingencies can be identified and covered in the contract

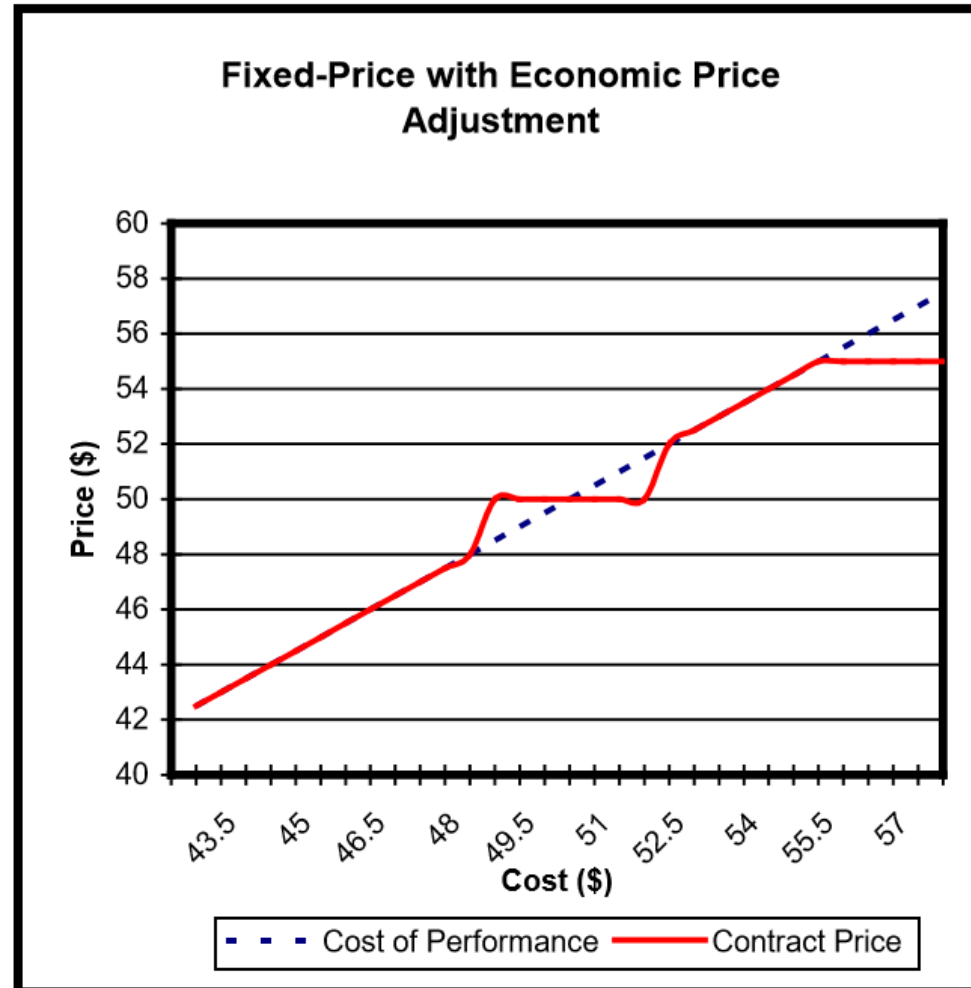
FIXED PRICE WITH ECONOMIC PRICE ADJUSTMENT - EXAMPLE

EXAMPLE:

Fixed Price = \$50

An adjustment will be made if the change in qualifying costs exceed 3% of the contract price.

Contract provides that the maximum adjustment upward is capped at \$5.



FP EPA – SAME EXAMPLE

(ORIGINAL FP = \$50, ADJUSTMENT IF FLUCTUATION > 3% OR \$1.50, CEILING = \$55)

due to fluctuations covered by EPA clause, the Contractor incurs costs of:	Then the Contractor is entitled to payment of:	Explanation
\$43	\$43	\$50 minus EPA \$7
\$47	\$47	\$50 minus EPA \$3
\$49	\$50	EPA = \$0. Reduction < 3%
\$51	\$50	EPA = \$0. Increase < 3%
\$53	\$53	\$50 + EPA \$3
\$56	\$55	\$50 + EPA \$5. Price capped at \$55

FIXED PRICE WITH AWARD FEE – AN INCENTIVE TYPE CONTRACT

The Contractor receives:

- a negotiated fixed price (which includes normal profit) for satisfactory performance, and
- an award fee for performance that is better than satisfactory

The Contractor may only get a percentage of the award fee. (e.g. 50% of award fee for very good performance, 100% of award fee for outstanding performance.)

