



## **General Guide To Contract Types For Requirements Officials**

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**GENERAL GUIDE TO CONTRACT TYPES FOR REQUIREMENTS OFFICIALS****I. Introduction**

First there must be an understanding of what a contract is. A contract is a mutually binding legal relationship obligating the seller to furnish the supplies or services and the buyer to pay for them. It includes all types of commitments that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. Thereby, a contract sets up arrangements that are clear and certain regarding the relationship and performance requirements of the parties involved. In the case of a government contract, when an agency desires to procure goods and services, a contract is the appropriate method of mutually binding the parties to their promise. The Federal Acquisition Regulations (FAR) governs the use of the many types of government contracts.

The purpose of this document is to provide general guidance regarding contract types as described under FAR Part 16. This guide is not intended to supersede information contained in the FAR.

There are different meanings associated with the term “contract type.” In one sense, it signifies different compensation arrangements, of which there are many. However, most compensation arrangements fall into two major groups: cost reimbursement or fixed price. In another sense, the term “contract type” is used to signify differences in contract structure or form. For example, this structure could be a letter contract, purchase order, performance-based, completion, or term contract. Finally, the term “contract type” is used to identify an intended end purpose. Examples of this would be contracts such as, management and operating, research and development, and supply. Consistent with the FAR, this guide focuses on compensation and contract structure to describe “contract type.” However, none of these connotations is mutually exclusive, as a contract represents each of these terms. Together, these “contract types” will help ensure the success of a contract.

A wide selection of contract types is available to the Department of Energy (DOE) and its contractors to provide flexibility in acquiring the large variety and volume of supplies and services needed by DOE to fulfill and support its mission. However, no single contract type is right for every contracting situation. Selection must be made on a case-by-case basis, considering many programmatic, performance and financial factors. The goal is to select the contract type that will result in the most optimum business arrangement between the parties.

**II. The Selection of Contract Type**

In Federal procurement, the Government sets out the type of contract in the terms and conditions of the solicitation. In non-competitive procurements and in a limited number of negotiated procurements, the contractor may be given an opportunity to propose different types of contracts than contemplated by the Government. The selection of the contract type should give the contractor an incentive to perform efficiently and effectively. Thus, selecting the appropriate contract type affects the Government’s ability to obtain fair and reasonable prices.

### **III. Contracting Officer Responsibility for Selecting the Type of Contract**

The Contracting Officer is responsible for selecting the appropriate contract type. However, in most instances the requirements initiator will be responsible for drafting the Statement of Work (SOW) and other technical/performance requirements. Requirements personnel, familiar with the technical requirements and degree of uncertainties in the SOW, are in an important position to provide the Contracting Officer with information critical to the contract type selection. Thus, their responsibilities are viewed as an integral part of the procurement process. Expenditures for goods and services is seen not simply as the business of contracting personnel, but also that of the requirement officials who initiate and use the goods and services obtained.

### **IV. How the Statement of Work Influences the Contract Type**

The SOW is the key element in deciding the selection of a contract type. The level of detail, clarity, and identification of performance objectives and expectations in the SOW drive all other conditions of the contract, from pricing structure, to the contractor's entitlement to payment, and to the level of contract administration. That said, the greater the degree to which the Government can articulate its needs accurately and clearly, the greater the likelihood that the contractor will accept greater performance and cost risk associated with a particular type of contract.

The types of questions to be addressed when the Statement of Work is being prepared:

- What is the risk associated with contract performance?
- Can the job be done?
- What are the technical, environmental, regulatory, schedule and financial risks?
- Can the man hours and type of labor required for performance be estimated with any degree of assurance?
- Can the required equipment and material be estimated with any degree of assurance?
- Are there unknown site conditions?
- What is the quality of Government Furnished Services and Information?

When there is little or no performance risk or the degree of risk can be predicted with an acceptable degree of certainty, a firm fixed price contract is preferred. However, when uncertainties are significant, other types of fixed price or cost type contracts should be considered. To award a fixed price contract when the effort has significant uncertainties may result in an eventual higher price, through later financial claims by the contractor.

### **V. Categories of Contract Types:**

Basically, there are two major compensation categories of contracts: fixed-price and cost reimbursement. Within these categories are firm fixed price at one end and cost plus fixed fee at the other end. In between are various compensation/profit structures providing for varying degrees of contractor responsibility, depending upon the degree of uncertainty involved in contract performance. Selection of contract type is the principal method of allocating cost and performance risk between the Government and the contractor. When performance risk to the contractor is minimal or can be predicted with an acceptable degree of certainty allowing for

reasonable cost estimates, a firm fixed price contract is preferred. However, as uncertainties increase, other fixed price or cost type contracts must be used to mitigate these uncertainties and avoid placing too great a cost risk on the contractor. These two major compensation categories of fixed price and cost reimbursement, with the various types of fixed price and cost reimbursement contracts contained therein, are presented below. Additionally, a listing is also provided of other contracts that do not fit within the categories of fixed price and cost reimbursement contracts, but fit within the meaning of contract structure or form.

#### **VI. Contract Type Preference:**

Generally, a firm fixed price type contract is the most preferred and cost reimbursement type contracts the least preferred. However, selecting a contract should be tailored to the unique circumstances of each individual case with the exception of sealed bidding. Sealed bidding must be either firm fixed priced, or fixed priced with economic price adjustments.

#### **VII. Motive:**

Compensation/Profit is in most cases the basic motive of business enterprise. However, there are situations, particularly in the early stages of research and development, in which the profit motive may be secondary. Both the DOE and its contractors should be concerned with harnessing the appropriate motive to work for an effective and economical contract performance. Therefore, parties should seek to negotiate and use the contract type best suited to stimulate outstanding performance. Proper application of these objectives on a contract-by-contract basis should normally result in a range of contract types.

#### **VIII. Incentives:**

DOE has found incentive techniques to be particularly useful to enhance contractor performance for a wide variety of work requirements, but especially those with clear performance objectives, such as with respect to DOE closure sites. These sites lend themselves to defining work in measurable, mission-related terms. This allows for performance standards (i.e., quality, quantity, timeliness) to be tied to performance requirements. Under performance-based contracting, all aspects of an acquisition are structured around the purpose/objective of work to be performed, as opposed to the manner in which it is performed. It is designed to ensure that contractors are given freedom to determine how to meet the government's performance objectives, how appropriate performance quality levels are achieved, and that payment is only made upon achieving these levels. The key to success regarding the use of incentives in meeting technical, schedule and cost baselines is the intelligent selection of appropriate objective measures to accurately gauge the contractor's achievement of contract performance objectives. It is thus necessary, under performance-based contracts, to establish a Government quality assurance plan that describes how contractor performance will be measured against the performance standards.

