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# THE CONTRACT LIFECYCLE

USING THE CONTRACT MANAGEMENT BODY OF KNOWLEDGE  
(CMBOK)<sup>®</sup> AS YOUR GUIDE

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# INTRODUCTION TO THE *CMBOK*

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## Today

**Intro: *CMBOK* Overview**

**Unit 1: Pre-Award**

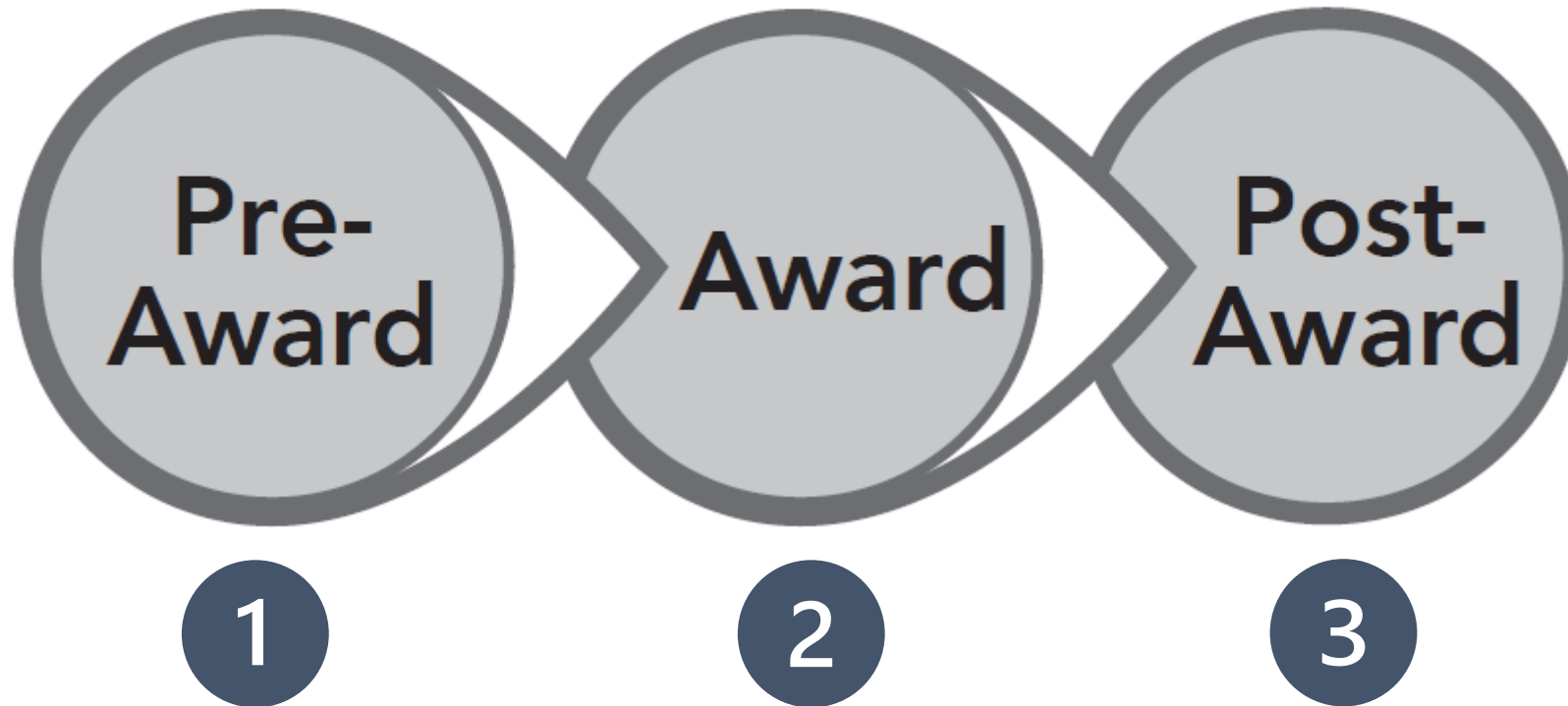
**Unit 2: Award**

**Unit 3: Post-Award**

**Conclusion: Key Takeaways**

Which phase? Use the chat!

FIGURE 1-1. Phases of the Contract Life Cycle

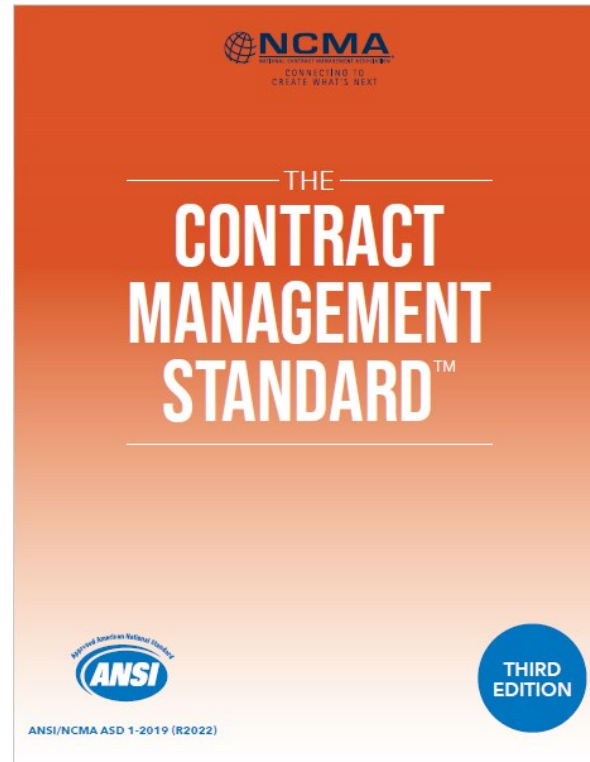


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## Chapters

- 1.The Contract Management Framework
- 2.CMBOK Overview
- 3.Leadership
- 4.Management
- 5.Guiding Principles
- 6.Pre-Award
- 7.Award
- 8.Post-Award
- 9.Learn
- 10.Abbreviations, Acronyms, and Lexicon