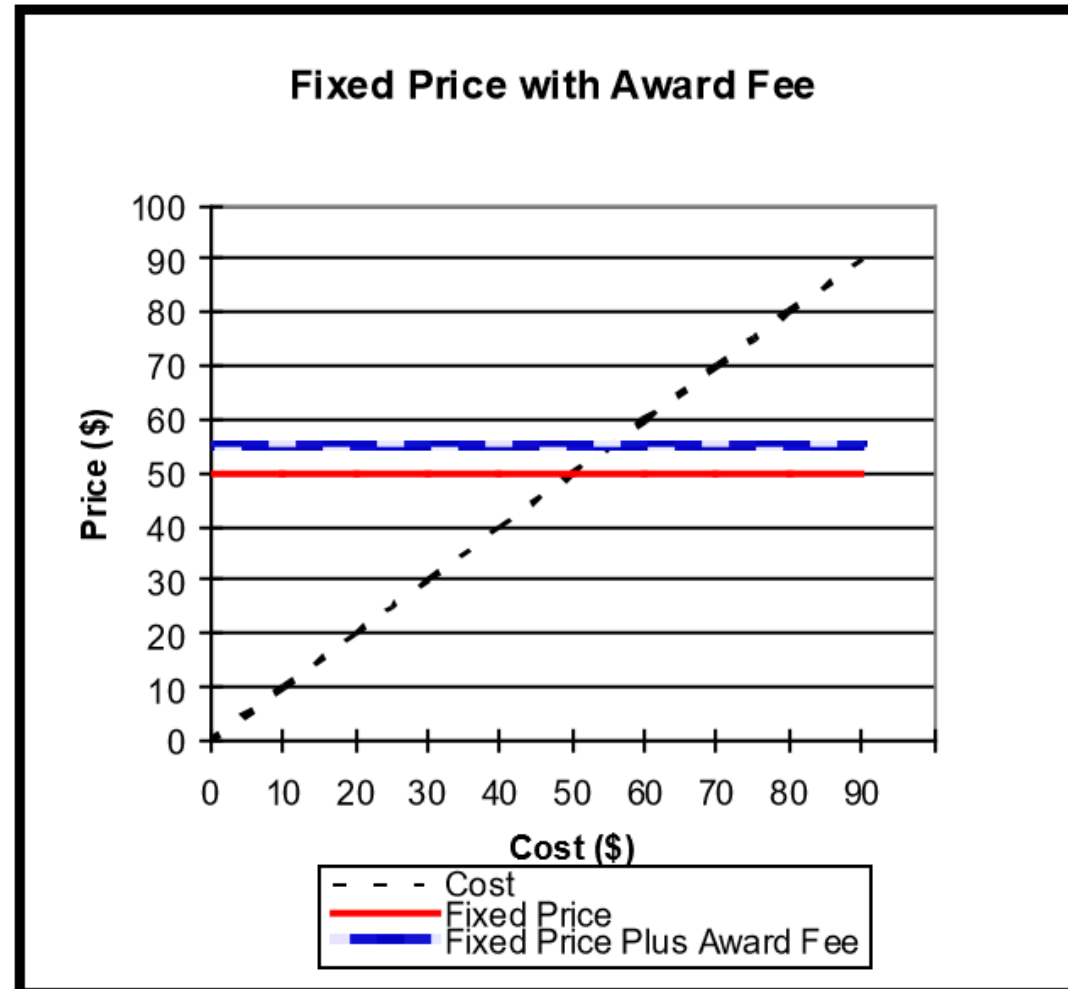
FIXED PRICE AWARD FEE - EXAMPLE

EXAMPLE:

Fixed Price= \$50

Potential award fee- up to \$5

Total Price for this Contract will be between \$50 and \$55.



