

**16.207 Firm-fixed-price, level-of-effort term contracts.****16.207-1 Description.**

A firm-fixed-price, level-of-effort term contract requires (a) the contractor to provide a specified level of effort, over a stated period of time, on work that can be stated only in general terms and (b) the Government to pay the contractor a fixed dollar amount.

**16.207-2 Application.**

A firm-fixed-price, level-of-effort term contract is suitable for investigation or study in a specific research and development area. The product of the contract is usually a report showing the results achieved through application of the required level of effort. However, payment is based on the effort expended rather than on the results achieved.

**16.207-3 Limitations.**

This contract type may be used only when—

- (a) The work required cannot otherwise be clearly defined;
- (b) The required level of effort is identified and agreed upon in advance;
- (c) There is reasonable assurance that the intended result cannot be achieved by expending less than the stipulated effort; and
- (d) The contract price is \$150,000 or less, unless approved by the chief of the contracting office.

[48 FR 42219, Sept. 19, 1983, as amended at 75 FR 53133, Aug. 30, 2010]

### Subpart 16.3—Cost-Reimbursement Contracts

**16.301 General.****16.301-1 Description.**

Cost-reimbursement types of contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the contracting officer.

**16.301-2 Application.**

Cost-reimbursement contracts are suitable for use only when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract.

**16.301-3 Limitations.**

(a) A cost-reimbursement contract may be used only when—

- (1) The contractor's accounting system is adequate for determining costs applicable to the contract; and
  - (2) Appropriate Government surveillance during performance will provide reasonable assurance that efficient methods and effective cost controls are used.
- (b) The use of cost-reimbursement contracts is prohibited for the acquisition of commercial items (see parts 2 and 12).

[48 FR 42219, Sept. 19, 1983, as amended at 50 FR 1742, Jan. 11, 1985; 50 FR 52429, Dec. 23, 1985; 59 FR 64785, Dec. 15, 1994; 60 FR 48248, Sept. 18, 1995; 63 FR 34073, June 22, 1998]

**16.302 Cost contracts.**

(a) *Description.* A cost contract is a cost-reimbursement contract in which the contractor receives no fee.

(b) *Application.* A cost contract may be appropriate for research and development work, particularly with nonprofit educational institutions or other nonprofit organizations.

(c) *Limitations.* See 16.301-3.

[48 FR 42219, Sept. 19, 1983, as amended at 72 FR 27384, May 15, 2007]

**16.303 Cost-sharing contracts.**

(a) *Description.* A cost-sharing contract is a cost-reimbursement contract in which the contractor receives no fee and is reimbursed only for an agreed-upon portion of its allowable costs.

(b) *Application.* A cost-sharing contract may be used when the contractor agrees to absorb a portion of the costs, in the expectation of substantial compensating benefits.

(c) *Limitations.* See 16.301-3.

**16.304 Cost-plus-incentive-fee contracts.**

A cost-plus-incentive-fee contract is a cost-reimbursement contract that