## **IX. Contract Type Categories**

### **A. Compensation Type:**

• Under a fixed-price contract the contractor must deliver the product or perform the service for a pre-set firm fixed price or ceiling established in the contract. This contract type places upon the contractor maximum risk, full responsibility for all costs and resulting profit or loss, provides maximum incentive for the contractor to control costs and perform effectively, and imposes a minimum administrative burden upon the contracting parties. There are various types of fixed price contracts. The following are variations of fixed price contracts used in Government contracting:

- Firm-Fixed-Price Contracts (FFP)
- Fixed-Price Contracts with Economic Price Adjustments
- Fixed-Price Incentive Contracts (FPI)
  1. Fixed-Price Incentive (Firm Target) Contracts
  2. Fixed-Price Incentive (Successive Targets) Contracts
- Fixed-Price Contracts with Prospective Price Redetermination
- Fixed-Price Contracts with Retroactive Price Redetermination
- Firm-Fixed-Price, Level-of-Effort Term Contracts (FP/LOE)

• Under a cost-reimbursement contract, the contractor agrees to expend its best efforts to achieve the specified requirement, within the estimated amount established in the contract. If the contract is not fully performed at the time the contractor expends the funds, the contractor has no obligation for further performance, unless the contract is modified to increase the funds. Cost reimbursement contracts include the following:

- Cost Contracts
- Cost-Sharing Contracts
- Cost-Plus-Incentive-Fee Contracts (CPIF)
- Cost-Plus-Award-Fee Contracts (CPAF)
- Cost-Plus-Fixed-Fee Contracts (CPFF)

### **B. Structure Type:**

• There are other contract types that do not fall easily into only one of the two primary categories of fixed-price and cost-reimbursement contracts. These contracts are as follows:

- Performance-Based Contracts
- Indefinite-Delivery/Quantity Contracts (IDIQ)
- Definite-Quantity Contracts
- Requirements Contracts
- Time-and-Materials & Labor-Hour Contracts (T&M)
- Letter Contracts
- Basic Agreements (BA)
- Basic Ordering Agreements (BOA)

- Blanket Purchase Agreements (PBA)
- Task Orders
- Government Wide Acquisition Contracts (GWAC)
- Federal Supply Schedule Buys

## **X. Risk Factors Considered In Determining the Appropriate Type of Contract**

The contract type should be commensurate with the level of risk in performance of the SOW. The objective in selection of contract type should be to establish the pricing arrangement that is most likely to produce a fair and reasonable price for performing a given SOW. Weighing cost and technical risks and consciously assigning them to either the Government or the contractor achieve this. If too much risk is assigned to the contractor, then there will be excessive pricing contingencies included to cover the high level of risk. If, on the other hand, not enough risk is left for the contractor, then there will be little or no incentive for exercising management skill to perform efficiently and thereby control costs. Therefore, it is essential that Government officials fully understand the risk factors that should be considered when determining the contract type. These factors are as follows:

- **Type And Complexity of the Requirement:** Requirements that are complex and unique to the Government create the likelihood of changes in technical direction and for performance uncertainties, normally placing greater risk assumptions on the Government. Therefore, greater uncertainties would likely result in cost reimbursement type contracts as this type of arrangement shifts cost risk from the contractor to the government. As requirements recur, they allow for a substantial degree of certainty related to achieving the objectives of the requirement. In this case, cost risk should shift to the contractor, creating the potential for a fixed price type contract. An example of a requirement that might be best suited for a cost type contract is a contract for management and operation of government facilities where program requirements and funding greatly fluctuates year to year. In contrast, certain facilities may have operations/requirements with stable performance history that may make it suitable for a fixed price type contract.
- **Urgency Of The Requirement:** If urgent, the Government may have to assume a greater proportion of risk, or offer incentives to ensure timely contract performance. An example of an urgent need that may be appropriate for a cost type contact may be the continued of operation of a facility assumed from a defaulted contractor.
- **Period Of Performance:** When the contract period extends over a relatively long period (greater than 5 years), it is difficult for both DOE and the contractor to establish accurate contract value and cover all contingencies in performance. The longer the time of performance, the risk of performance and budget levels increase. Consideration should be given to the use of economic price adjustment terms or other re-pricing mechanism.
- **Technical Capability:** Consideration should be given to: “has this type of effort done before?” Is the technical requirement well defined, or is this a new state of the art requirement? This will determine the level of contractor technical capability necessary to execute contract requirements. For example, meeting technical requirements that require a high degree of technical capability

may have a greater risk to achieve in an effective and efficient manner, and is a consideration when determining the contract type.

- **Financial Capability:** Consideration should be given to a contractor's financial risk. For example, smaller firms with limited expertise may not have the financial backing to accomplish the requirement in a timely and efficient manner.

- **Performance/Cost Incentives:** Incentives may be considered when realistic, measurable targets can be set out in the statement of work and successful project performance identified. In order for realistic and measurable targets to be developed, good technical, schedule and cost baselines are essential. Government technical personnel must be able to monitor contractor performance and make timely decisions on technical matters. A combination of performance and cost incentives should be used as applicable.

- Performance incentives should be considered when the Government desires improvements in performance.

- Cost incentives should be used to motivate the contractor to effectively manage costs.

- **Adequacy of the Contractor's Accounting System:** Before reaching a decision regarding a contract type other than firm-fixed-price, the contracting officer shall ensure that the contractor's accounting system will permit timely tracking and reporting of necessary cost data in the form required by the proposed contract type. This factor may also be critical when a fixed price type contract requires price revision while performance is in progress, or when a cost-reimbursement contract is being considered and all current or past experience with the contractor has been on a fixed-price basis.

- **Concurrent Contracts:** If performance under the proposed contract involves concurrent performance under other contracts, the impact on those contracts, including their pricing arrangements, should be considered. For example, a contractor having security contracts at various sites should have better control and understanding of the technical and cost aspects required, thereby leading to cost plus incentive and fixed price type contracts. However, two issues need to be considered under these circumstances: (1) If the contractor has both fixed and cost type concurrent contracts, how is the contractor going to ensure there is no cross charging of costs?; and (2) What contract type does the contractor have for the same or similar services?

## **XI. Detailed Information on Each Contract Type**

There is no template that can automatically match a contract type to any contracting circumstances and still consistently promote the best interests of the Government. Sound judgment by the most qualified personnel familiar with the influencing factors, considering the importance and magnitude of the contemplated contract, is essential. To make an intelligent selection of a specific or combination type contract to best fulfill a specific need, the contracting officer must know and understand each of the types of contracts available, the benefits and constraints of each in a given situation, the requirements of the program office, and the various types of risks involved.

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**A. FIRM-FIXED-PRICE (FFP)**

**FAR REFERENCE:**

FAR 16.202

**CHARACTERISTICS:**

Requires delivery of a product or services at a specified price, fixed at the time of contract award and not subject to any adjustment.