FIXED PRICE INCENTIVE FEE

AN INCENTIVE TYPE CONTRACT

Government and Contractor agree upon a firm target cost, a target profit, a fixed ceiling price and a profit adjustment formula.

Final price is determined after performance is completed, when the final cost is determined.

- If final cost < the target cost, then the final profit > the target profit- i.e. the Contractor makes more profit
- If final cost > target cost, then the final profit < the target profit – i.e. the Contractor makes less profit.

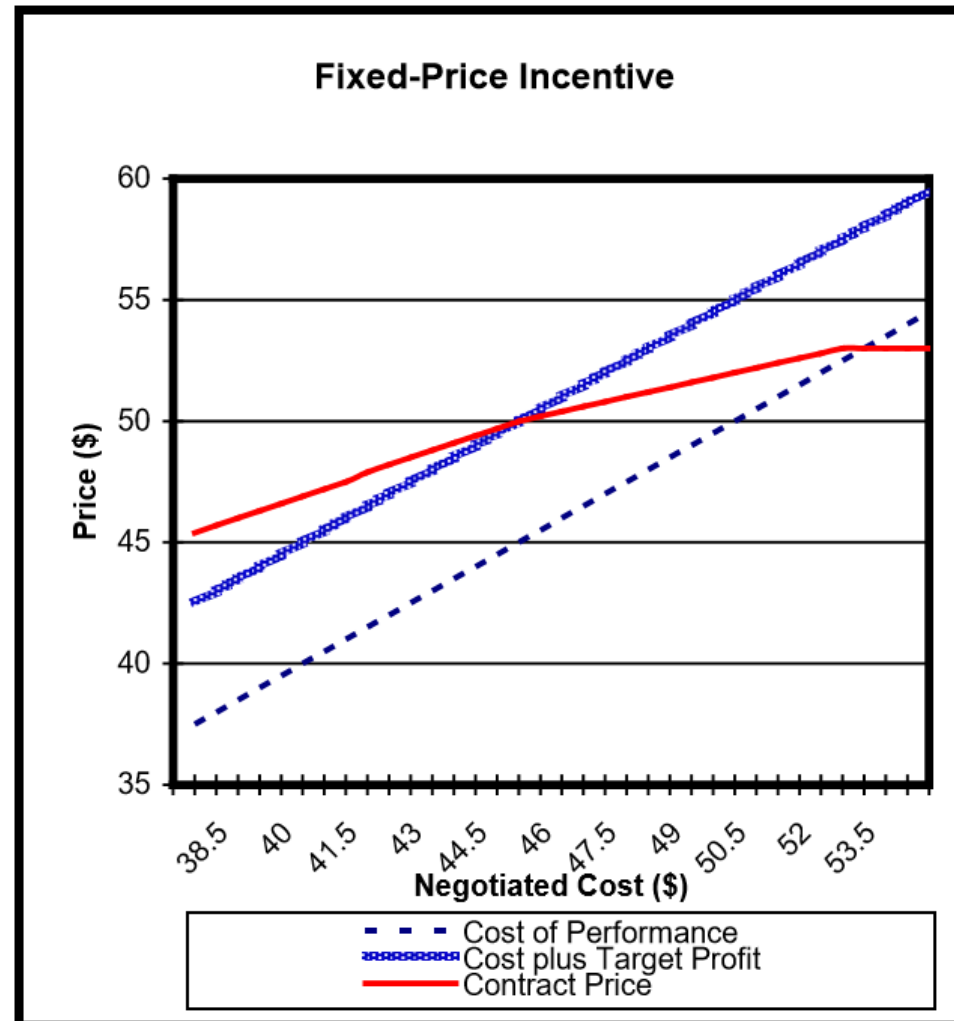
FIXED PRICE INCENTIVE FEE - EXAMPLE

EXAMPLE:

Target cost = \$45,
Target Profit = \$5

Fixed Ceiling Price = \$53

Price Adjustment Formula:
Government will pay 40% of any
cost overrun up to the ceiling
price. Contractor gets 40% of cost
underrun as additional profit.



