



# SRA Financial Certificate Program – Financial Issues

## Cost Reimbursement and Fixed Price Agreements

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# Who We Are

- ◆ **Midge Breslof, Business Manager,**  
Southwest Research Institute  
Space Science and Engineering Division
- ◆ Over 30 years experience in pre- and post-award contracts and subcontracts at major aerospace companies, NASA/JPL and educational institutions.
- ◆ **Contact Information**  
E-mail: [mbreslof@swri.edu](mailto:mbreslof@swri.edu)  
Phone: (210) 522-2464 / Cell: (210) 823-1013  
FAX: (210) 520-9935

# What We'll Cover

- ◆ **Types of Contracts / Subcontracts**
  - ◆ Fixed Price and Cost Type
    - ◆ Characteristics
    - ◆ Application
    - ◆ Financial Responsibility and Reporting

# Types of Contracts

- ◆ **Fixed Price (FP)**
  - ◆ **Firm Fixed Price (FFP)**
  - ◆ Fixed Price Incentive (FPI)
  - ◆ Fixed Price Level of Effort (FP LOE)
- ◆ **Cost Reimbursement (CR)**
  - ◆ Cost
  - ◆ Cost Sharing
  - ◆ **Cost Plus Fixed Fee (CPFF)**
  - ◆ Cost Plus Incentive Fee (CPIF)
  - ◆ Cost Plus Award Fee (CPAF)
- ◆ Time and Material (T & M)
- ◆ Labor - Hour (L - H)
- ◆ Letter Contract



# Award Instrument

## ◆ Firm Fixed Price

- ◆ Completion
- ◆ Deliver product or service in quantities specified
- ◆ **Customer pays a fixed dollar amount**

## ◆ Cost Plus Fixed Fee (CPFF)

- ◆ Completion or term
- ◆ Reimbursed for costs
  - ◆ Reasonable, allocable, allowable
  - ◆ Up to Limitation of Costs or Limitation of Funds
- ◆ **Payment of a negotiated fee that is fixed at contract inception**

# Application

## ◆ Firm Fixed Price

- ◆ Reasonably defined functional or **detailed specifications**
- ◆ **Adequate price competition** or reasonable price comparisons
- ◆ **Performance uncertainties are identified**, cost impact can be quantified, and contractor is willing to accept

## ◆ CPFF

- ◆ Prohibited for acquisition of commercial items
- ◆ Uncertainties prohibit accuracy of estimated costs
- ◆ **Adequate accounting system** for determining applicable contract costs
- ◆ **Customer surveillance during performance** provides reasonable assurance of efficient and effective cost controls

# Risk

## ◆ Firm Fixed Price

Recipient assumes

- ◆ Maximum risk
- ◆ Full responsibility for all costs
- ◆ **Full responsibility for resulting profit or loss**

## ◆ CPFF

- ◆ Mitigates risk to contractor
- ◆ **Provides minimum incentive to control costs**

# Payments

## ◆ Firm Fixed Price

- ◆ At final delivery
- ◆ **According to a milestone schedule**
- ◆ Progress Payments
  - ◆ Effort extends beyond 12 months
  - ◆ Monthly billing of actual costs incurred

## ◆ CPFF

- ◆ Contract establishes a total estimated cost for purposes of
  - ◆ Obligating funds
  - ◆ Establishing a ceiling that the Contractor may not exceed
- ◆ Customer pays
  - ◆ Allowable costs incurred, to the extent prescribed by the contract
  - ◆ Fixed fee as a percentage of work completed