**APPLICATION:**

Standard commercial type services.

Products are “off-the-shelf” or modified commercial products for which sound prices can be developed.

Definite design or performance specifications are available.

Performance uncertainties can be identified and reasonable costs estimated and negotiated.

Fair and reasonable prices can be established at the time of award.

More than one contractor is experienced (adequate competition).

**BENEFITS:**

Places 100% responsibility and risk on the contractor.

Encourages contractor efficiency and economy.

**CONSTRAINTS:**

Lacks flexibility in pricing and performance

Difficult to make changes in the requirement after award

**REMARKS:**

Most preferred type of contract.

Minimum administration.

Funds obligated in total at time of award.

**B. FIXED PRICE WITH ECONOMIC PRICE ADJUSTMENT****FAR REFERENCE:**

FAR 16.203

**CHARACTERISTICS:**

Provides for upward and downward revision to the contract price if, and to the extent, contractually stipulated contingencies occur, of which there are three general types:

- Adjustments based on established prices,
- Adjustments based on actual costs of labor or material, and
- Adjustments based on cost indexes of labor or material.

An example of a contingency is the rise or fall in unit rate costs for specified labor and/or material utilized for the supply item.

**APPLICATION:**

Extended production life contracts involving market and/or labor cost elements that can be isolated and are subject to hourly pay or unit of sale rate fluctuations.

Eliminate contingency allowances from contractor's basic price for the incorporation of economic price adjustment provision.

Instability of market and/or labor conditions over an extended period is anticipated.

**BENEFITS:**

Reduces contingency allowances to standardized charges.

Reduces Government and Contractor risk during unstable market and labor condition.

**CONSTRAINTS:**

Transfers part of price risk to the Government.

Increases administrative cost and burden to Government.

To extent possible, restrict adjustment to Industry-wide contingencies beyond the control of the Contractor.

Adjustment applies only to specific wage or material cost rates.

No upward adjustment to apply to supplies delinquent through non-excusable fault of Contractor.

**REMARKS:**

Specify criteria for determining acceptability of wage and material rate fluctuation, i.e., a Government agency order, union contract, prices published in specified newspaper, trade publications, etc.

Contractor must validate all claims for price adjustments and certify as to correctness and completeness of all invoices.

The schedule shall specifically detail the types of labor and materials subject to adjustment, the labor rates (including fringe benefits, if any), the unit prices of material subject to fluctuation and the quantities of labor allocable to each unit of supplies to be delivered.

Consider material on hand and in process by Contractor at time of labor or material rate changes prior to making adjustment.

### **C. FIXED PRICE INCENTIVE (FPI) CONTRACTS**

#### **FAR REFERENCE:**

FAR 16.204

#### **CHARACTERISTICS:**

Provides incentive for efficiency and economy in performance by:

- High profit for outstanding performance,
- Modest profit for mediocre performance, and
- Low profit or loss for below average performance

Price ceiling, target cost, target profit, and formula for adjusting profit at time of award.

#### **APPLICATION:**

When a firm- fixed-price is not suitable.

There is a possibility of cost reduction.

Incentives will likely result in a savings and better performance.

Achievable incentives must be identified, and criteria established for evaluation of performance to determine if incentives are met. These incentives must be objective.

#### **BENEFITS:**

Motivates contractor efficiency and economy.

Profit is directly related to contractor performance.

#### **CONSTRAINTS:**

Difficult to evaluate performance.

Must determine (1) to be least costly contract type and (2) that any other type is impractical.

#### **REMARKS:**

Performance and delivery incentive provisions may be added to cost incentive.

Billing price, flexible within ceiling limits, is established at time of award as interim basis for payment.

Final price is negotiated.

Funds are obligated for the target price.

Two types:

1. Fixed-Price Incentive (Firm Target)
2. Fixed-Price Incentive (Successive Targets)

**C.1. FIXED PRICE INCENTIVE (Firm Target)****FAR REFERENCE:**

FAR 16.403-1

**CHARACTERISTICS:**

Parties agree on possible range of cost of performance and negotiate initially: a reasonable target cost and target profit, a price ceiling, and positive, economic-incentive share formula for establishing final price in accord with relationship which final cost bears to target cost.

Omits ceiling and floor on allowable profit. Profit varies inversely with cost.

Price ceiling is maximum that can be paid.

**APPLICATION:**

Whenever a firm target and formula for establishing final price can be negotiated at the outset, which will provide a fair and reasonable incentive, confidence in achieving performance is high, and technical and cost uncertainties can be reasonably identified.

**BENEFITS:**

Provides timely and positive incentive to the Contractor to control costs.

Can enable the Government to obtain material and/or services at a lower cost than might otherwise be normally expected.

Contractor has full liability for all incurred costs beyond the price ceiling.

Share formula may be varied to fit the specific situation, commensurate with degree of confidence parties have in range of possible cost of performance, and in magnitude of possible cost variations above or below target cost.

**CONSTRAINTS:**

Requires establishing realistic target cost where there is equal probability of an under-run or over-run.

Within limit of price ceiling, the Government shares cost of over-run with Contractor.

Unrealistic target price can invite reversing the goal of the incentive provision, i.e., cost over-run may not be reflective of lack of cost control by Contractor, nor cost under-run reflective of outstanding cost control by a Contractor.

Adequate cost data for negotiating a reasonable firm target must be available at the outset.

The contractor's accounting system is adequate for a firm target cost, to be negotiated prior to negotiating firm target profit or share formula.

**REMARKS:**

The primary consideration in selecting a FPI Contractor as opposed to a CPIF Contractor is technical certainty, not cost certainty.

Contractor should budget performance costs at or below target cost.

Final costs are negotiated.

**C.2. FIXED PRICE INCENTIVE (SUCCESSIVE TARGETS)****FAR REFERENCE:**

FAR 16.403-2

**CHARACTERISTICS:**

Parties agree on possible range of cost of performance and negotiate at outset: an initial target cost and profit, a price ceiling, a formula for fixing the firm target profit (including profit ceiling and floor parameters between which firm target profit shall be negotiated) and a specified production point, incident to the contract, to apply the formula.

When the production point is reached, the firm target cost is negotiated, considering experience cost, etc., and then the formula is applied to obtain the firm target profit. The formula, including the profit ceiling and floor may then be retired. The original price ceiling set for the initial target price may be sustained or adjusted downward as appropriate through negotiation.

If the firm target price is considered reasonable and provides normal risk for the Contractor, a FFP may be negotiated. If this is not felt appropriate, parties may negotiate a formula for establishing final price (by negotiation on completion of the contract) using the firm target price as a guide.

**APPLICATION:**

When the available pricing data at the outset is not sufficient to permit the negotiating of a firm target price.