COST REIMBURSEMENT CONTRACTS

- Two most common types:
 - Cost Plus Fixed Fee
 - Cost Plus Award Fee
- Payment based on allowable incurred costs and profit as specified in contract
- Used when costs cannot be estimated

COST PLUS FIXED FEE (CPFF)

- Contract has a cost ceiling
- The contract price = Contractor's allowable cost plus a fixed fee.
- Used for research or preliminary studies and for development and test contracts

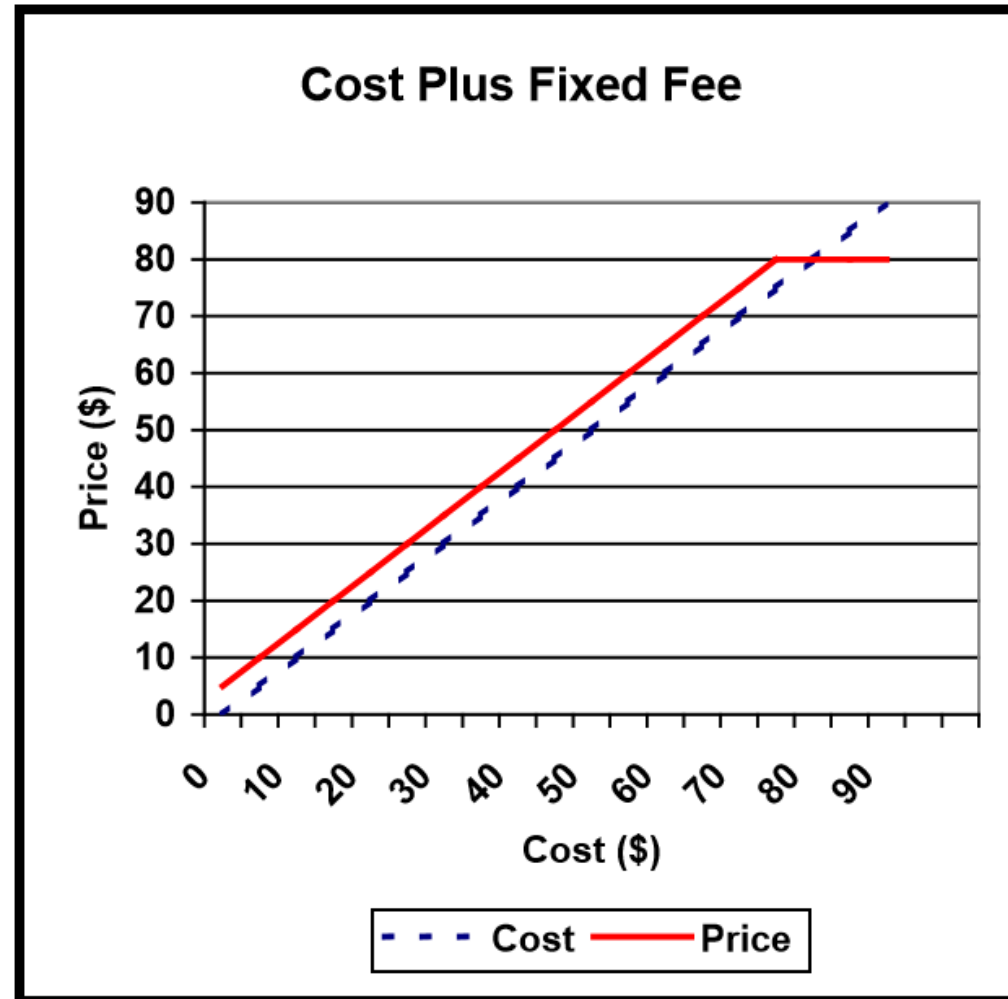
COST PLUS FIXED FEE - EXAMPLE

EXAMPLE:

Estimated Cost at time of
award = \$50

Fixed Fee=\$5

Cost ceiling- \$75.