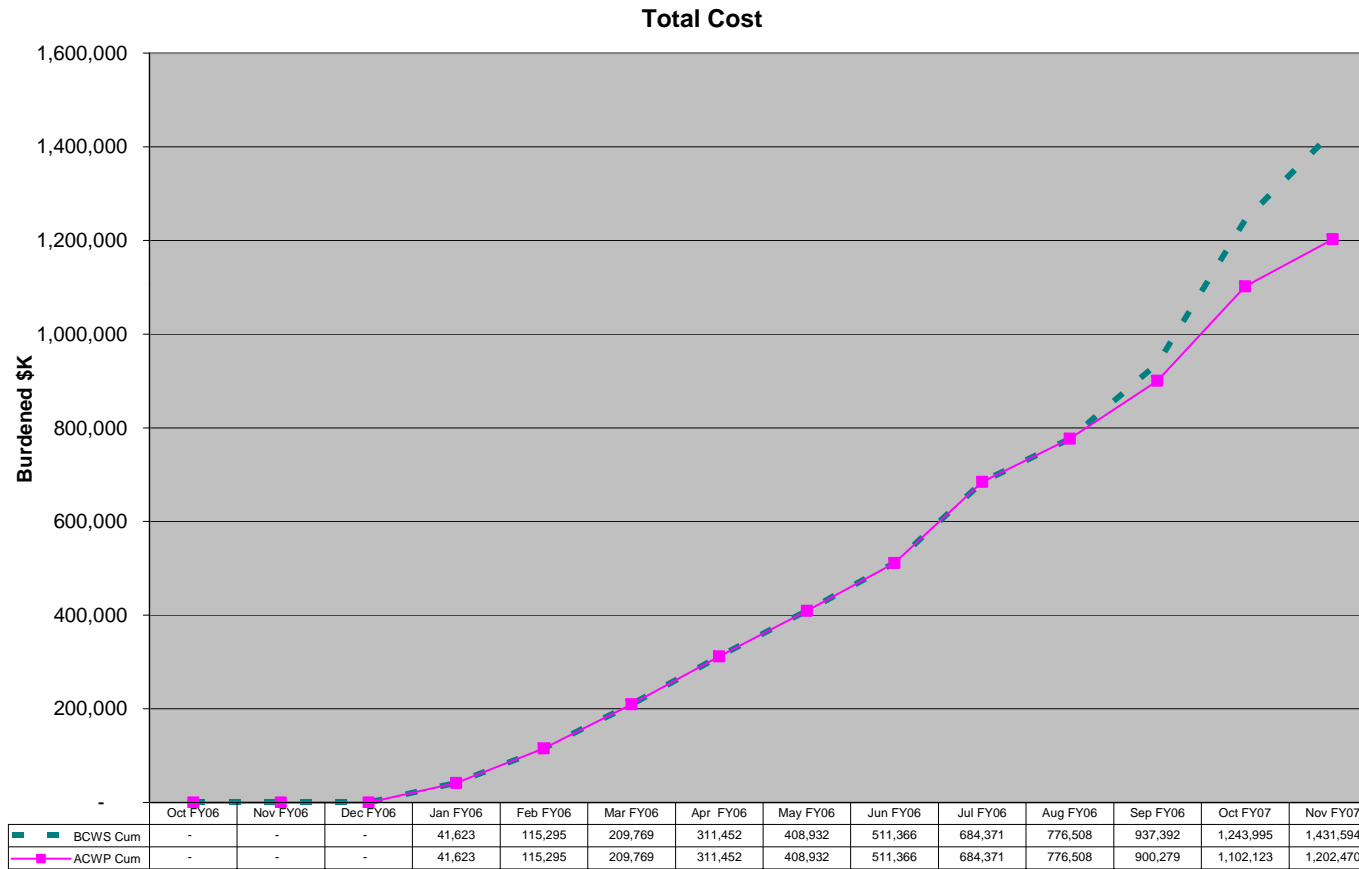
# FFP Contracts – Financial Reporting

- No external financial reporting
- Internal financial reporting
  - Track spending against cost plan
  - Track spending against planned activities
  - Identify spending against unplanned activities