When reasonable assurance indicates that additional reliable costing data will be available at an early point in the performance of the contract to permit negotiating either a FFP or firm targets.

Although used infrequently, its main usage has been on second production contracts of newly developed items where the Contractor is still in production on the first production contract.

**BENEFITS:**

Same as Firm Target.

Allows application of profit motive through economic incentive under circumstances which preclude firm target incentive at the outset.

**CONSTRAINTS:**

Same as Firm Target.

Increases administrative burden and cost to both Government and Contractor.

Contractor's accounting system is adequate for providing data for negotiating firm targets and a realistic profit adjustment formula, as well as later negotiation of final costs.

Cost or pricing information must be adequate for establishing a reasonable firm target cost at an early point in contract performance.

**REMARKS:**

Possibility exists that the Contractor may not maximize economic potentials during the initial target period in order to keep the firm target cost high.

**D. FIXED PRICE WITH PROSPECTIVE PRICE REDETERMINATION  
CONTRACT (Redetermination at Stated Time or Times during Performance)**

**FAR REFERENCE:**

FAR 16.205

**CHARACTERISTICS:**

FFP for an initial period as long as will allow fair and reasonable pricing at outset.

Redetermination periods generally at least 12 months duration, expressed in terms of units delivered or as calendar date (s); can adjust price up or down.

Ceiling price is optional, applied to total contract, or alternatively, a ceiling amount stipulated for each or any redetermination. Level of ceiling price should reflect reasonable sharing of risk.

Negotiation of re-determined price applies to all cost factors, including profit.

**APPLICATION:**

Appropriate for a long term, quantity production contract for which a FFP can be agreed upon for only part of the contract period.

Can eliminate or reduce charges for contingencies.

When parties lack adequate long range cost data, and accurate cost computation and escalation is not appropriate.

**BENEFITS:**

Provides a means of eliminating contingencies.

Provides protection to Government and Contractor where specs are not definite enough to allow firm and accurate cost estimates.

Allows Contracting Officers to adjust profit in relation to degree of efficiency, economy and overall quality of Contractor performance.

**CONSTRAINTS:**

Transfers part of risk to the Government.

Requires Contractor accounting system to be adequate for redetermination of prices.

Relatively heavy cost and burden of administration.

Prolonged period of funding obligation before correct and final funding need is known.

Cannot be used unless FFP contract is inappropriate.

Contractor accounting system must be adequate and operationally coordinated with redetermination cycle to allow proper and timely redeterminations.

Don't use if administration of the redetermination clause would cost more than allowing contingencies.

**REMARKS:**

Should not be used as a substitute for intelligent and timely initial analysis and negotiation of price.

**E. FIXED PRICE WITH PROVISION FOR REDETERMINATION  
(Retroactive After Completion)**

**FAR REFERENCE:**

FAR 16.206

**CHARACTERISTICS:**

Provides for a price ceiling and retroactive redetermination upon completion of the contract.

Includes fair and reasonable billing price for interim payments and price ceiling which reflects reasonable risk by Contractor.

**APPLICATION:**

Where it is established at the time of negotiation that a fair and reasonable FFP cannot be negotiated, and the amount of money involved is so small or the time for performance so short that use of any other type contract is impracticable.

**BENEFITS:**

Same as for fixed price with redetermination.

**CONSTRAINTS:**

Aside from price ceiling, provides minimal incentive to Contractor to control costs.

Government is in relatively weak bargaining position at redetermination since contract is completed.

Contractor accounting system must be adequate for proper and timely redetermination.

Ceiling price.

Must be reasonable assurance that redetermination action will be taken promptly at the time specified.

**F. FIRM-FIXED-PRICE LEVEL OF EFFORT TERM (FP/LOE)**

**FAR REFERENCE:**

FAR 16.207

**CHARACTERISTICS:**

Work cannot be clearly defined.

The level of effort desired can be identified, and agreed upon at time of award.

Useful in research and exploratory development.

**APPLICATION:**

Negotiated at time of award

Requires expenditure of a specific number of labor hours during a stated period of time.

Describes the scope of work in general terms (usually investigation or study).

Contractor normally required to submit reports which show the results achieved with the level of effort.

Payment is based on effort expended, not on results.

**BENEFITS:**

Under FP/LOE contract the contractor must perform without increase in price and level of effort.

**CONSTRAINTS:**

No guarantee that desired results will be achieved.

Should be used only when the work to be performed cannot be clearly defined.

Level of effort desired must be identified with reasonable assurance that the results desired could not be achieved by fewer labor hours.

**REMARKS:**

Heavy technical administration burden to assure that Contractor makes best possible effort to achieve desired results within specified level of effort.

Funds obligated at time of award for a fixed price including profit.

## **G. COST**

### **FAR REFERENCE:**

[FAR 16.302](#)

### **CHARACTERISTICS:**

Negotiated at time of award.

Estimated cost ceiling for purpose of fund obligation, and limitation of costs that will be reimbursed.

Provides for payment of costs only, no fee.

### **APPLICATION:**

Fixed Price contract is not possible because of magnitude of performance uncertainties.

When contractor wants production experience or to keep operational.

Normally R&D work with a nonprofit educational institution or other nonprofit organizations and for facilities contracts.

### **BENEFITS:**

Economical if contractor is efficient and conscientious in performance.

### **CONSTRAINTS:**

Heavy technical administration monitoring.

Little, if any, incentive for contractor to reduce costs.

Ceiling amount may not be exceeded without Contracting Officer approval.

Government pays only incurred costs.

Government surveillance during performance will provide reasonable assurance that efficient methods and effective cost controls are used.

### **REMARKS:**

Contractor may consider monitoring by technical personnel a bother.

## H. COST SHARING

### **FAR REFERENCE:**

[FAR 16.303](#)

### **CHARACTERISTICS:**

Share- in-savings whereby service or product provided by contractor with little or no upfront funding by the agency.

Provides for sharing cost in lieu of full reimbursement of cost.

Provides for payment of costs only – (no fee).

Cost Share agreement reached prior to award.

Established baseline.

### **APPLICATION:**

Only when there is a high probability that the contractor will realize substantial benefits (savings, revenue, or improved efficiency).

IT improvements.

Recovering bad debts.

Facility improvements.

### **BENEFITS:**

Mutual benefit to contractor and Government.

### **CONSTRAINTS:**

Must have measurable, clear goals.

Little, if any, incentive to reduce costs, but more than in a cost contract.

Significant administrative monitoring required from technical personnel.

Ceiling amount on cost must be established at time of award.

Cannot use to obtain unfunded effort solely in support of programs of interest to the Government.

Contractor must show conclusive evidence of anticipated benefits.

Government monitoring during performance will provide reasonable assurance that efficient methods and effective cost controls are used.