COST PLUS AWARD FEE

The contract price is the Contractor's allowable cost plus...

- a fixed base fee negotiated and set prior to award, and
- an award fee for performance that is better than satisfactory based upon an established Award Fee Plan.
- The Contractor may only get a percentage of the award fee. (e.g. 50% of award fee for very good performance, 100% of award fee for outstanding performance.)

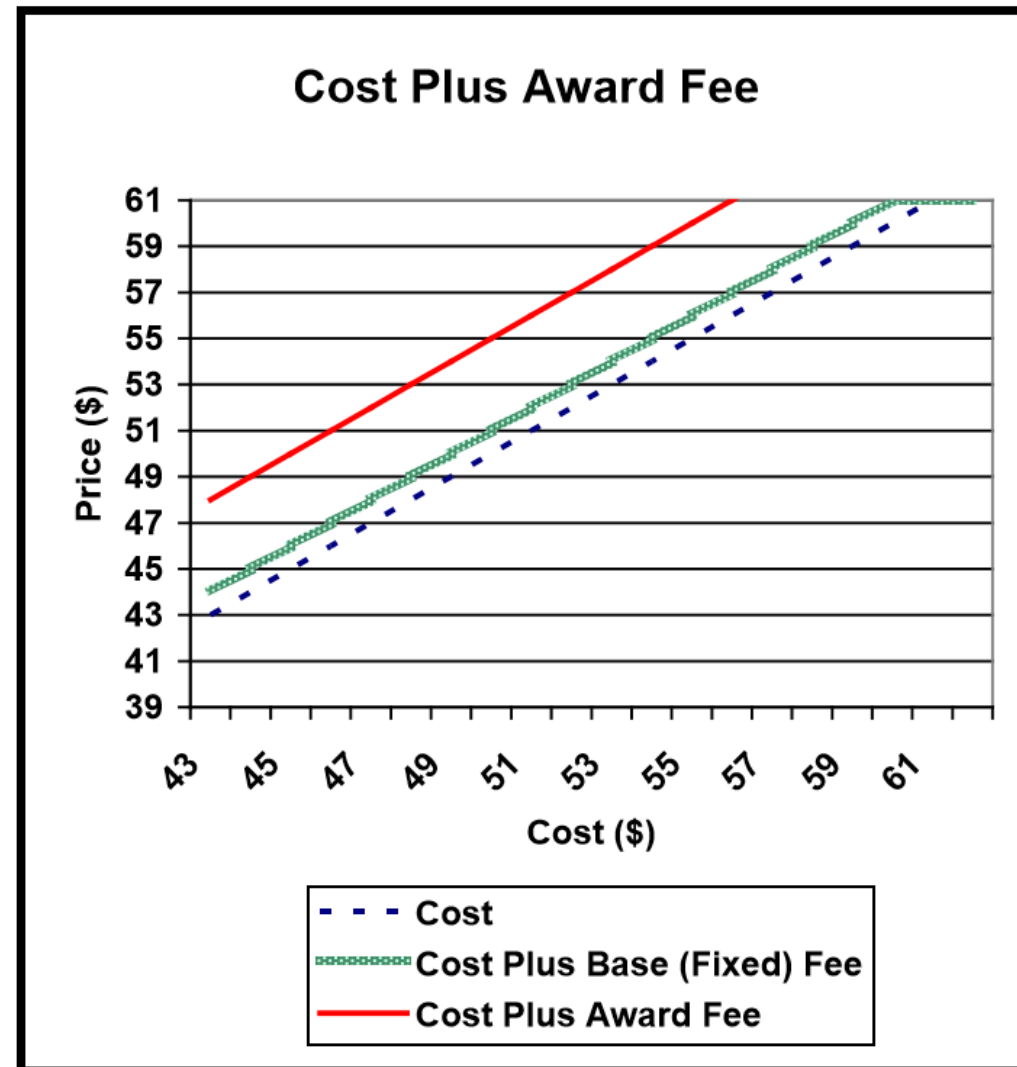
COST PLUS AWARD FEE -EXAMPLE

Example

Estimated Cost at
Time of Award = \$50

Base Fixed Fee = \$1

Potential Award Fee
up to \$4



OTHERS

- Time and Materials (T&M) – Government pays loaded labor rates for hours worked (up to the ceiling price) and pays for materials at cost.
- Labor Hour Contract – Government pays loaded labor rates for hours worked (up to the ceiling price). Any needed materials are government provided.
- Level of Effort Contracts – Government pays for a specific level of effort (i.e. a fixed number of hours) over a specified period of time.

ALLOCATION OF COST RISK

**Higher Government
Risk**

Level of Effort

Time & Materials

Cost Plus Fixed Fee

Cost Plus Award Fee

Fixed Price Incentive Fee

**Fixed Price with Economic Price
Adjustment**

Firm Fixed Price

**Higher Contractor
Risk**

CONTRACT TYPES CATEGORIZED BY STRUCTURE

BASE CONTRACT WITH OPTION PERIODS



- Commonly –involves a one year base period (promised by the government) with up to four option periods
- Option - a unilateral right of the government to extend the contract or to purchase additional services or supplies.
- Generally, the Option must have been evaluated in the initial competition

DEFINITE QUANTITY DEFINITE DELIVERY CONTRACT

- The government promises to order a specified amount of services, supplies or construction.
- The timing of the orders and of delivery or completion is specified in the original Contract.

INDEFINITE DELIVERY CONTRACTS

- The exact time of ordering is not specified in the original Contract.
- Three Types:
 - Definite Quantity/Indefinite Delivery Contracts
 - Requirements Contracts
 - Indefinite Delivery/Indefinite Quantity (IDIQ)

DEFINITE QUANTITY/INDEFINITE DELIVERY CONTRACTS