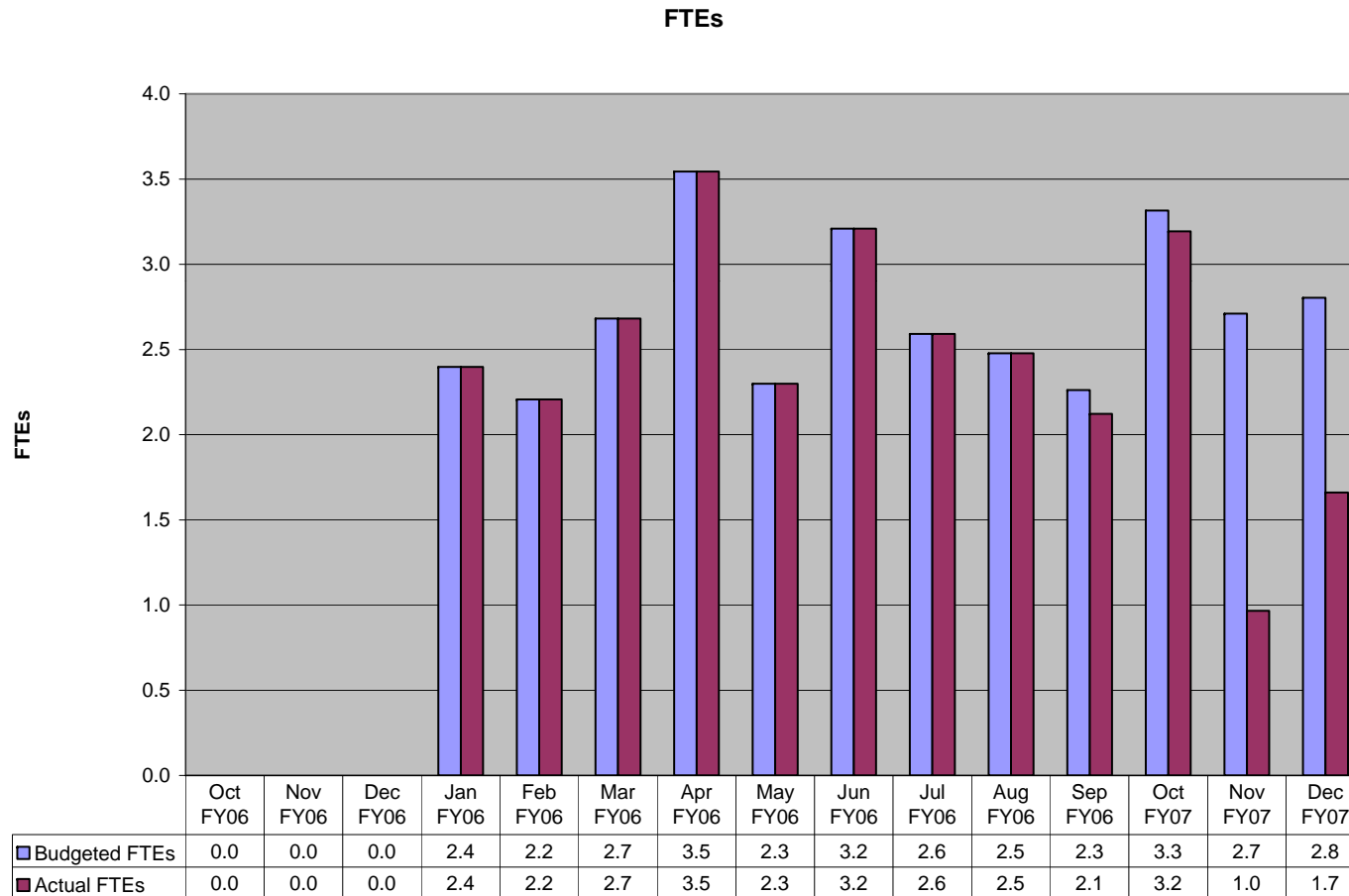
# Sample – Financial Accountability

<b>Budgeted Obs:</b>	Oct FY06	Nov FY06	Dec FY06	Jan FY06	Feb FY06	Mar FY06	Apr FY06	May FY06	Jun FY06	Jul FY06	Aug FY06	Sep FY06	Oct FY07	Nov FY07	Dec FY07	Jan FY07	Feb FY07	Mar FY07
Labor																		
Material																		
Subcontracts																		
Other Costs																		
Travel																		
BOWS Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BOWS Cum	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Actual Obs:</b>	Oct FY06	Nov FY06	Dec FY06	Jan FY06	Feb FY06	Mar FY06	Apr FY06	May FY06	Jun FY06	Jul FY06	Aug FY06	Sep FY06	Oct FY07	Nov FY07	Dec FY07	Jan FY07	Feb FY07	Mar FY07
Labor																		
Material																		
Subcontracts								538,471	534,164	535,664	552,648	480,615	474,182	589,749	622,535			
Other Costs								54,601	54,641	54,793	56,357	49,496	47,441	58,296	61,766			
Travel								6,683	6,683	6,683	4,470	10,670	18,670	12,750	16,850			
AOWP Total	-	-	-	-	-	-	-	593,072	595,487	597,140	613,475	540,781	540,293	660,796	701,151	-	-	-
<b>Budgeted Cost:</b>	Oct FY06	Nov FY06	Dec FY06	Jan FY06	Feb FY06	Mar FY06	Apr FY06	May FY06	Jun FY06	Jul FY06	Aug FY06	Sep FY06	Oct FY07	Nov FY07	Dec FY07	Jan FY07	Feb FY07	Mar FY07
Labor				41,419	65,332	74,624	88,622	76,175	93,110	111,603	70,103	82,644	115,670	96,841	88,885	97,172	97,806	97,172
Material										56	56							
Subcontracts										19,009	5,591	57,363	138,758	68,780	65,341	75,658	68,780	75,658