**REMARKS:**

Critical to have a high return on investment and a fast recovery period.

Funds obligated (costs, no fee) not in excess of Government share.

## I. COST-PLUS-INCENTIVE-FEE (CPIF)

### **FAR REFERENCE:**

FAR 16.304

### **CHARACTERISTICS:**

Negotiated at time of award:

- Target cost, target fee, minimum and maximum fee, and fee adjustment formula, and
- Delivery, performance or cost incentives – individually or a combination of both.

Upon completion: Formula applies, subject to the minimum and maximum fee limits.

Fee is adjusted: increased from target for cost underrun and decreased for cost overrun.

### **APPLICATION:**

Fixed price incentive is not possible because of technical and cost uncertainties.

Performance objectives are known.

Confidence in achieving objectives is high.

Formula can be negotiated that will provide for performance incentives.

Development and test programs.

### **BENEFITS:**

Encourages economic, efficient and effective performance when cost reimbursement type of contract is necessary.

### **CONSTRAINTS:**

Heavy burden on both contracting and technical personnel to administer.

Overall weight factors must be identified and applied to performance, delivery and cost objective.

Government monitoring during performance will provide reasonable assurance that efficient methods and effective cost controls are used.

**REMARKS:**

Maximum fee for reasonable foreseeable variation above target costs; (minimum fee may be zero) minimum fee at lowest reasonable foreseeable cost.

Probability of large cost variance does not dictate use of this contract type in lieu of a fixed-price-incentive.

## **J. COST-PLUS-AWARD-FEE (CPAF)**

### **FAR REFERENCE:**

[FAR 16.305](#)

### **CHARACTERISTICS:**

Combines characteristics of CPFF and CPIF contracts:

All allowable costs are reimbursed.

Minimum fee and award fee.

Contractor's performance will be measured against an award fee plan that contains evaluation criteria.

Specific times are established for evaluation of performance by the Government to determine the quality of the effort and the amount of fee earned.

### **APPLICATION:**

Another type of contract could not be used because definite milestones, targets, or goals to measure contractor performance cannot express performance objectives.

Level of effort is known, mission feasibility is established but measurement of achievement must be subjective rather than objective.

### **BENEFITS:**

More incentive for contractor economic efficiency than a cost-plus-fixed-fee where use of a cost-plus- incentive- fee is not feasible.

### **CONSTRAINTS:**

Significant emphasis on contract monitoring and administration.

Criteria for evaluating contractor performance, coupled with achievable performance ranges must be included in the contract for award fee to be earned.

Shall not use:

To avoid cost-plus- fixed-fee (CPFF) when the criteria for a CPFF contract applies,

To avoid the effort of establishing objective targets so a cost-plus- incentive fee contract can be used,

For procurement of engineering development or operational systems development which have undergone contract definition. (Once the development has been completed and the requirement defined, then a Firm Fixed price contract would be more appropriate).

Not appropriate when the contract amount, period of performance or the benefits expected are insufficient to offset the additional administrative effort or cost.

**REMARKS:**

Performance is affected by inefficient Government administration action

Timeliness of periodic evaluation reports is critical to proper administration.

The statement of work should indicate precisely what results the Government expects.

The amount of the award fee that is actually paid is determined by the Government's evaluation of the contractor's performance in terms of criteria stated in the contract.

**K. COST-PLUS-FIXED-FEE (CPFF)****FAR REFERENCE:**

[FAR 16.306](#)

**CHARACTERISTICS:**

Negotiated at time of award: Estimated cost and fixed fee.

Costs are reimbursed up to the estimated cost (limited), and specified fee paid.

Fee is not changed unless there is a change in work or term of the contract.

**APPLICATION:**

Use of any fixed price contract is inappropriate.

Level of effort is justified because of high technical and cost uncertainty.

Practical use for development and test projects.

**TWO FORMS:**

The *completion form* describes the scope of work by stating a definite goal or target and specifying an end product. This form of contract normally requires the contractor to complete and deliver the specified end product (*e.g.*, a final report of research accomplishing the goal or target) within the estimated cost, if possible, as a condition for payment of the entire fixed fee. However, in the event the work cannot be completed within the estimated cost, the Government may require more effort without increase in fee, provided the Government increases the estimated cost.

The *term form* describes the scope of work in general terms and obligates the contractor to devote a specified level of effort for a stated time period. Under this form, if the performance is considered satisfactory by the Government, the fixed fee is payable at the expiration of the agreed-upon period, upon contractor statement that the level of effort specified in the contract has been expended in performing the contract work. Renewal for further periods of performance is a new acquisition that involves new cost and fee arrangements.

Because of the differences in obligation assumed by the contractor, the completion form is preferred over the term form whenever the work, or specific milestones for the work, can be defined well enough to permit development of estimates within which the contractor can be expected to complete the work.

The term form shall not be used unless the contractor is obligated by the contract to provide a specific level of effort within a definite time period.

**BENEFITS:**

May proceed with general scope and indefinite specifications.

**CONSTRAINTS:**

Minimum incentive to contractor for cost control.

Fee, without risk, for contractor – reduces contractor responsibility to control costs.

Government monitoring during performance will provide reasonable assurance that efficient methods and effective cost controls are used.

**REMARKS:**

Research, preliminary exploration or studies to determine feasibility of development, and level of effort required is unknown.

Completion form requires contractor to complete and deliver end product before payment of entire fixed fee can be made.

A renewal for further performance under the term form is considered a new procurement and involves new fee and cost arrangements.

The completion form is preferred over the term form.

The estimated cost and fixed- fee may be incrementally funded.

## **L. PERFORMANCE BASED CONTRACTS**

### **FAR REFERENCE:**

FAR Subpart 37.6

### **CHARACTERISTICS:**

Performance Based contracting emphasizes that all aspects of an acquisition be structured around the purpose of the work to be performed as opposed to the manner in which the work is to be performed. It is designed to ensure that contractors are given freedom to determine how to meet the government's performance objectives that appropriate performance quality levels are achieved, and that payment is only made for services that meet these levels.

Can be used with various types of contracts.

### **APPLICATION:**

A performance work statement (PWS) is the foundation of performance based contracting. The PWS describes the effort in terms of measurable performance standards (outputs). These standards should include such elements as "what, when, where, how many, and how well" the work is to be performed. A Quality Assurance Plan (QAP), which directly corresponds to the performance standards and measures contractor performance, is needed to determine if the contractor is meeting the PWS requirements. Positive and/or negative performance incentives, based on QAP measurements, should be included. The PWS performance standards, QAP and incentives are interdependent and must be compatible in form, style and substance, and should be cross-referenced.

### **BENEFITS:**

Clearer expression of the Government's needs and how work will be judged.

Risk of performance shifted to the contractor.

Contractor gets paid for successful completion of the work.