## Annex

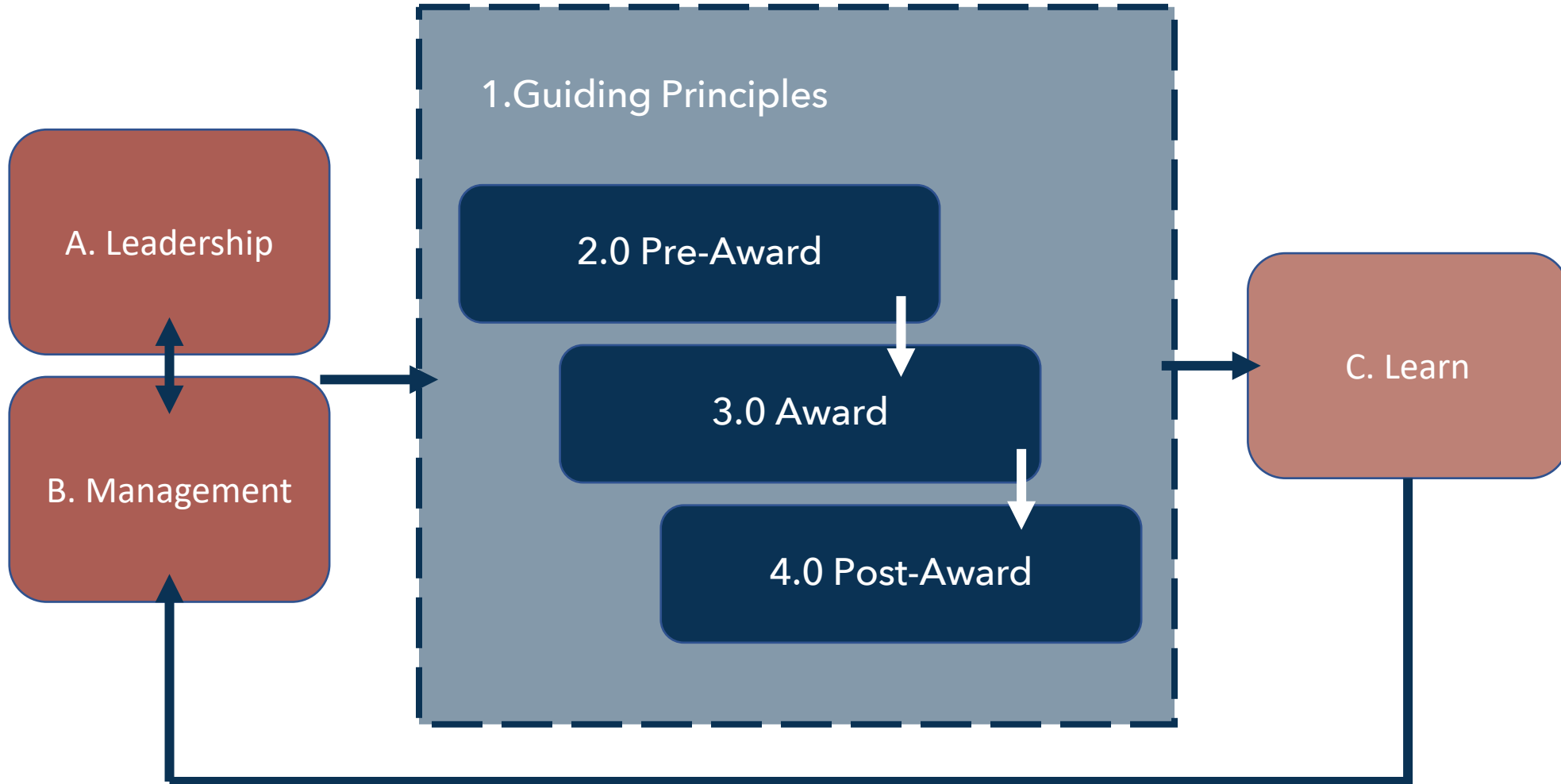


## Appendices

1. Position Standards for Contract Managers
2. CM Curricula Models
3. CM Continuing Professional Education Guide
4. CMBOK Competency and Knowledge Matrix
5. Organizational Capability Measurement
6. Organizational Capability Survey
7. Best Practices in State and Local Government
8. Uniform Commercial Code ToC
9. Federal Acquisition Regulation ToC
10. CMS FAR Matrix
11. CMBOK Changes and Evolution
12. CMBOK Contributors and Reviewers

# CMBOK Competency System

Figure 2-3. The *CMBOK* Competency System



## Competency Outline

Figure 2-2. CMBOK Outline of Competencies





# PRE-AWARD







Pre-Award

## Learning Objectives

### Pre-Award - Buyer

- Build a solicitation plan
- Select the appropriate contract type based on risks
- Select the appropriate contracting method (IFB, RFP, etc.) based on goals
- Outline elements of a typical statement of work.
- Apply the OFPP Mythbusting Memos to buyer-seller communication.

### Pre-Award - Seller

- Evaluate a solicitation
- Assess opportunity risk.
- Make a bid or no bid decision.



## Plan Solicitation

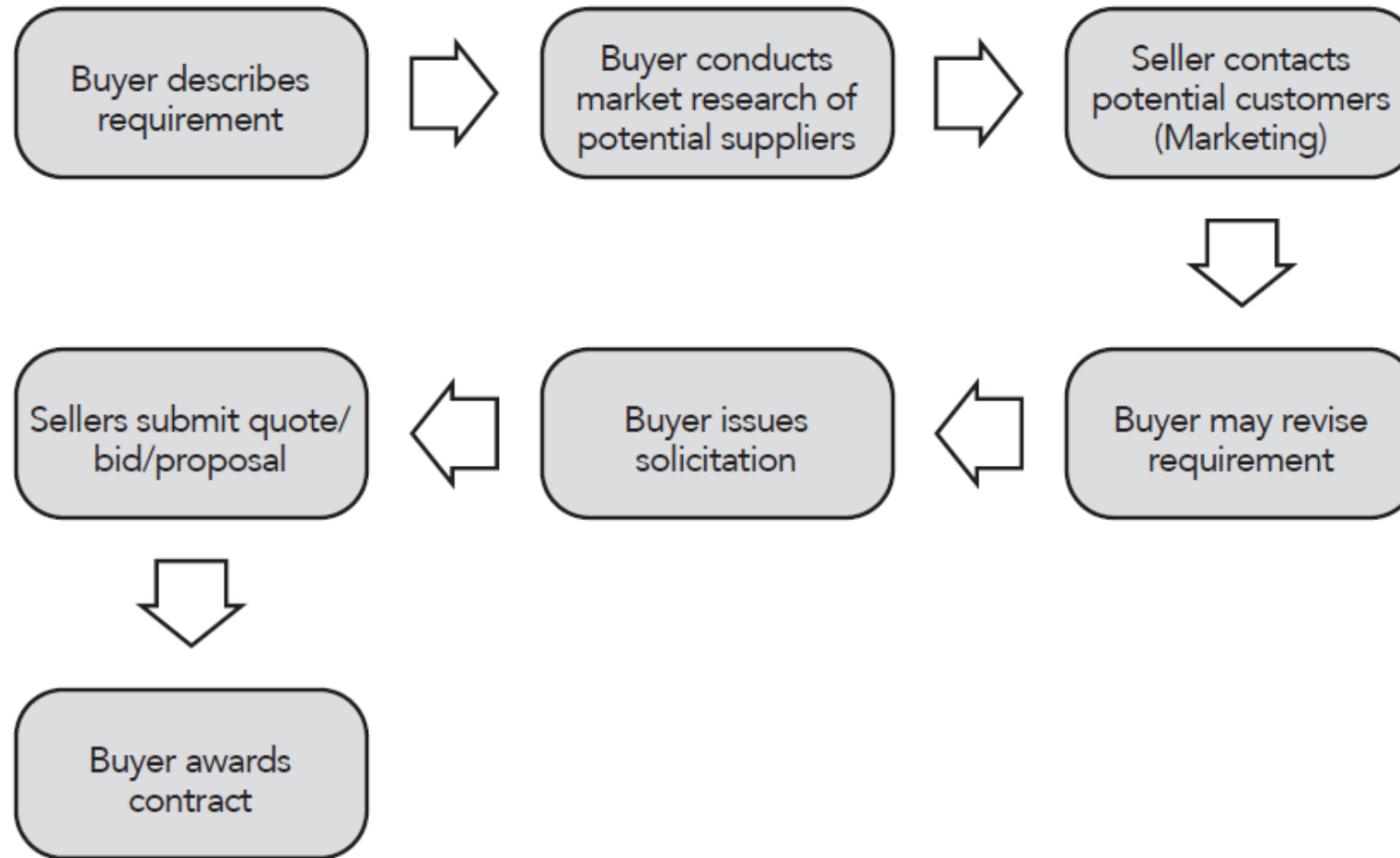
Coordinating and integrating a comprehensive plan for fulfilling the customer need in a timely manner at a reasonable cost.