Other Costs				205	5,155	12,138	7,164	10,014	9,324	17,107	8,276	12,989	21,810	14,085	13,335	15,198	14,401	16,189
Travel					3,184	7,713	5,897	11,291		25,229	8,110	7,888	30,364	7,892	9,823	13,312	11,651	27,981
BCWS Total	-	-	-	41,623	73,671	94,475	101,683	97,480	102,435	173,005	92,136	160,885	306,603	187,599	177,385	201,340	192,639	216,999
BCWS Cum	-	-	-	41,623	115,295	209,769	311,452	408,932	511,366	684,371	776,508	937,392	1,243,995	1,431,594	1,608,979	1,810,319	2,002,958	2,219,957
<b>Actual Cost:</b>	Oct FY06	Nov FY06	Dec FY06	Jan FY06	Feb FY06	Mar FY06	Apr FY06	May FY06	Jun FY06	Jul FY06	Aug FY06	Sep FY06	Oct FY07	Nov FY07	Dec FY07	Jan FY07	Feb FY07	Mar FY07
Labor				41,419	65,332	74,624	88,622	76,175	93,110	111,603	70,103	69,062	105,859	40,991	64,558			
Material										56	56							
Subcontracts										19,009	5,591	42,729	67,029	27,491	37,750			
Other Costs				205	5,155	12,138	7,164	10,014	9,324	17,107	8,276	11,181	28,955	13,321	9,747			
Travel					3,184	7,713	5,897	11,291		25,229	8,110	799		18,544	(924)			
ACWP Total	-	-	-	41,623	73,671	94,475	101,683	97,480	102,435	173,005	92,136	123,772	201,843	100,347	111,130	-	-	-
ACWP Cum	-	-	-	41,623	115,295	209,769	311,452	408,932	511,366	684,371	776,508	900,279	1,102,123	1,202,470	1,313,600	1,313,600	1,313,600	1,313,600
<b>Budgeted FTEs</b>	Oct FY06	Nov FY06	Dec FY06	Jan FY06	Feb FY06	Mar FY06	Apr FY06	May FY06	Jun FY06	Jul FY06	Aug FY06	Sep FY06	Oct FY07	Nov FY07	Dec FY07	Jan FY07	Feb FY07	Mar FY07
Actual FTEs				2.4	2.2	2.7	3.5	2.3	3.2	2.6	2.5	2.3	3.3	2.7	2.8	2.6	2.8	2.6