Supports fixed price contracting when practical.

Performance based contracting helps correct problems commonly associated with services contracts including cost overruns, schedule delays and failure to achieve specified results.

Converting to a Performance Based contract has an initial increase in up front costs.

Increased time and costs associated with contract administration.

For small dollar value procurement of less than \$100,000 the increase in time and cost for contract administration may not be worth the benefit in increased contractor performance.

Individuals developing the statement of work need to know what they want.

No undefined adjectives and adverbs.

Makes contractors clearly propose how they will execute work; invoke in the contract.

Good technical, schedule and cost baselines are essential for performance based contracting.

Increased emphasis on contract administration is necessary.

**REMARKS:**

Care must be exercised in establishing the quality level at which performance standards are set. The minimum acceptable performance standard should rarely be 100 percent, since the standard directly affects the cost of the service. Conversely, if the quality is too low, it may act as a disincentive to good contractor performance.

Incentives should be used when they will induce better quality performance and may be either positive, negative, or a combination of both. They should be applied selectively to motivate contractor efforts that might not otherwise be emphasized, and to discourage inefficiency. Incentives should apply to the most important aspects of the work, rather than every individual task

**M. INDEFINITE-DELIVERY/INDEFINITE-QUANTITY CONTRACTS**

**FAR REFERENCE:**

FAR 16.504

**CHARACTERISTICS:**

The contract:

Does not fully specify the time of delivery and/or the quantity to be delivered, but provides an estimate of with a minimum and maximum of the needs to be ordered.

Contains terms and conditions that will apply to future contracts (orders) during a specific period of time,

Provides description of supplies or services (as specific as practicable),

Identifies method (s) for pricing, issuing of orders, and delivery terms.

**APPLICATION:**

With negotiated firm- fixed-price or cost-reimbursement contracts.

**BENEFITS:**

Saves time in negotiation.

**CONSTRAINTS:**

Terms and provisions of an agreement may be changed only by modification of the agreement and not by a contract incorporating the agreement.

Does not imply agreement to place future contracts.

Shall not be used to avoid competition.

**REMARKS:**

Possible to save time – but does not delete requirement for compliance with FAR. However, compliance with the FAR is met if the ID/IQ contract was competitively awarded.

## **N. DEFINITE-QUANTITY CONTRACTS**

### **FAR REFERENCE:**

[FAR 16.502](#)

### **CHARACTERISTICS:**

Provides for:

Definite quantity of supplies or services at fixed prices within stated limits during a definite period.

Minimum and maximum quantities for individual orders.

Delivery orders issued for specific quantities.

### **APPLICATION:**

Quantity needs of commercial or commonly used, recurring need items are known but time of need is not.

Items are readily available or require only short delivery time.

### **BENEFITS:**

Saves administrative and negotiation time in awards.

### **CONSTRAINTS:**

None

### **REMARKS:**

Funds obligated for total contract amount – We have bought the quantity specified even if we never issue a delivery order.

## **O. REQUIREMENTS**

### **FAR REFERENCE:**

FAR 16.503

### **CHARACTERISTICS:**

Provides for:

- Purchase of all actual needs of specific supplies or services at fixed-price (s), during a specific period of time,
- Estimated total quantity, and
- Maximum limit of contractor's obligation to deliver.

Delivery orders issued to schedule deliveries.

### **APPLICATION:**

Precise quantity of commercial or commercial-type items are not known but it is a known recurring need.

### **BENEFITS:**

Flexible regarding quantity and delivery scheduling.

Price savings possible by combining several requirements into one action. Faster delivery.

### **CONSTRAINTS:**

Savings may be off- set by contractor building in an "uncertainty" compensation factor in price.

### **REMARKS:**

Funds obligated on delivery orders.

Minimum and maximum may be stated in the contract.

Fixed price or Cost Reimbursement type arrangements can be used.

**P. TIME AND MATERIALS (T&M) and LABOR HOUR (LH)**

**FAR REFERENCE:**

FAR 16.601 and FAR 16.602

**CHARACTERISTICS:**

Direct labor hours at specified fixed hourly rates, and material at cost.

Requires a price ceiling which contractor may not exceed except at own risk.

LABOR HOUR (variant) may provide for payment of labor hours only.

**APPLICATION:**

Not possible at time of award to estimate costs with any degree of confidence.

Nature of work is known at time of award but not the extent or duration.

**BENEFITS:**

Can fulfill a special need that no other contract type can serve.

**CONSTRAINTS:**

Heavy burden on technical personnel to perform surveillance to preclude inefficiency or waste.

No positive profit incentive for contractor to control costs.

**LIMITATIONS:**

Determination that no other contract type will serve.

**REMARKS:**

Engineering and design services or repair, maintenance or overhaul, or work under emergency conditions. The contract may be structured like an Indefinite Quantities type contract and funds may be obligated by issuance of task order (s) or delivery order (s) under the contract.

**Q. LETTER CONTRACTS****FAR REFERENCE:**

FAR 16.603

**CHARACTERISTICS:**

A legal, preliminary, negotiated contract that authorizes contractor to start work pending negotiation of a definitized contract, which may be any type, or combination of types.

Provides for:

- Maximum liability of the Government (amount estimated to be necessary to cover performance until definitized), and
- The type of contract anticipated to be negotiated.

**APPLICATION:**

Emergencies only – an immediate binding agreement is required so performance can start.

**BENEFITS:**

Expedites the procurement process, contractor begins performance on urgent requirements prior to completion of procedural requirements.

**CONSTRAINTS:**

No incentive for cost control by the contractor.

Government is in a very weak bargaining position at the time the contract is definitized.

A letter contract may be used only after the head of the contracting activity or a designee determines in writing that no other contract is suitable. Letter contracts shall not –

- Commit the Government to a definitive contract in excess of the funds available at the time the letter contract is executed;
- Be entered into without competition when competition is required by FAR Part 6.
- Be amended to satisfy a new requirement unless that requirement is inseparable from the existing letter contract. Any such amendment is subject to the same requirements and limitations as a new letter contract.

**REMARKS:**

Can easily result in the Government paying more for less, or ending up in a dispute which is a manpower intensive procedure for both contracting and technical personnel.

Use only when have exhausted all other options.

Government liability shall be the estimated amount necessary to cover the contractor's requirements for funds before definitization (should not exceed 50% of the estimated cost of the definitized contract).

**R. BASIC AGREEMENTS (BA)****FAR REFERENCE:**

[FAR 16.702](#)

**CHARACTERISTICS:**

A basic agreement is not a contract. It is a written instrument of understanding executed between a department or procuring activity and a contractor which sets forth the negotiated contract clauses which will be applicable to future contracts entered into between parties during the term of the basic agreement. The use of the basic agreement contemplates the coverage of a particular requirement by the execution of a formal contractual document which will provide for the scope of the work, price, delivery, and additional matters peculiar to that specific requirement, and will incorporate by reference or append the contract clauses agreed upon in the basic agreement as required or applicable. Basic agreements may be used with fixed-price or cost-reimbursement type contracts.