FIGURE 6-3. Solicitation Plan Contents



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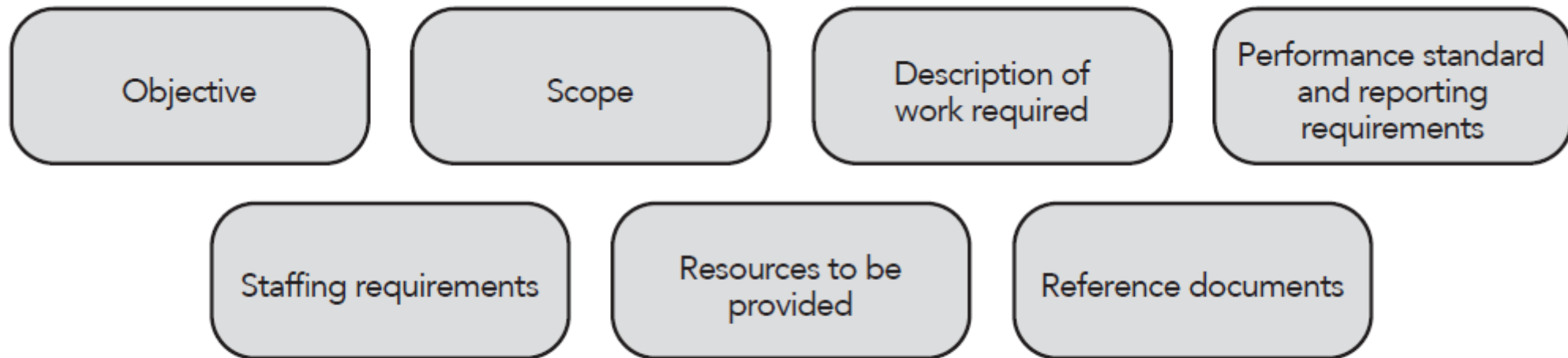
FIGURE 6-8. Market Research Cycle



# Buyer and Seller Communication

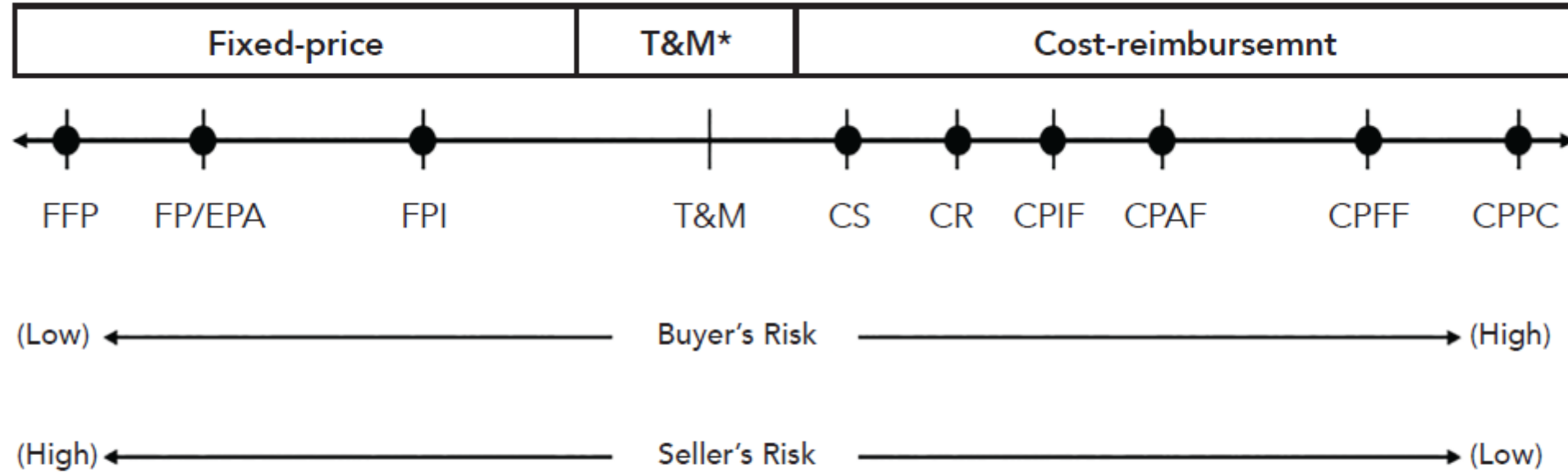


FIGURE 6-9. Typical Statement of Work Contents



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FIGURE 6-4. Range of Contract Types and Risk (Garrett 2009)



\*T&M contracts typically involve higher levels of risk for buyers.



