

Types of Contracts

Type of Contract	Description of Contract
Firm Fixed Price	<p>Firm fixed-price contracts are used when it is determined that the price quoted by the contractor is reasonable to the government and when the government wants to procure the goods or services at that price without any opportunity for the contractor to obtain any adjustments in price based on actual expenditures incurred during performance. ADVANTAGE: All that is required for payment is delivery of the stated item(s) for which the contract was issued. DISADVANTAGE: fixed price contract is most advantageous to the government and at the same time, inherently carries the maximum amount of risk to the contractor. This is because under the fixed price model, the government contracts with the institution for a given set of deliverables at a set price. Therefore, if expenditures exceed the fixed price contract amount, the Institution must bear the cost overruns.</p>
Cost Reimbursement	<p>Under cost reimbursement contracts, the contractor is reimbursed for all allowable costs incurred during performance but receives no fee. Cost reimbursement contracts establish a total cost estimate and ceiling that the contractor may not exceed without written approval from the government contract officer. Government contract officers use cost reimbursement contracts only when costs relative to the work cannot be estimated accurately enough to warrant a fixed price contract. ADVANTAGE: When issuing any cost reimbursement contract to educational institutions, contracting officers are directed to include FAR 52.216-7, Allowable Cost and Payment with a modification to paragraph (a) to remove the reference to Subpart 31.2 and replace it with Subpart 31.3. In effect, this makes OMB Circular A-21, Cost Principles for Educational Institutions, applicable. DISADVANTAGE:</p>
Time and Materials	<p>Time and Materials contracts allow the government to acquire supplies or services based on specified labor hours (including wages, benefits, overhead, etc.) and actual material costs. This type of contract is limited to use only when the scope or duration of the effort cannot be specified. DISADVANTAGE: Under this type of contract, the contracting officer will scrutinize closely the costs attributed to the effort. This will include intensive tracking and reporting of labor hours and pay that the department will have to provide.</p>