# Sample Price – Financial Accountability



# Sample Labor – Financial Accountability



# CPFF Contracts – Financial Reporting

- ◆ NASA Contractor Financial Management Reporting - Purpose
  - ◆ Project costs and hours to ensure that dollar and labor resources realistically support project and program schedules.
  - ◆ Evaluate contractors' actual cost and fee data in relation to negotiated contract value, estimated costs, and budget forecast data.
  - ◆ Plan, monitor and control project and program resources.
- ◆ Prime contractors are responsible for obtaining financial management data from subcontractors.
  - ◆ Data submitted by subcontractors should be structured similar to the prime contractors' NF 533 report for the same reporting period.

# NASA Form 533 Reports – Applicability

CRITERIA		REPORT FORM	
Contract Value	Period of Performance	533M	533Q
\$500K to \$999K	1 year or more	Required	Optional
\$1M and greater	< 1 year	Required	Optional
\$1M and greater	1 year or more	Required	Required

# NASA Form 533 Reports

- **NASA Form 533M**
  - A report which provides monthly data on actual and planned costs and labor hours, short-term cost projections, estimates to complete, and contract values.
- **NASA Form 533Q**
  - A report which provides quarterly time-phased cost and labor hour estimates.
  - It is also used to submit the initial baseline and subsequent revisions.
- **Initial Report due within 30 working days after authorization to proceed has been granted.**

# Sample – 533M (Monthly)

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National Aeronautics and Space Administration		<b>Monthly Contractor Financial Management Report</b>			Form Approved O.M.B. No. 2700-0003		2. REPORT FOR MONTH ENDING AND NUMBER OF WORKING DAYS 31-Jul-96      22 WD				
TO: <b>NASA Goddard Space Flight Center Greenbelt, MD 20771</b>				FROM:				3. CONTRACT VALUE a. COST \$5,097,701      b. FEE \$0			
1. DESCRIPTION OF CONTRACT a. TYPE <b>Cost Reimbursement</b> c. SCOPE OF WORK		b. CONTRACT NO. AND LATEST DEFINITIZED MODIFICATION NO.				a. COST \$1,245,856		4. FUND LIMITATION b. FEE \$0			
				d. AUTHORIZED CONTRACTOR REPRESENTATIVE (Signature) _____ DATE <b>9/10/1996</b>		5. BILLING a. INVOICE AMTS. BILLED \$672,721      b. TOTAL PYTS. REC'D \$564,479					
6. REPORTING CATEGORY		7. COST INCURRED/HOURS WORKED				8. ESTIMATED COST/HOURS TO COMPLETE			9. ESTIMATED FINAL COST/HOURS		10. UNFILLED ORDERS OUTSTANDING
		DURING MONTH		CUM. TO DATE		DETAIL		BALANCE OF CONTRACT	CONTRACTOR ESTIMATE	CONTRACT VALUE	
ACTUAL Jul a.	PLANNED Jul b.	ACTUAL c.	PLANNED d.	FY96 Aug a.	FY97 Sep b.	c.	a.				b.
Direct Labor Hours		373	290	2,104	2,724	290	290	14,250	16,934	11,735	
Direct Labor Dollars		\$6,655	\$6,016	\$48,289	\$53,368	\$6,016	\$6,016	\$308,909	\$369,230	\$267,967	
Employee Benefits		2,109	1,925	15,293	16,968	1,925	1,925	102,965	122,108	89,576	
JPL Staff @ Caltech		24,624	32,667	136,458	166,606	32,667	32,667	1,392,209	1,594,001	1,876,208	
Materials, Supplies & ODC		1,799	7,203	28,699	36,020	2,103	2,103	109,051	141,956	158,574	106
Travel		1,181	3,508	10,755	19,001	3,962	2,693	71,748	89,158	91,222	3,968
Subtotal		\$36,368	\$51,319	\$239,494	\$291,963	\$46,673	\$45,404	\$1,984,882	\$2,316,453	\$2,483,547	\$4,074
Indirect Expenses		21,094	29,765	138,905	169,339	27,070	26,334	1,151,235	1,343,544	1,440,456	2,363
Subcontract Administration		9,600	13,084	73,437	57,566	6,759	3,304	36,231	119,731	72,500	21,654
Subcontracts/Purchase Orders		9,577	26,658	27,153	22,772	7,050	7,050	79,260	120,513	0	17,771
JPL Workorder -- Support		43,852	29,950	111,225	138,457	29,950	29,950	645,175	816,300	928,043	9,738
Equipment Purchases - End Item		0	0	195,624	195,624	0	0	0	195,624	0	
Equipment Purchases		108	1,720	7,485	4,755	1,543	2,030	174,478	185,536	173,155	1,045
<b>TOTAL</b>		<b>\$120,599</b>	<b>\$152,496</b>	<b>\$793,323</b>	<b>\$880,476</b>	<b>\$119,045</b>	<b>\$114,072</b>	<b>\$4,071,261</b>	<b>\$5,097,701</b>	<b>\$5,097,701</b>	<b>\$56,645</b>
11. Contractor Remarks: Actual costs lag plan by 20.9% and Cum costs lag Cum plan by 9.9%. Materials, Supplies & ODC: Campus computing charge of \$5670, that should have been reflected in the April report, was booked twice in June; hence CUM actuals are over by \$5670; the correction was reflected on the August report as expected. Campus computing charge for July was to have been reflected in the August report. July actuals for the Workorder - Support exceed plan due to Review Boards convened that were comprised of several persons (labor is costed during the month of the review and travel is costed following audit of the expenses); and requested support for the instruments.											
Baseline Plan Identification (Col. 7b & 7d): Revision No. _____, Dated _____											
<b>NASA FORM 533M AUG 96 PREVIOUS EDITIONS ARE OBSOLETE</b>											
RCS 10PUBL00417											