Basic agreements should provide for discontinuance of their future application upon 30 days written notice by either party. Discontinuance of basic agreement will not affect any individual contract referencing the basic agreement (or the clauses appended thereto) entered into prior to the effective date of discontinuance.

Basic agreements may include negotiated overhead rates for cost-reimbursement type contracts.

A basic agreement should be used to cover all subsequent transactions which fall within its scope. Provisions of the basic agreement, including supplements thereto, should be incorporated into the formal contractual document covering the particular requirement it supplements.

Basic agreements should contain a set of "General Provisions." These general provisions should include two groups of clauses. The first group, identified as "Part A," should include all of the clauses made mandatory by statute, Executive Order, or the DEAR. The second group, identified as "Part B," should consist of clauses that may be made a part of each formal contractual document, depending on their applicability.

**APPLICATION:**

Used where past experience and future plans indicate that a substantial number of separate contracts may be entered into with a contractor during the term of the basic agreement and substantial recurring negotiating problems exist with a particular contractor.

**BENEFITS:**

Eliminates some repetitive negotiating difficulties with a contractor.

**CONSTRAINTS:**

Requires contracting personnel to be somewhat familiar with the contents of the basic agreement and sometimes results in extra administrative effort in determining which clauses are applicable to the contract.

Should neither cite appropriations to be charged nor be used alone for the purpose of obligating funds.

Should not in any manner provide for or imply any agreement on the part of the Government to place future orders or contracts with the contractor involved, nor should it be used in any manner to restrict competition.

Should be utilized only in connection with negotiated contracts.

**REMARKS:**

A basic agreement may be modified only by a modification of the basic agreement itself and should not be modified or superseded by individual contracts or purchase orders entered into, under, and subject to the terms of such basic agreement. To minimize modification, revisions involving changes in authorized contract clauses utilized in basic agreements will provide appropriate direction with respect to any required modifications of basic agreements and to the extent possible, modifications will be required only in matters resulting from changes in statutes or Executive orders. As a minimum, basic agreements should be reviewed annually before the anniversary of their effective date and revised to conform to the current requirements.

A supplemental agreement should:

1. Incorporate the most recent basic agreement, including supplements thereto, to apply only to the work added by the supplemental agreement.
2. If it is in the interest of the Government, incorporate the most recent basic agreement, including supplements thereto, to apply to the entire contract as of the date of the supplemental agreement.

However, an existing contract may be amended by a supplemental agreement adding a new requirement without incorporating the most recent basic agreement only if all clauses then required by statute, Executive order, or regulation are included in the contract or the proposed supplemental agreement.

Clauses pertaining to subjects not covered in a basic agreement but applicable to the contract being negotiated should be included in the contract as if no basic agreement existed.

**S. BASIC ORDERING AGREEMENTS (BOA)****FAR REFERENCE:**

[FAR 16.703](#)

**CHARACTERISTICS:**

A basic ordering agreement is not a contract it is a written instrument of understanding, negotiated between the government and a contractor, which contains:

- a. terms and clauses applying to future contracts (orders) between the parties during its term,
- b. a description, as specific as practicable, of supplies or services to be provided, and
- c. methods for pricing, issuing, and delivering future orders under the basic ordering agreement.

**APPLICATION:**

A basic ordering agreement may be used to expedite contracting for uncertain requirements for supplies or services when specific items, quantities, and prices are not known at the time the agreement is executed, but a substantial number of requirements for the type of supplies or services covered by the agreement are anticipated to be purchased from the contractor.

**BENEFITS:**

Under proper circumstances, the use of these procedures can result in economies in ordering parts for equipment support by reducing administrative lead-time, inventory investment, and inventory obsolescence due to design changes.

A basic ordering agreement shall not state or imply any agreement by the Government to place future contracts or orders with the contractor or be used in any manner to restrict competition.

Each basic ordering agreement shall:

- (1) Describe the method for determining prices to be paid to the contractor for the supplies or services;
- (2) Include delivery terms and conditions or specify how they will be determined;
- (3) List one or more Government activities authorized to issue orders under the agreement;
- (4) Specify the point at which each order becomes a binding contract (e.g., issuance of the order, acceptance of the order in a specified manner, or failure to reject the order within a specified number of days);

(5) Provide that failure to reach agreement on price for any order issued before its price is established is a dispute under the Disputes clause included in the basic ordering agreement; and

(6) Use appropriate special data required by FAR 13.403, if fast payment procedures will apply to orders.

Each basic ordering agreement shall be reviewed annually before the anniversary of its effective date and revised as necessary to conform to the requirements of this regulation. Basic ordering agreements may need to be revised before the annual review due to mandatory statutory requirements. A basic ordering agreement shall be changed only by modifying the agreement itself and not by individual orders issued under it. Modifying a basic ordering agreement shall not retroactively affect orders previously issued under it.

**REMARKS:**

Ensure that orders placed under a basic ordering agreement do not circumvent competition requirements.

The order shall incorporate by reference the provisions of the basic ordering agreement.

**T. BLANKET PURCHASE AGREEMENT (BPA)****FAR REFERENCE:**

FAR 13.303

**CHARACTERISTICS:**

A simplified method of filling repetitive needs for supplies or services in small quantities and dollar values by establishing a “charge account”, for a specific period of time.

Individual orders against BPAs shall not exceed the simplified acquisition threshold.

Individual BPAs and the orders issued against them are to be documented.

Obligates the contractor to provide most favored customer prices.

Establishes periodic billing schedule.

**APPLICATION:**

Need to provide commercial source of supply for one or more offices or projects.

There is not an existing requirement contract for the supply or service.

**BENEFITS:**

Individuals outside the contracting activity may be authorized to place orders.

Bulk funded purchase requests may be used in lieu of individual purchase requests for each requirement.

**CONSTRAINTS:**

Contains the following mandatory terms and conditions:

- Description of agreement
- Extent of obligation
- Purchase limitations
- Lists individuals authorized to purchase under BPA
- Sales slip/delivery ticket necessary

- Invoices

Purchases under BPAs cannot exceed specific amount specified in letter authorizing orders.

**REMARKS:**

BPA may be established for expendable supplies and commercial type services.

Funds are obligated on an established schedule by issuance of an order for purchases placed under the BPA.

## U. TASK AND DELIVERY ORDERS

### **FAR REFERENCE:**

FAR 16.505

### **CHARACTERISTICS:**

Not a contract - An arrangement for placing orders against various types of contracts such as indefinite delivery – indefinite quantity, multiple award and Government wide acquisition contracts.