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FIGURE 6-5. Contract Types/Risk-Sharing Tools

| Type  | Essential Elements and Advantages  | Attributes  | Suitability  |
|---|--|---|--|
| <b><i>Firm-Fixed Price (FFP)</i></b>                              | <p>Reasonably definite design or performance specifications available.</p> <p>Fair and reasonable price can be established at outset.</p> <p>Conditions for use include the following:</p> <ul style="list-style-type: none"> <li>• Adequate competition</li> <li>• Prior purchase experience of the same, or similar, goods or services under competitive conditions.</li> <li>• Valid cost or pricing data.</li> <li>• Realistic estimates of proposed cost.</li> <li>• Possible uncertainties in performance can be identified and priced.</li> </ul> | <p>Price not subject to adjustment regardless of seller performance costs.</p> <p>Places 100 percent of financial risk on seller.</p>   | <p>Commercial and noncommercial products and services for which reasonable prices can be established.</p>                  |
| <b><i>Fixed Price with Economic Price Adjustment (FP/EPA)</i></b> | <p>Unstable market or labor conditions during performance period and contingencies that would otherwise be included in contract price can be identified and made the subject of a separate price adjustment clause.</p> <p>Contingencies must be specifically defined in contract.</p> <p>Provides for upward adjustment (with ceiling) in contract price.</p> <p>May provide for downward adjust-</p>   | <p>Price can be adjusted on action of an industrywide contingency beyond the seller's control.</p> <p>Reduces seller's fixed-price risk.</p> <p>If contingency manifests, contract administration burden increases.</p> <p>Used with negotiated procurements and, in limited applications, with formal advertising when determined to be feasible.</p> <p>Buyer must determine if FP/EPA is</p> | <p>Commercial and noncommercial products and services for which reasonable prices can be established at time of award.</p> |



**Request Offers** is the process of implementing the solicitation plan by soliciting responses from sellers in order to fulfill a customer need.

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FIGURE 6-6. IFB, RFP, and RFQ Usage Matrix

|  | IFB | RFP   | RFQ   |
|--|-----|-------|-------|
| Is the price the determining factor?   | Yes | Maybe | Maybe |
| Will oral presentations be considered?   | No  | Maybe | Maybe |
| Is there a responsibility test?  | Yes | Yes   | Yes   |
| Is there a responsiveness test?  | Yes | Yes   | Yes   |
| Will there be an opportunity to submit a revised proposal/bid?                                     | No  | Maybe | Maybe |
| May I submit questions while the solicitation is active?   | Yes | Yes   | Yes   |
| Will communication be allowed  | No  | Maybe | Maybe |
| Does my proposal/bid require a signature of an official that has the authority to bind the seller? | Yes | Yes   | No    |
| Does my proposal/bid require a signature of an official that has the authority to bind the buyer?  | Yes | Yes   | No    |



# Boots for Foots

## Case Study A: Market Research and Solicitation Plan - Buyer

Read case study (workbook pg X).

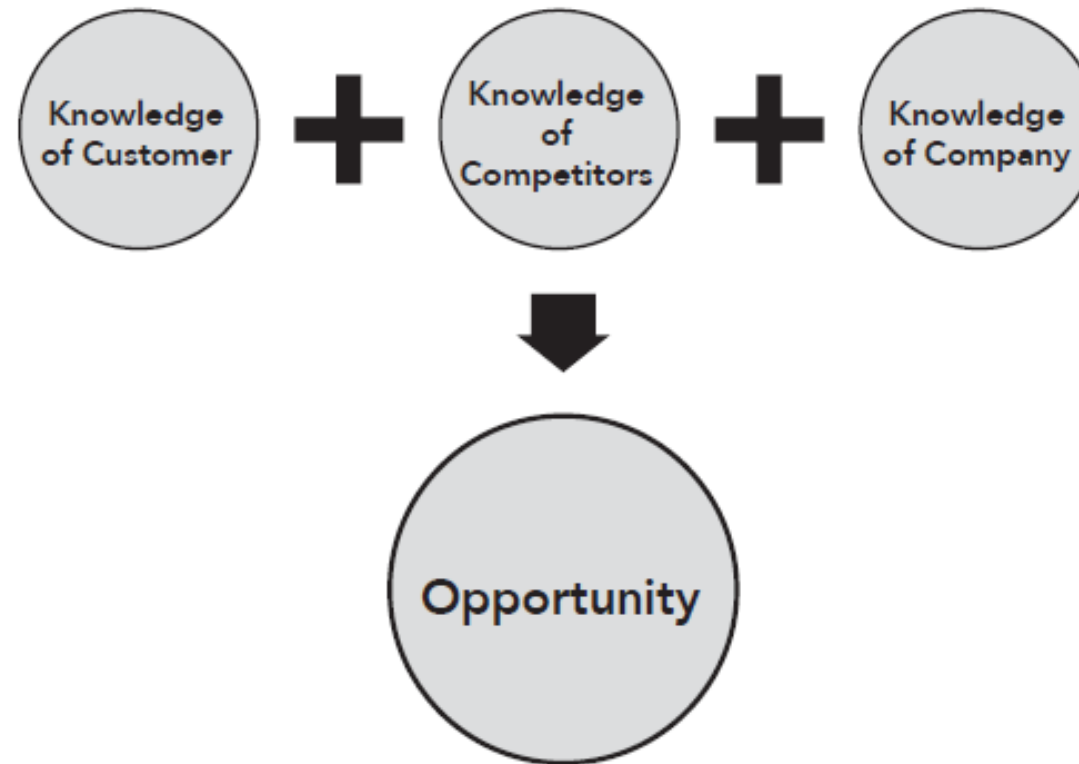
1. Outline your market research
2. Develop your solicitation plan



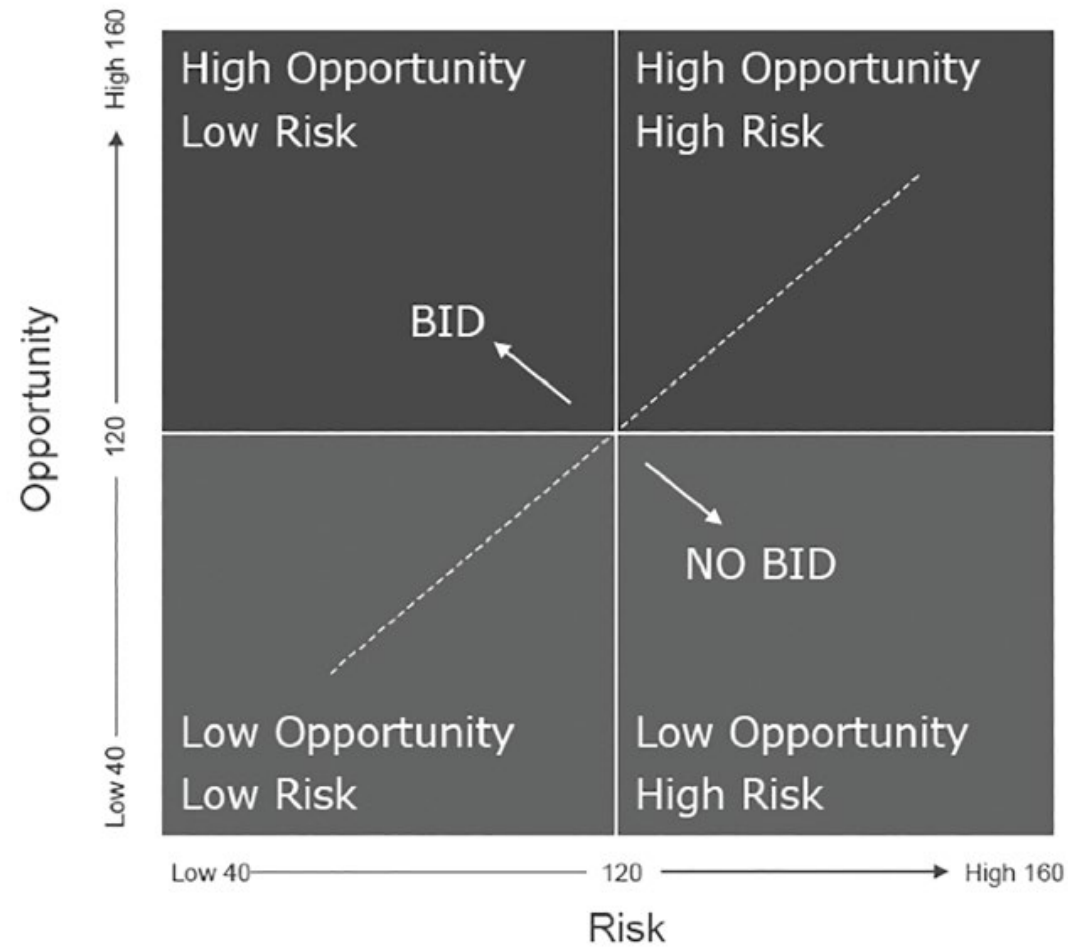
## Plan Sales:

- Organizing pre-sales activities to develop customer relations and market strategy,
- Understanding the marketplace, and
- Assessing competition.

FIGURE 6-15. The Three Inputs of Knowledge



**FIGURE 6-16.** Sample Opportunity-Risk Assessment Grid



# Risk Sources and Ways to Mitigate

6-18; 6-19

Technical risk

Delivery risks

Financial risks

Contractual risks

Reputational risks

**How to mitigate or avoid risk?**





# Beat Feat

## Case Study B: Opportunity and Risk Assessment –Seller

- Read case study
- Outline opportunities
- Complete the Risk Assessment table
- Choose a risk quadrant



## Prepare Offer:

Execute the sales plan and assemble an offer to win business.

# Understanding a Solicitation

## 2.4.2

- Identify key information
- Identify key words or phrases
- Separate the solicitation into sections
- Identify deliverables
- Create a checklist
- Identify critical skill sets
- What is it worth? Make a bid/no-bid decision
- Format the offer
- Read the solicitation
- Reread the solicitation
- Write a two-paragraph summary of the requirement
- Read instructions to offerors
- Read evaluation factors for selection
- Resolve inconsistencies and ambiguities
- Understand contracting method and award



# Iron Tred Soles

## Case Study C: Bid or No Bid Decision

### –2<sup>nd</sup> Tier Seller

- Read case study
- Complete the Bid/No Bid Assessment

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# AWARD

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Award



## **Price or Cost Analysis:**

Determining fair and reasonable prices when negotiating new contracts and contract modifications.

## Learning Objectives

### Award

- Distinguish between cost analysis and price analysis.
- Determine whether an offer has a fair and reasonable price.
- Distinguish between LPTA and Tradeoff selection methods.
- Document a best value tradeoff decision.
- Outline elements of contract interpretation and disputes.



# Cost vs. Price

## 3.1.1

### Price Analysis

Examining a proposed price without evaluating separate cost elements.

100 pairs of boots  
= \$2,000

### Cost Analysis

Evaluating separate cost elements and profit or fee.

100 pairs of boots =  
Laces - \$100  
Soles - \$200  
Leather - \$500  
Labor - \$800  
Shipping - \$100  
Overhead - \$100  
Fee - \$200

# Price Analysis

## 3.1.1

### Evaluate based on:

- Historical prices paid
- Published prices
- Competitive analysis
- Comparative analysis
- Market data

### Methods:

- Parametric
- Price trend analysis
- Bottoms up

# Cost Analysis

## 3.1.1

### Direct Costs

Specifically identifiable within a contract requirement.  
Ex. material, labor, etc.

### Indirect Costs

Not directly identifiable within a specific cost objective but impact two or more cost objectives. Ex. electricity bill

### Fixed Costs

Do not change over a given period but become smaller on a per-unit basis as volume increases.

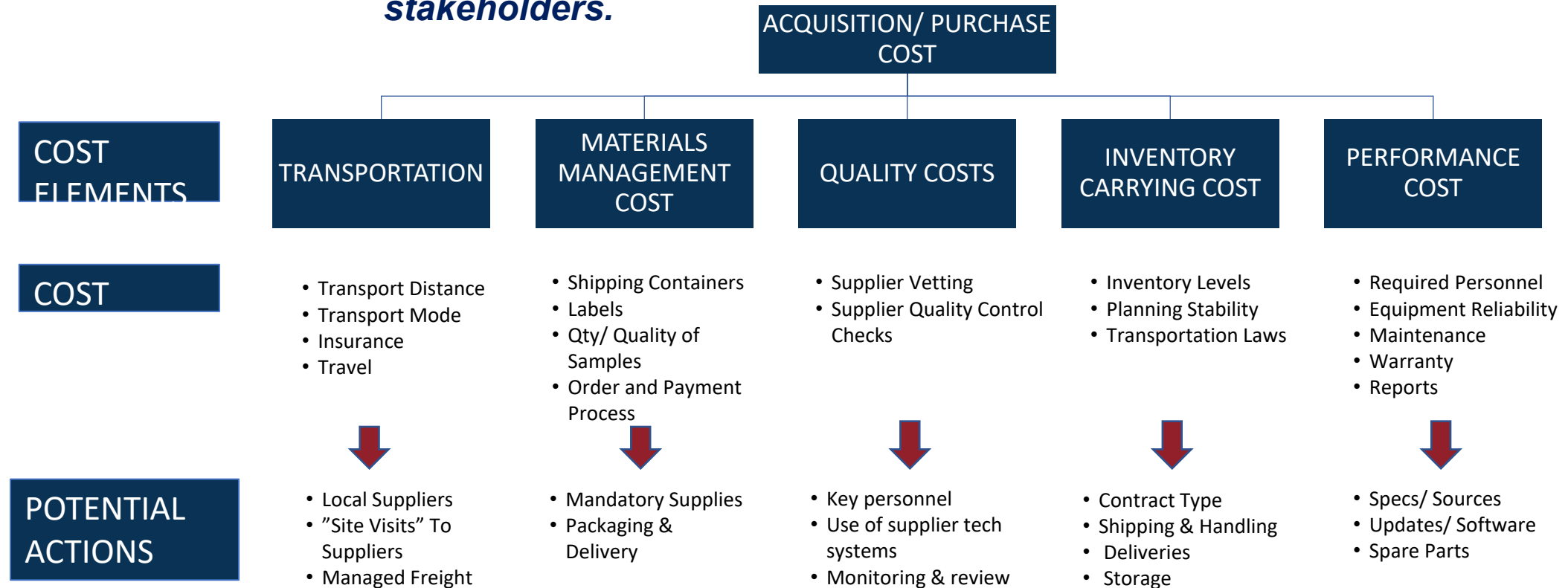
### Variable Costs

Change directly or in proportion to the quality or cost of goods or services.

