

# CHOOSING A CONTRACT AGREEMENT TYPE

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## *An Excerpt from the F&W Project Manager's Manual*

As of July 29, 2004

### **A. Introduction**

This document is an excerpt of BPA's Fish & Wildlife (F&W) Project Manager's Manual. It provides guidance on how to apply the various types of contracting agreements available for Fish and Wildlife contracts.

#### **1. Why Expand the Types of Agreements The Program Can Use?**

Today, most contracts use a cost reimbursement approach by default. As part of improving BPA's role in project implementation, we want to encourage contractors, contracting officers and project managers to choose "the right tool for the job" – the contract type that best serves their mutual needs.

Choosing fixed price and financial assistance agreements where practical will allow BPA and its contractors to focus on project results rather than costs, and will reduce program administrative burden.

#### **2. How Much Will This Change My SOW, Budget, Work Schedule, Etc.?**

In some cases, such as in a fixed price agreement, additional information may be required during contract negotiation, while less information would be required for invoices. Some contractors have told us that they are already providing such detailed information, without any of the benefits of reduced administrative burden elsewhere. Changes to the format of Statements of Work (SOWs) and budgets will occur for all agreement types as BPA implements its new project management software. These changes are independent of agreement type selection.

#### **3. Who Chooses the Agreement Type?**

Choosing the agreement type should be a cooperative effort by the contractor, project manager, and contracting officer (CO). Ultimately, it is the BPA contracting officer who has the authority to determine which agreement type is most appropriate.

## B. Overview of F&W Contracting Agreement Types

BPA has expanded the list of contracting agreement types that are available for F&W use.

Below is a simplified presentation of the main agreement types:

Agreement Type	In-Brief	Compensation	Also Includes
<b>Financial Assistance (a.k.a. "Grant")</b>	A simple contracting mechanism used for public purpose work	BPA may pay either for deliverables or on a fixed payment schedule	<ul style="list-style-type: none"> <li>• Cost reimbursement financial assistance</li> <li>• Fixed payment financial assistance</li> <li>• Simple grant for sponsorship activities</li> </ul>
<b>Fixed Price Contract</b>	Best for work that can be well quantified and cost-estimated by an experienced contractor	BPA pays for results - completed deliverables	<ul style="list-style-type: none"> <li>• Fixed price</li> <li>• Fixed unit price</li> </ul>
<b>Cost Reimbursement Contract</b>	Used for work that cannot be well quantified or may change frequently	BPA pays for effort - costs incurred	<ul style="list-style-type: none"> <li>• Cost reimbursement</li> <li>• Time and materials</li> </ul>

Item	COST REIMBURSEMENT CONTRACT	FIXED PRICE CONTRACT	FINANCIAL ASSISTANCE <sup>1</sup> Cost Reimbursement Type	FINANCIAL ASSISTANCE <sup>1</sup> Fixed Payment Type	FINANCIAL ASSISTANCE Simple Grant for Sponsorship <sup>2</sup> activities
<b>SOW (Statement of Work)</b>	Described using the work element approach	Described using the work element approach	Described using the work element approach	Described using the work element approach	Described in a letter outlining sponsorship activity, funding, and time period
<b>Budget</b>	Includes: <ul style="list-style-type: none"> <li>• Line item detail for the entire contract</li> <li>• Total budgeted cost for each work element</li> </ul>	Includes: <ul style="list-style-type: none"> <li>• Line item detail broken out by each work element</li> </ul>	Includes: <ul style="list-style-type: none"> <li>• Line item detail broken out by each work element</li> </ul>	Includes: <ul style="list-style-type: none"> <li>• Line item detail broken out by each work element</li> </ul>	Includes: <ul style="list-style-type: none"> <li>• The total dollars requested</li> </ul>
<b>Contractor Invoices For</b>	<ul style="list-style-type: none"> <li>• Costs expended by line item</li> <li>• Includes detailed backup documentation of expenditures</li> </ul>	<ul style="list-style-type: none"> <li>• Notice of completed milestones</li> <li>• No information about actual line item costs or backup information is required</li> </ul>	<ul style="list-style-type: none"> <li>• Costs expended by line item</li> <li>• Includes detailed backup documentation of expenditures</li> </ul>	<ul style="list-style-type: none"> <li>• Amount agreed in original agreement</li> <li>• No information about actual line item costs or backup information is required</li> </ul>	There is no invoice review
<b>BPA Reviews</b>	BPA reviews invoices for appropriateness of detailed costs	BPA reviews project results as part of approving payments	BPA reviews invoices for appropriateness of detailed costs	BPA ensures amounts requested match the agreed-to amounts	Not required
<b>Amount BPA Pays</b>	<ul style="list-style-type: none"> <li>• BPA pays for however much the contractor spends, within their spending cap and line item limits</li> </ul>	<ul style="list-style-type: none"> <li>• BPA pays however much was agreed to in the contract</li> <li>• This can be more or less than the contractor spent, and can include profit or loss</li> </ul>	<ul style="list-style-type: none"> <li>• BPA pays however much was agreed to in the contract</li> </ul>	<ul style="list-style-type: none"> <li>• Pays for however much was agreed to in the contract</li> <li>• This can be more or less than the contractor spent, and can include profit or loss</li> </ul>	<ul style="list-style-type: none"> <li>• BPA provides full payment at the time of the signing by BPA (net 1 day)</li> </ul>

<sup>1</sup> Financial Assistance includes three types of agreements: cost reimbursement, fixed payment, simple grant for sponsorship activities.

<sup>2</sup> Sponsorship is defined as: educational outreach/conference, etc. activities; single event, one time payment, under \$50,000.

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<b>Work Schedule</b>	<ul style="list-style-type: none"> <li>• Milestones identified for each work element</li> <li>• Includes start/end date and descriptions</li> </ul>	<ul style="list-style-type: none"> <li>• Same as cost reimbursement, but also includes payments attached to the milestones</li> <li>• Enables the spending plan to be generated automatically</li> </ul>	<ul style="list-style-type: none"> <li>• Same as cost reimbursement, but also includes payments attached to milestones</li> <li>• Enables the spending plan to be generated automatically, by work element</li> </ul>	<ul style="list-style-type: none"> <li>• Same as cost reimbursement, but also includes payments attached to milestones</li> <li>• A milestone is created for each time-based payment</li> <li>• Enables the spending plan to be generated automatically, by work element</li> </ul>	Not required
<b>Monthly Spending Plan</b>	Required	Automatically generated from the work schedule	Automatically generated from the work schedule	Automatically generated from the work schedule	Not required
<b>Changes</b>	Line item changes of 5% or more require approval and change order (amendment)	Any change in scope, price, or schedule requires a change order (amendment)	Line item changes of 5% or more require approval and change order (amendment)	Any change in scope, price, or schedule requires a change order (amendment)	Not required
<b>Status Reports</b>	Required	Required	Required	Required	Not required
<b>Deliverables</b>	As agreed in contract	As agreed in contract	As agreed in contract	As agreed in contract	Not required
<b>BPA Pays For</b>	Contractor's effort and associated costs	Successfully completed deliverables only	Contractor's effort and associated costs	Contractor's effort and associated costs	Requested sponsorship amount
<b>Reporting</b>	As agreed in contract	As agreed in contract	As agreed in contract	As agreed in contract	Final report after event