Orders shall describe all services and supplies to be delivered.

Orders shall be within the scope, period of performance and max value of the contract.

### **APPLICATION:**

Any contract that provides for task or delivery orders to fulfill the requirements.

Orders may be placed against DOE contracts, or any other agency contracts, including the General Services Administration.

Performance work statements must be used to the maximum extent practicable.

### **BENEFITS:**

Expeditious processing of requirements.

Consolidation of requirements, negotiation and award of a contract that provides for task or delivery orders when need occurs nominally results in lower costs.

### **CONSTRAINTS:**

May not be used to circumvent conditions and limitations imposed on the use of funds.

Cannot avoid requirements for competition.

### **REMARKS:**

Not exempt for acquisitions plans.

May not be used to circumvent conditions and limitations imposed on the use of funds.

## V. GOVERNMENT WIDE ACQUISITION CONTRACT (GWAC)

### **FAR REFERENCE:**

[FAR 2.101](#)

### **CHARACTERISTICS:**

A GWAC is a task order or delivery order contract for information technology established by one agency for government wide use.

### **APPLICATION:**

A task order or delivery order contract for information technology established for government wide use.

The task order or delivery order may be firm fixed price, time and material/labor hour, level of effort or cost reimbursement depending upon the specific GWAC flexibility.

GWACs offer total technology solutions that include hardware, software, systems integration services, asset management, security and program management.

### **BENEFITS:**

GWACs offer Federal agencies the advantage of flexibility in meeting their various information technology requirements through on umbrella contract.

GWACs are administratively less burdensome than if an agency were to conduct its own series of individual procurements.

Procuring agencies realize savings through reduced procurement and administrative costs and through volume buying pricing.

GWACs utilize performance-based contracts focusing on outcome solutions.

Orders against GWACs are not protestable.

The host agency has already conducted the competition resulting in one or more contract awards to the best- in-class Information Technology (IT) product and service providers.

Provide the broadest availability of IT products and services.

The ordering award process takes approximately one-fourth of the lead-time required for traditional competitive acquisitions.

Individual prices are based upon competition in establishing the umbrella GWAC and are predetermined to be fair and reasonable for the placement of orders.

Small, minority and women-owned businesses, as well as large businesses are represented.

There are no FedBizOpps posting requirements for the ordering agency.

**CONSTRAINTS:**

Although the goal is to deliver products and services to user agencies as quickly as possible, host agencies policies, processes and lack of electronic capabilities can adversely affect delivery time.

Currently, each host agency has established a maximum value for their respective GWAC that is equal to the estimated Government usage for a ten-year period.

Each GWAC has an established limitation on how much of the total contact value one agency can use. This amount varies by GWAC and is determined by the host agency, which normally adds a small administrative, or user fee to cover its cost of administering the GWAC.

**REMARKS:**

User fees are higher for those agencies that require the host agency to award and administer the tasks issued in support of the ordering agency, while user fees are lower for those agencies willing to administer the tasks that are awarded by the host agency.

User fees are paid to the host agency. These fees are negotiable.

The use of GWACs is subject to the indefinite-delivery contracts requirements prescribed in FAR Subpart 16.5. However, GWACs are not subject to the requirements and limitations of the Economy Act, as specified in FAR Subpart 17.5.

Host agencies are designated pursuant to the authority of the Director, Office of Management and Budget, to establish GWACs.

Although DOE is not a designated GWAC agency, the Department can fully utilize GWACs that are awarded and administered by host agencies.

In order to ensure that the host agency complies with its GWAC commitments, an Interagency Agreement (IA) between the host agency and user agency and an accompanying memorandum of understanding (MOU) between the two agencies should be established. The IA/MOU should detail the performance expectation of the two agencies along with the administrative fees to be paid to the host agency.

The IA/MOU may be negotiated to provide for a reduction in the fee paid to the host agency, in the event that the expectations committed to by the host agency are not maintained.

**W. FEDERAL SUPPLY SCHEDULE ORDERS****FAR REFERENCE:**

FAR Subpart 8.4

**CHARACTERISTICS:**

Federal Supply Schedule (FSS), also known as Multiple Award Schedule (MAS), is a listing of vendors awarded contracts for supplies or services by the General Services Administration (GSA). These schedules are available for use by any Federal agency requiring the identified supplies or services. There are also specialized schedules, such as the Management Organizational and Business Improvement Services (MOBIS) schedule, the Professional Engineering Services schedule, the Information Technology schedule and the Environmental Services and Products schedule, which allow procuring activities to focus their selection of contractors to special areas of interest.

**APPLICATION:**

In a competitive process, the GSA awards a schedule contract to commercial firms that give the Government the same or better discounts than they give their best customers. These discounts are then passed on to other agencies through the various FSS schedules. This program mirrors commercial buying practices more than any other procurement process in the Federal Government, and offers federal agencies a simplified process for getting their required products and services at volume buying prices.

**BENEFITS:**

Significantly reduced acquisition time.

GSA has already complied with competition requirements.

GSA has already performed pre-solicitation and pre-award requirements like the Service Contract Act review, the Small Business/Labor Set-Aside review, synopsis, and Equal

Employment Opportunity review.

Volume purchase prices that are fair and reasonable.

Allow agencies to make payments with the Government-wide purchase card.

Delivery is quick.

Schedule orders to small businesses count towards DOE small business goals.

Access to state of the art technology and quality services and products.

Assures compliance with environmental requirements for applicable services and products.

The ordering and award process times are approximately 1/4<sup>th</sup> the lead-time required for the traditional competitive acquisition process.

Over 4 million products and services are covered by the schedules.

Agencies can establish Blanket Purchase Agreements (BPA) for recurring needs.

**CONSTRAINTS:**

FSS pricing may not be the most favorable; however, all FSS prices are deemed to be fair and reasonable.

Each schedule in the FSS has a maximum order threshold. This threshold is not meant to limit the amount of your purchase, but represents the level at which there could be a benefit from better pricing. It is the trigger point to seek additional price reductions from the schedule vendor.

**REMARKS:**

As a general rule, obtaining information from the FSS program and FSS vendors themselves is sufficient to satisfy the agency's obligations to conduct procurement planning and market research. However, the Contracting Officer will select the most appropriate schedule for the program's requirement. For instance, the Contracting Officer won't use the MOBIS schedule if professional engineering services are required.

When conducting evaluations and before placing orders, consider including, if available, one or more small business schedule contractors.

Though FSS vendors are not entitled to a debriefing in accordance with FAR Part 15, if an unsuccessful offeror requests information on an award that was based on factors other than price alone, a brief explanation for the award decision must be furnished to the unsuccessful offeror.

The requirement of Organizational Conflicts of Interest applies to FSS orders.