# Develop Total Cost of Ownership (TCO) Model

## Cost Elements – Regulations - Cost Drivers

*Use the Regulations, TCO elements & drivers to identify stakeholders.*

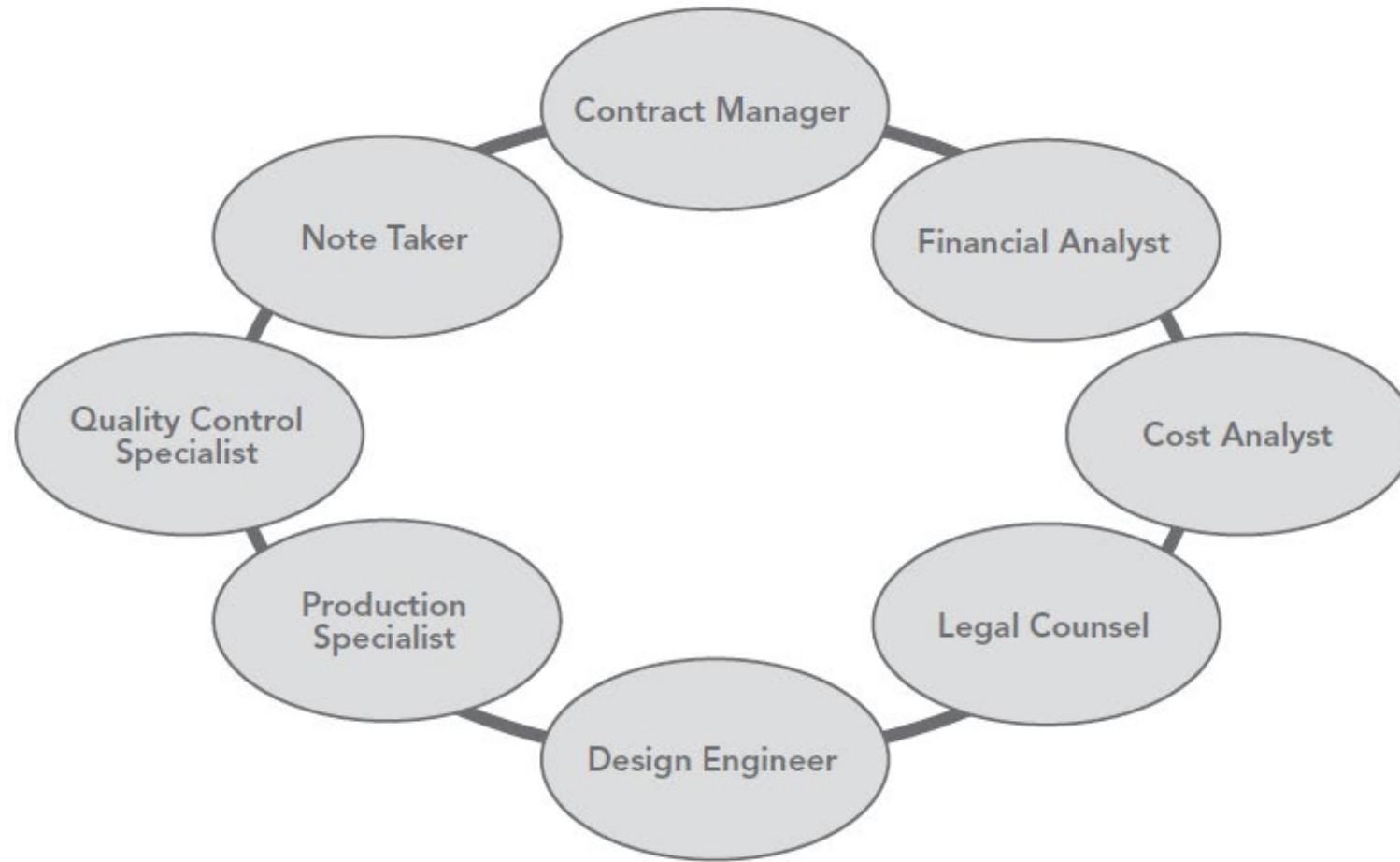




## Plan Negotiations:

- Preparing for interaction between the buyer and seller regarding the offer and its terms.
- Clarifying requirements and parties
- Requesting changes or consideration of an alternate approach consistent with the solicitation requirements.

FIGURE 7-3. *Negotiation Team*



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**FIGURE 7-4.** Negotiation Objective for a Fixed-Price Contract

| Negotiation Objective for a Fixed-Price Contract |         |           |         |
|--|---------|-----------|---------|
|  | Minimum | Objective | Maximum |
| Unit Price                                       | \$      | \$        | \$      |

**FIGURE 7-5.** Negotiation Objective for a Cost-Plus-Fixed-Fee Contract

| Negotiation Objective for a Cost-Plus-Fixed-Fee Contract |         |           |         |
|--|---------|-----------|---------|
| Cost Element   | Minimum | Objective | Maximum |
| Direct   | \$      | \$        | \$      |
| Indirect   | \$      | \$        | \$      |
| Total Cost   | \$      | \$        | \$      |
| Profit/Fee   | \$      | \$        | \$      |
| Total Cost Plus Fee                                      | \$      | \$        | \$      |



## Source Selection:

Determining which vendor wins a contract.

The term is also used to summarize all activities in the evaluation process.



