

# Types of Contracts



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# Types of Contracts

- Firm Fixed Price
- Cost Reimbursement
- Indefinite Delivery
- Definite Quantity
- Time and Materials
- Letter Contracts

# Fixed Price Contracts

- Fixed price contracts provide for a firm-fixed-price or an adjustable price for the performance of a contract
- Contractor is required to deliver the product specified and there is a maximum limit on the amount of money the government must pay

# Types of Fixed-Price Contracts

- Firm-Fixed Price Contracts
- Fixed-Price Contracts with Economic Price Adjustment
- Fixed-Price Incentive Contracts
- Fixed-Price Incentive (Firm Target) Contracts

# Types of Fixed-Price Contracts Continued

- Fixed-Price Incentive (Successive Target) Contracts
- Fixed-Price Contracts with Award Fees
- Fixed-Price Contracts with Prospective Price Redetermination
- Fixed-Ceiling-Price with Retroactive Price Redetermination Contracts
- Firm-Fixed-Price, Level of Effort Term Contracts

# Cost Reimbursement Type Contracts

- Cost-reimbursement contract provides for payment of the allowable incurred costs to the extent prescribed in the contract
- These type of contracts establish an estimate of total cost for obligating funds, which also serves as a ceiling that the contractor may not exceed (except at its own risk) without the approved of the contracting officer

# Cost Reimbursement Type Contracts Continued

- Contractor is required to deliver a “best effort” to provide the specified product
- Reserve shall not exceed 15% of total fixed fee or \$100,000, whichever is less

# Types of Cost Reimbursement Contracts

- Cost Contracts
- Cost-Sharing Contracts
- Cost-Plus-Incentive Fee
- Cost-Plus-Award Fee
- Cost-Plus-Fixed Fee

# Indefinite Delivery Contracts

- Provide for an indefinite quantity with stated limits of supplies or services during a fixed period
- Requires the government to order and the contractor to furnish at least a stated minimum quantity of supplies or services

# Definite Quantity Contracts

- Provides for deliver of a definite quantity of specific supplies or services for a fixed period, with deliveries or performance to be scheduled at designated locations upon order
- May be used when the contracting officer can determine in advance that (1) a definite quantity of supplies or services will be required and (2) the supplies or services are regularly available

# Time & Material (T&M) Contracts

- T&M contracts provide for payment based on:
  - 1) Direct and indirect labor, paid at specified hourly rates that include wages, overhead, general and administrative expenses and profit
  - 2) Materials paid at cost including, if appropriate, material handling costs.
- These contracts must include a ceiling price
- Withholding of 5% of the amounts due, but the total amount withheld shall not exceed \$50,000

# Letter Contracts

- Is a written preliminary agreement to commence performance on a contract with the requirement that a definitive price be established, usually within 6 months of the date of the letter contract

# References

- FAR 16.2 Fixed-Price Contracts
- FAR 16.3 Cost-Reimbursement Contracts
- FAR 16.4 Incentive Contracts
- FAR 16.5 Indefinite-Delivery Contracts
- FAR 16.6 Time & Material, Labor-Hour and Letter Contracts
- FAR 52.216-8 Fixed Fee
- FAR 52.232-7 Payments Under T&M and Labor Hour Contracts

# Questions and Answers