

Factors in the Selection of Contract Type

Selecting the contract type that provides the Government the best, most realistic, and reasonable price for the work, requires consideration of several factors. Those factors are:

- Risk (single most important factor)
- Funding Limitations
- Price / Fee Considerations
- Urgency of the Requirement
- Complexity of the Requirement
- Period of Performance / Length of the Project
- Project Limitations (environmental and regulatory issues, etc.)

The contract type should:

- Motivate the Contractor to reduce costs without neglecting technical and/or safety performance requirements.
- Provide for a reasonable allocation of risk between the Government and the Contractor.
- Place the maximum degree of cost and performance responsibility on the Contractor that is reasonable, given the factors stated above. A determination of this level of risk/responsibility should be consistent with sound and fair business practices.
- Encourage the Contractor to manage the work efforts to protect the Government's interests.
- Minimize administrative costs for both parties.

Firm-Fixed Price (FFP) (includes Performance-Based Contract) (Most Preferred)	Fixed-Price (FP) w/Economic Price Adjustment (FPEPA), FP Incentive Firm Target (FPIF), FP Award Fee (FPAF), & FP Prospective Price Redetermination (FPPR)	FP w/Insurance (FPI) (Performance-Based Only)	Cost Reimbursable (Cost-Plus-Fixed-Fee (CPFF), Cost-Plus-Incentive-Fee (CPIF), & Cost-Plus-Award-Fee (CPAF))	Time-and-Materials (T&M) and Labor Hour (LH) (Least Preferred)
Low Government Risk / High Contractor Risk	Low Government Risk / Moderate Contractor Risk	Low Government Risk / Moderate Contractor Risk	Moderate to High Government Risk / Low Contractor Risk	High Government Risk / Low Contractor Risk
Low complexity - repetitive or routine in nature	Moderate complexity - incentives may offset risk	Moderate to high complexity - unique	High complexity & highly unique - incentives may improve outcomes	Highly complex & unique / R&D
Easily scoped; deliverable(s) defined	Scope or market unknowns; contractor incentives may improve outcomes; Deliverable(s) and/or required outcome(s) defined.	Scope or market unknowns; contractor incentives may improve outcomes. Required outcome(s) defined.	Multiple scope unknowns but required outcome(s) defined	Scope, deliverable(s), and/or outcome(s) cannot be clearly defined or not known. Desired outcome(s) defined
Short to average duration	Average to long duration	Average to long duration	Average to long duration	Duration unknown
Full amount funded at the time of award.	Full amount funded at the time of award with the exception of incentive or award fee amount	The full amount and cost of insurance also funded at the time of award.	Typically not be fully funded at the time of award (incrementally funded). Can incur costs only up to the amounts stipulated in the limitation of funds and/or limitation of costs clauses.	Typically not be fully funded at the time of award (incrementally funded). Can incur costs only up to the amounts stipulated in the limitation of funds and/or limitation of costs clauses.
Least administrative costs for the Government (minimal oversight)	Low to moderate administrative costs for the Government (some oversight)	Moderate administrative costs for the Government (some oversight)	High administrative costs for the Government (required oversight)	High administrative costs for the Government (required oversight)
Guaranteed deliverable(s)	Guaranteed deliverable(s)	Guaranteed deliverable(s) within the negotiated scope, price, and insurance	Guaranteed effort toward deliverable(s)	Guaranteed effort only