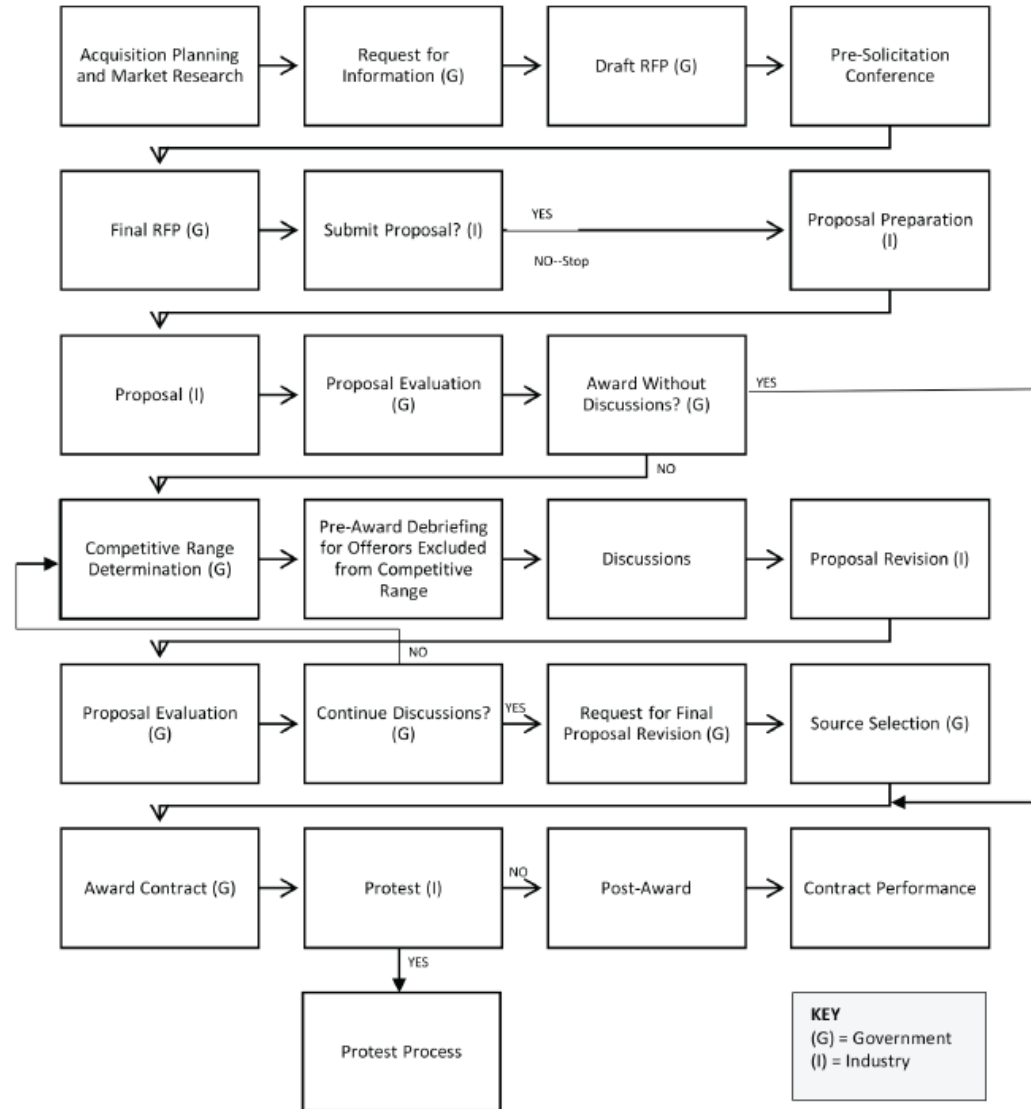
# Source Selection Types

## 3.3.1-3

- Simplified acquisition
- Sealed bidding
- Negotiated source selection

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FIGURE 7-7. Sample Source Selection Process (derived from Rumbaugh, 2010)



# Basis of Award

3.3.4.6

Lowest Price  
Technically  
Acceptable

Minimum  
requirements met  
+ lowest price.

Tradeoff

Evaluation factors to  
determine best value.

## Best Value Tradeoff

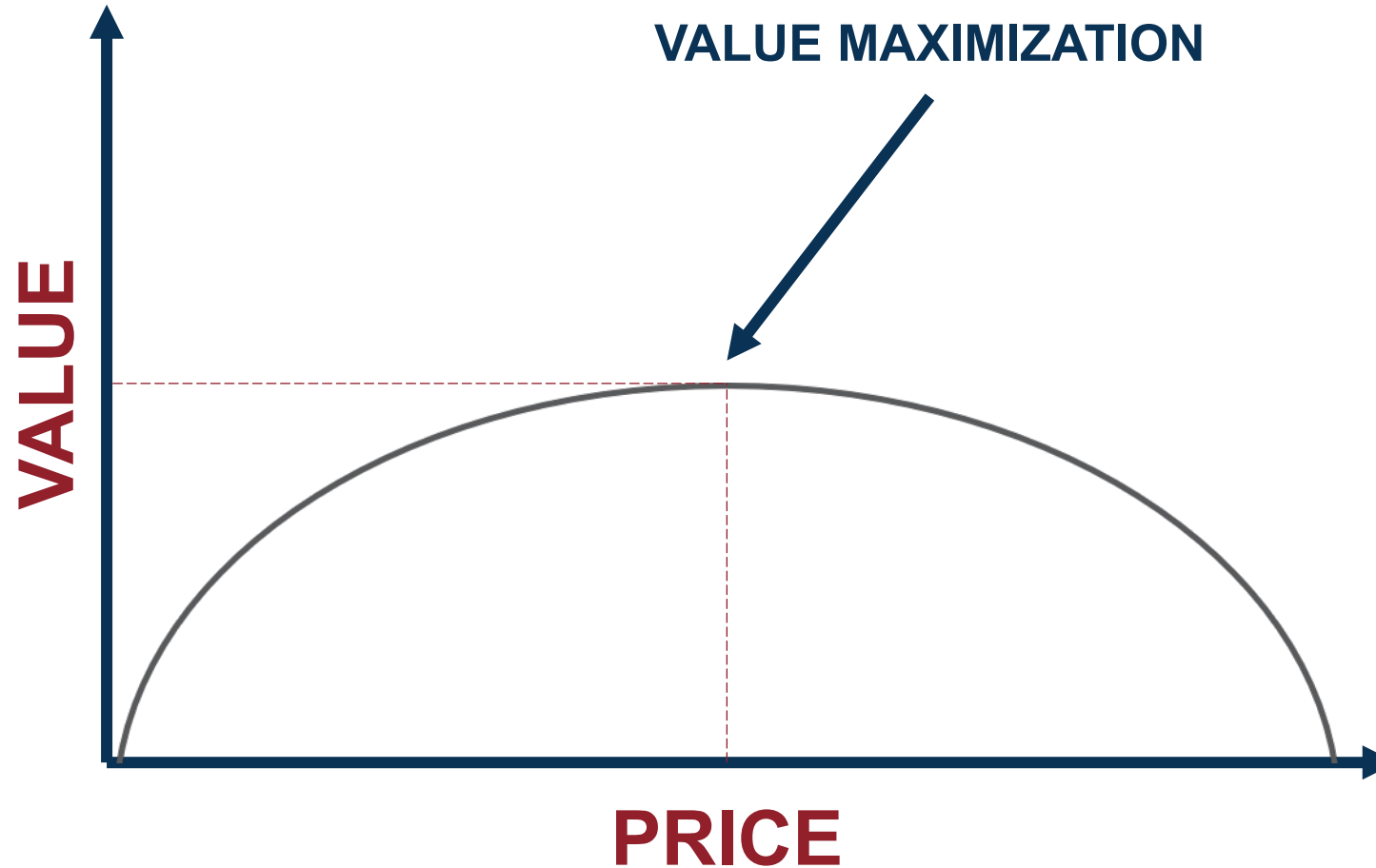


FIGURE 4-53. Supplier Selection Criteria

| Criteria             | Key Considerations   |
|----------------------|--|
| Responsibility       | Compliance with law and regulations                            |
| Past performance     | On-time delivery, quality product, affordable price            |
| Technical capability | Facilities, equipment, skills                                  |
| Financial            | Stable financial condition                                     |
| Price                | Best value   |
| Diversity status     | Large business or certified in a designated diversity category |

