

MANAGING COST-REIMBURSEMENT CONTRACTS

SYNOPSIS

On the surface, cost-reimbursement contracting offers the government and contractors a direct route to success. Most often used when the cost of a particular procurement is too uncertain for a fixed-price contract, the process seems simple enough: contractors are reimbursed for allowable and properly allocated costs, the government is limited in its obligation to reimburse costs over a certain limit and both sides follow specific procedures at every stage.

Beneath the surface, however, are uncertainties and the potential for significant problems, particularly in contract formation and administration. How, for instance, do government representatives show that a cost-reimbursement contract is indeed the most advantageous, lowest-cost route to take for a particular project? What type of cost-reimbursement contract is best for the circumstances? How will proposal evaluation and source selection occur if costs are uncertain? What monitoring is necessary to ensure that costs are reasonable, controlled and based on efficient practices? This course answers these questions, and more.

The course is a complete cost-reimbursement contracting guide. It provides government and industry personnel with the practical guidance needed to understand and then efficiently manage cost-reimbursement contracts. To ensure maximum learning, the course will be supplemented with case studies and exercises that demonstrate practical, on-the-job applications of the material.

LEARN

- Describe the differences between fixed-price, time and materials/level of effort and cost-reimbursement contracts and when they are used
- Use the different types of cost-reimbursement contracts when appropriate
- Explain the source selection issues associated with using cost-reimbursement contracts
- Apply the cost principles contained in FAR Part 31
- Explain the issues related to the administration of cost-reimbursement contracts

This course uses digital materials.

TOPICS

CONTRACT TYPES

- General Guidelines For Selecting Contract Types
- Factors In Selecting Contract Type
- Cost Growth or Cost Overrun?
- Categories of Contracts
- Contract Type and Risk Analysis
- Fixed-Price Contracts
- Use of Firm-Fixed-Price (FFP) / Fixed-Price With Economic Price Adjustment (FPEFPA)
- Use of Fixed-Price-Incentive Contracts
- Fixed-Price-Incentive — Firm Target or Successive Target (FPIF)
- Use of Cost-Reimbursement Contracts
- Hybrid Contracts/Variable Contracts

COST REIMBURSEMENT

CONTRACT TYPES AND USES

- Use of Cost-Reimbursement Contracts
- Statutory Fee Limitations
- Key Obligations of Cost-Reimbursement Contractors
- Cost-Reimbursement Contract Types
- Cost-Plus-Incentive-Fee (CPIF) Contract
- Cost-Plus-Award-Fee (CPAF) Contract
- Cost-Plus-Award Term Contract
- Cost-Reimbursement (CR) Contracts
- Cost-Sharing (CS) Contracts
- Cost-Plus-Fixed-Fee (CPFF) Contracts
- Cost Contract

SOURCE SELECTION ISSUES IN COST-REIMBURSEMENT CONTRACTS

- Potential Management Problems During The Source Selection Process
- Statement of Work (SOW)
- Objectives (SOO) In Cost-Reimbursement Contracts
- The SOO and SOW In Performance-Based Contracting
- How Should a SOW Be Developed?
- Contractor Responses To The SOW/ SOO
- Development of Evaluation Factors
- Evaluating Cost and Price
- Performance Risk Ratings
- Contractor Assessment of Risk
- The Truth In Negotiations Act (TINA)
- Requiring Cost And Price Data

COST REASONABLENESS, ALLOCABILITY AND ALLOWABILITY

- What Makes A Cost Allowable?
- Additional Criteria For Cost Allowability Determinations
- What Does "Reasonableness" Mean?
- What Does "Allocability" Mean?
- Subject To CAS or GAAP
- Terms of The Contract
- Limitations Set Forth In Far Subpart 31.2
- Allowable and Unallowable Direct Costs

THE COST PRINCIPLES:

FAR SUBPART 31.2

- Far Cost Principles
- Always Unallowable Costs
- Entertainment Costs (Far 31.205-14)
- Fines, Penalties and Mischarging Costs (Far 31.205-15)
- Generally Unallowable With Limited Allowability Provisions
- Allowable, Subject To Conditions
- Always Allowable

ADMINISTRATION OF COST-REIMBURSEMENT

- Contracts
- Contract Funding
- Incorporation of The Anti-Deficiency Act
- Payment — Reimbursing Costs
- When Is a Cost Incurred?
- Indirect Costs
- Payment Procedures
- Invoice/Voucher Review — General Procedures
- Disallowance of Costs
- Contract Modifications
- Cost And Schedule Control

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