

Negotiation of Incentives on Existing Contracts

- Incentives/performance fee should be negotiated prospectively
- Incentive fees should not be established on:
 - Incurred costs
 - Past delivery dates
 - Or other milestones which have been achieved prior to negotiation of the fee

Changes/REAs

- Contract changes can only be issued by contracting officers
- FAR 43.201 (a) requires changes be issued by contract modification
- Contracting Officers should negotiate changes/REAs in a timely manner
- Change Control Boards
- Need to keep contracts current in order to maintain the effectiveness of incentives and to hold contractors accountable

Fee On Existing Contracts

- Fee may be paid on negotiated change orders and REAs with entitlement
- Fee should not be added to the contract merely because the contractor is in a minimum or no fee position
- Fee should not be calculated on
 - Project management baselines
 - Cost to go
 - Overruns
- Cost incurred to date on changes and REAs should be considered in calculating cost risk