

# **FEDERAL CONTRACT TYPES**

# **Why Are Federal Contract Opportunities Important to Small Businesses?**

- Federal contracts support business development and growth. No guarantee of contract awards. Federal government awards contracts of more than \$500 billion annually.

# What Types of Contracts Can Be Awarded to Small Businesses?

- Any type authorized in Federal Acquisition Regulations (“FAR”) Part 16 (*e.g.*, fixed price, cost- reimbursement, incentive, indefinite-delivery, time and materials, etc.).

# Fixed Price

- Price is fixed for goods and services. Contractor delivers or performs with maximum dollar limit for which government will pay.
- Contractor accepts risk of price fluctuations, etc.
- Fixed price with economic price adjustment may minimize risk.

# Cost-Reimbursement

- Contractor delivers “best effort” on specified service.
- Government reimburses contractor for all allowable costs, regardless of performance or delivery, up to specified level stated in contract.
- Government accepts risk of non-performance or non-delivery.

# Incentive

- Cost, performance and delivery incentives.
- Incentive fee contracts for delivering products or services on time, within cost estimates and with promised performance outcomes. Must be tied to demonstrated results, rather than only effort, in meeting or exceeding established goals.

# Indefinite Delivery (ID)

- **ID** provides for indefinite quantity of supplies or services during fixed period of time.
- Awards may also include option years.
- Government places delivery orders (for supplies) or task orders (for services) against basic contract for individual requirements.
- Used when government cannot predetermine precise quantities of supplies or services required during contract period.
- At times referred to as IDIQ (indefinite delivery, indefinite quantity).

# Time and Materials

- Contract providing for procurement of supplies or services on basis of:
  - a. direct labor hours at specified fixed hourly rates (which rates include direct and indirect labor, overhead and profit); and
  - b. material at cost.

Useful when full scope of project is unknown.