# Sample – 533Q (Quarterly)

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National Aeronautics and Space Administration		<b>Quarterly Contractor Financial Management Report</b>										Form Approved O.M.B. No. 2700-0003		2. REPORT FOR QUARTER BEGINNING  <b>1-Jul-96</b>							
TO: <b>GODDARD SPACE FLIGHT CENTER HEADQUARTERS PROCUREMENT OFFICE, CODE 210.H GREENBELT, MD 20771</b>				FROM:																	
1. DESCRIPTION OF CONTRACT		a. TYPE <b>Cost Reimbursement</b>										b. CONTRACT NO. AND LATEST DEFINITIZED AMEND. NO.						a. COST \$5,097,701		b. FEE \$0	
		c. SCOPE OF WORK										d. AUTHORIZED CONTRACTOR REPRESENTATIVE (Signature)						DATE <b>9/10/1996</b>		4. FUND LIMITATION a. COST \$1,245,856 b. FEE \$0	
6. REPORTING CATEGORY		7. COST INCURRED/ HOURS WORKED			8. ESTIMATED COST/HOURS TO COMPLETE										9. ESTIMATED FINAL COST/HOURS		10. ESTI- MATED COM- PLETION DATE	11. UNFILLED ORDERS OUT- STANDING			
		CUMU- LATIVE ACTUAL THROUGH PRIOR MONTH a.	CUR- RENT MONTH ESTI- MATE b.	CUMU- LATIVE ESTI- MATE TO DATE c.	MONTH Jul a.	MONTH Aug b.	MONTH Sep c.	QUARTER O-N-D e.	QUARTER J-F-M e.	QUARTER A-M-J f.	BALANCE OF FY 1996 g.	NEXT FY 1997 h.	BALANCE OF CONTRACT i.	TOTAL TO COMPLETE j.	(sum 8a-8i)	CONTRACTOR ESTIMATE a.	CONTRACT VALUE b.				
Direct Labor Hours		1,362.0	435	1,797	290	290	290	1,005	1,150	1,005	1005	5,560	4,542	15,137	16,934	11,735					
Direct Labor Dollars		\$34,214	\$9,024	\$43,238	\$6,016	\$6,016	\$6,016	\$29,523	\$32,633	\$29,523	\$29,523	\$104,084	\$82,660	\$325,994	\$369,232	\$267,966					
Employee Benefits		10,813	2,888	13,701	1,925	1,925	1,925	9,447	10,922	9,881	9,881	34,836	27,666	108,408	122,109	89,576					
JPL Staff @ Caltech		77,394	30,606	108,000	32,667	32,667	32,667	112,550	112,550	112,550	112,550	471,400	466,400	1,486,001	1,594,001	1,876,205					
Materials, Supplies & ODC		13,504	7,703	21,207	7,203	2,103	2,103	6,308	6,308	6,308	6,308	44,534	39,576	120,751	141,958	158,574					
Travel		4,316	6,476	10,792	3,508	3,962	2,693	19,053	10,333	10,333	2,530	15,423	10,532	78,367	89,159	91,222					