- Government promises to order a specified quantity of supplies and services during the contract period.
- There is flexibility on when the Government must order – except must be during the contract period
- Delivery Order(s), issued during the contract period, may specify the time(s) of delivery or completion

REQUIREMENTS CONTRACTS

- Government Promises to order all of its requirements from Contractor during the contract period
- Contractor promises to fulfill all of the requirements ordered during the contract period
- Contract must include realistic total estimate of what will be ordered during the contract period.

INDEFINITE DELIVERY/INDEFINITE QUANTITY (IDIQ)

- Flexibility in both Quantity and Delivery Schedules
- Government promises to order a guaranteed minimum during the contract period
- Contractor promises to furnish additional quantities up to a stated maximum during the contract period

LETTER CONTRACTS

- Preliminary contractual document authorizing work to begin immediately with price and other terms to be determined at a later time.
- Used Very Rarely!
- Must specify the maximum government liability which must be superseded by definitive contract IAW the “definitization schedule”.

BASIC ORDERING AGREEMENT (BOA)

- Not a Contract – No binding commitment or promise.
- BOA will contain
 - Terms and conditions,
 - Methods for issuing and delivering any orders,
 - Description of services and supplies that could be ordered, and
 - Methods for pricing orders
- Issued to Multiple Contractors- cannot be used to avoid competition

RESOURCES

RESOURCES

- FAR: <https://www.acquisition.gov/?q=browsefar>
- Federal Business Opportunities – FedBizOpps: <https://www.fbo.gov/>
- Beta.sam.gov: <https://beta.sam.gov/>
- Wisconsin Procurement Institute
 - Phone: 414-270-3600 www.wispro.org

UPCOMING TRAINING & EVENTS

ACQUISITION HOUR LIVE WEBINARS SERIES

▪ December 10, 2019

Cyber Trends, Threats and the Evolving Hacker's Marketplace

[CLICK HERE](#) for additional information

Presented by Marc Violante, Wisconsin Procurement Institute (WPI)

▪ January 15, 2020

Challenges in Estimating Construction Costs

[CLICK HERE](#) for additional information

Presented by Wenbin Yuan, Dakota Intertek Corp.

