

PHASE II: CONTRACT ADMINISTRATION

Activity 43: Price and Fee Adjustments

Determine the type of contract.

If the contract is a fixed-price contract with economic price adjustment terms and conditions,

Economic Price Adjustments

Obtain any data required for economic price adjustment.

Verify the information.

Prepare and (when necessary) negotiate the price adjustment for the items covered by the adjustment.

Modify the contract to incorporate the economic price adjustment.

If the contract is a fixed-price incentive contract with a firm target or successive targets,

Incentive Price Revision

Obtain and verify quarterly limitation on payments statements.

Determine whether to adjust billing prices and, if so, the amount of any such adjustment.

Adjust the billing price(s).

If the contract provides for successive targets, establish either a firm fixed-price or final profit adjustment formula.

Verify data submitted by the contractor for establishing the final total price, and ensure that the calculated total contract price does not exceed the ceiling price.

Establish the Government's negotiation position for negotiation of final cost and price.

Negotiate final price.

Modify the contract to reflect the final total price.

Document the contract file.

Process the final invoice for payment.

If the contract is a fixed-price or a cost-reimbursement contract with award fee terms and conditions,

Award Fee Adjustments

Collect data on the contractor's performance against each contract criterion for determining the award fee amount.

Brief the award fee board.

Discuss the board's award-fee determination or recommendation with the contractor and request any feedback or rebuttal.

Determine the amount of the award fee and add it either to the base fee or price.

Document the contract file.

If the contract is a cost-plus-incentive-fee contract,

Incentive Fee Adjustments

Monitor the contractor's cost and performance.

Upon receipt of invoices, determine the pro rata amount of fee to pay.

Adjust total target cost, target fee, minimum fee, and maximum fee (as appropriate).

At closeout, total the allowable costs for application of the incentive formula.

Calculate the fee payable.

Modify the contract to reflect the final cost and fee/profit.

If the contract is a fixed-price contract with prospective price redetermination or fixed-ceiling-price contract with retroactive price redetermination,

Price Redetermination

Obtain and verify quarterly limitation on payments statements.

Pending the redetermination of price, determine whether to adjust billing prices and, if so, the amount of any such adjustment.

Adjust the billing price(s).

Obtain the contractor's proposed price and supporting data for the price redetermination.

Establish the Government's position on the price for the redetermination period.

Negotiate the price for the redetermination period.

Modify the contract to reflect the price for the redetermination period.

Document the contract file.