Subtotal		\$140,241	\$56,697	\$196,938	\$51,319	\$46,673	\$45,404	\$176,881	\$172,746	\$168,595	\$160,792	\$670,277	\$626,834	\$2,119,521	\$2,316,459	\$2,483,543					
Indirect Expenses		81,340	32,883	114,223	29,765	27,070	26,334	102,591	100,192	97,785	93,259	388,761	363,564	1,229,321	1,343,544	1,440,455					
Subcontract Administration		42,280	28,877	71,157	13,084	6,759	3,304	11,377	7,708	6,342	0	0	0	48,574	119,731	72,500					
Subcontracts/Purchase Orders		8,829	8,747	17,576	26,658	7,050	7,050	30,665	16,935	14,579	0	0	0	102,937	120,513	0					
JPL Workorder -- Support		34,187	23,280	57,467	29,950	29,950	29,950	73,910	71,010	103,310	82,010	249,442	89,300	758,832	816,299	928,048					
Equipment Purchases - End Item		0	195,621	195,621	0	0	0	0	0	0	0	0	0	0	195,621	0					
Equipment Purchases - End Item		6,794	0	6,794	1,720	1,543	2,030	5,462	82,710	0	85,275	0	0	178,740	185,534	173,155					
<b>TOTAL</b>		<b>\$313,671</b>	<b>\$346,105</b>	<b>\$659,776</b>	<b>\$152,496</b>	<b>\$119,045</b>	<b>\$114,072</b>	<b>\$400,886</b>	<b>\$451,301</b>	<b>\$390,611</b>	<b>\$421,336</b>	<b>\$1,308,480</b>	<b>\$1,079,698</b>	<b>\$4,437,925</b>	<b>\$5,097,701</b>	<b>\$5,097,701</b>					
11. Contractor Remarks: See 533M for comments.																					

NASA FORM 533Q AUG 96 PREVIOUS EDITIONS ARE OBSOLETE RCS 10PUBL00417

# References

- ◆ Selecting Contract Types
  - ◆ FAR Subpart 16.1
  
- ◆ NASA Contractor Financial Management Reporting, NPR 9501.2D
  - ◆ [http://nodis.hq.nasa.gov/main\\_lib.html](http://nodis.hq.nasa.gov/main_lib.html)

# References

## ◆ Grant

- ◆ Agency Requirements
- ◆ OMB Circular A-21
  - ◆ Allowable, allocable, consistent
  - ◆ Disclosure Statement for CAS
- ◆ OMB Circular A-110
  - ◆ Pre- and Post-Award Requirements
  - ◆ Contract Provisions

## ◆ Contract

- ◆ PL 87-653, Truth in Negotiations Act
- ◆ PL 91-379, Cost Accounting Standards
- ◆ PL 95-507, Small Business Act
- ◆ FARs
  - ◆ Part 31, Contract Cost Principles
    - ◆ Reasonable, allocable, allowable
  - ◆ Part 52, solicitation Provisions and Contract Clauses