▪ January 14, 2020

The SBA 8(a) Certification Program

[CLICK HERE](#) for additional information

Presented by Shane Mahaffy, U.S. Small Business Administration (SBA) and Benjamin Blanc, Wisconsin Procurement Institute (WPI)

▪ January 28, 2020

The HUBZone Program – Certification Benefits and Regulations

[CLICK HERE](#) for additional information

Presented by Shane Mahaffy, U.S. Small Business Administration (SBA) and Benjamin Blanc, Wisconsin Procurement Institute (WPI)

ACQUISITION HOUR LIVE WEBINARS SERIES

- February 12, 2020

- Introduction to Certifications Available to Woman Owned Businesses**

- [CLICK HERE](#) for additional information

- Presented by Shane Mahaffy, U.S. Small Business Administration and Kim Garber, Wisconsin Procurement Institute (WPI)

- February 25, 2020

- State and Federal Certifications for Veteran and Service Disabled Veteran Owned Businesses**

- [CLICK HERE](#) for additional information

- Presented by Shane Mahaffy, U.S. Small Business Administration and Mark Dennis, Wisconsin Procurement Institute (WPI)

- February 12, 2020

- Introduction to Certifications Available to Minority Owned Businesses**

- [CLICK HERE](#) for additional information

- Presented by Benjamin Blanc, Wisconsin Procurement Institute (WPI)

« All Events

12TH ANNUAL END OF YEAR FEDERAL CONTRACTOR UPDATE – OSHKOSH, WI

January 23, 2020

Details

Date:

January 23, 2020

Event Categories:

Conference, WPI Events

Organizer

Cassie Hutzler

Phone:

[\(414\) 270-3600](tel:(414)270-3600)

Email:

cassieh@wispro.org

Additional Information

Presented By

National Contract Management
Association (NCMA) WI Chapter
Wisconsin Procurement Institute (WPI)

Event Registration

[Register for Event](#)

Join Wisconsin's Federal contractors for a series of briefings focusing on changes and challenges!

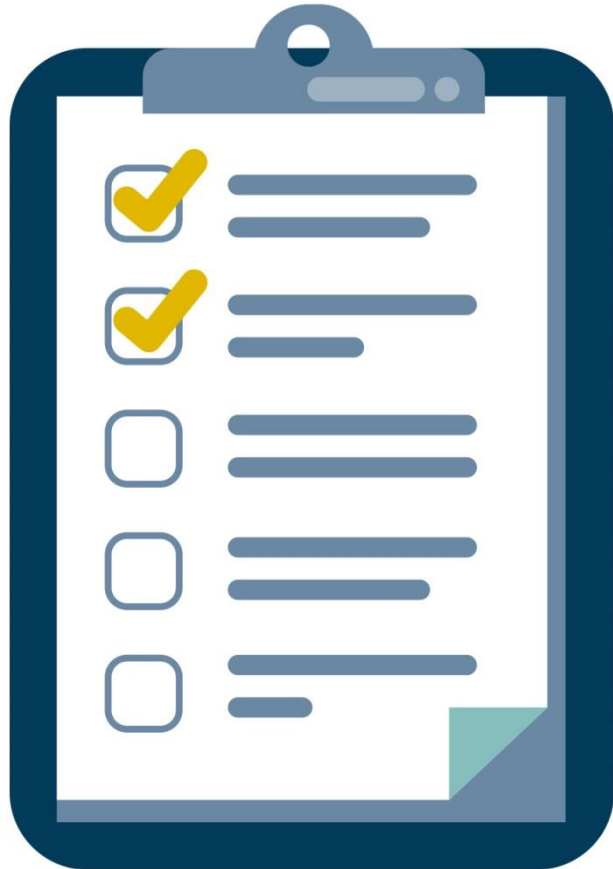
Topics this year will include:

- Contract Management Update
- Federal Case Law Updates
- FAR and DFAR Updates
- Security and Cyber Updates
- Small Business Program Updates
- And more!

QUESTIONS?



SURVEY



CONTINUING PROFESSIONAL EDUCATION



CPE Certificate available, please contact:

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