FIGURE 7-8. Sample Adjectival Evaluation Rating System

| Adjectival Evaluation Rating System |  |
|-------------------------------------|--|
| <b>Outstanding</b>                  | A proposal that satisfies all of the government's requirements, with extensive detail indicating the feasibility of the approach and a thorough understanding of the problems. The proposal has numerous significant strengths that are not offset by weaknesses. The proposal has an overall low degree of risk.                |
| <b>Good</b>                         | A proposal that satisfies all of the government's requirements, with adequate detail indicating a feasible approach and an understanding of the problems. The proposal has some significant strengths or numerous minor strengths that are not offset by weaknesses. The proposal has an overall low to moderate degree of risk. |
| <b>Acceptable</b>                   | A proposal that satisfies all of the government's requirements, with minimal detail indicating a feasible approach and a minimal understanding of the problems. The proposal has an overall moderate to high degree of risk.   |
| <b>Marginal</b>                     | A proposal that satisfies all of the government's requirements, with minimal detail indicating a feasible approach and a minimal understanding of the problem. The proposal has an overall high degree of risk.  |
| <b>Unacceptable</b>                 | A proposal that contains at least one major error, omission, or deficiency that indicates a lack of understanding of the problems. The approach cannot be expected to meet requirements or involves a very high risk. None of these conditions can be corrected without a major rewrite or proposal revision.                    |



## Case Study D: Price Analysis, Best Value Tradeoff and Negotiation Priorities –Buyer and Seller

Read the case study.

Complete Parts 1-5:

1. Price Analysis Table
2. Comparative Analysis Table
3. Tradeoff Decision
4. Buyer Negotiation Priorities
5. Seller Negotiation Priorities



## Manage Disagreements:

Resolving conflict between potential and actual contracted parties in order to maintain legal conformity.

Contractual disagreements may involve disputes, differing interpretations and protests.



# Contract Interpretation and Disputes

4.4.1

Reading the  
Contract

Order Of  
Precedence

Defining Key  
Terms

Extrinsic  
Evidence

Parole  
Evidence Rule

Contra  
Preferentem  
Rule

Clarification



# POST-AWARD





## Post-Award

## Learning Objectives

### Post-Award

- Outline contract administration steps
- Process requests for equitable adjustments and claims
- Recognize how claims can escalate into appeals to the appropriate court or board
- Describe the hybrid nature of subcontract management
- Resolve a subcontract performance issue
- Outline contract changes process
- Respond to a cure notice, a show cause notice, and a termination for default decision
- Describe the hybrid nature of subcontract management
- Outline contract close out process



## **The Administer Contract:**

The oversight of contract performance pursuant to the fulfillment of the contract terms, conditions, and specifications.

# Contract Administration

## 4.1

Using effective communication

Attending the post-award kickoff meeting

Conducting status review meetings

Preparing written status reports

Observing and monitoring performance

Documenting performance and providing feedback

Resolving REAs and claims



## Ensure quality:

- Planning for contract performance delivery and monitoring, and
- Inspecting and accepting contract performance.

# Quality Assurance Measurement and Testing

4.2.1-2

## In the contract:

- What will be measured or tested
- How data will be collected
- When measurement or testing will occur
- Process for measurement or testing
- How costs will be handled



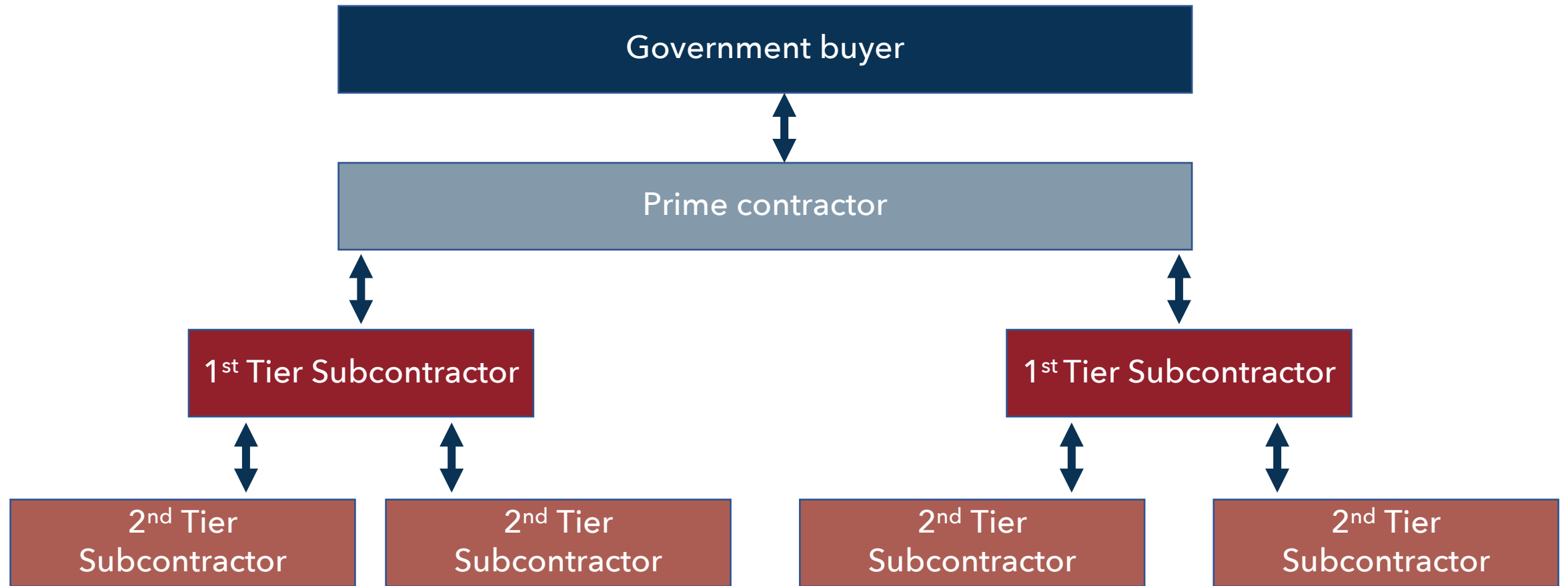
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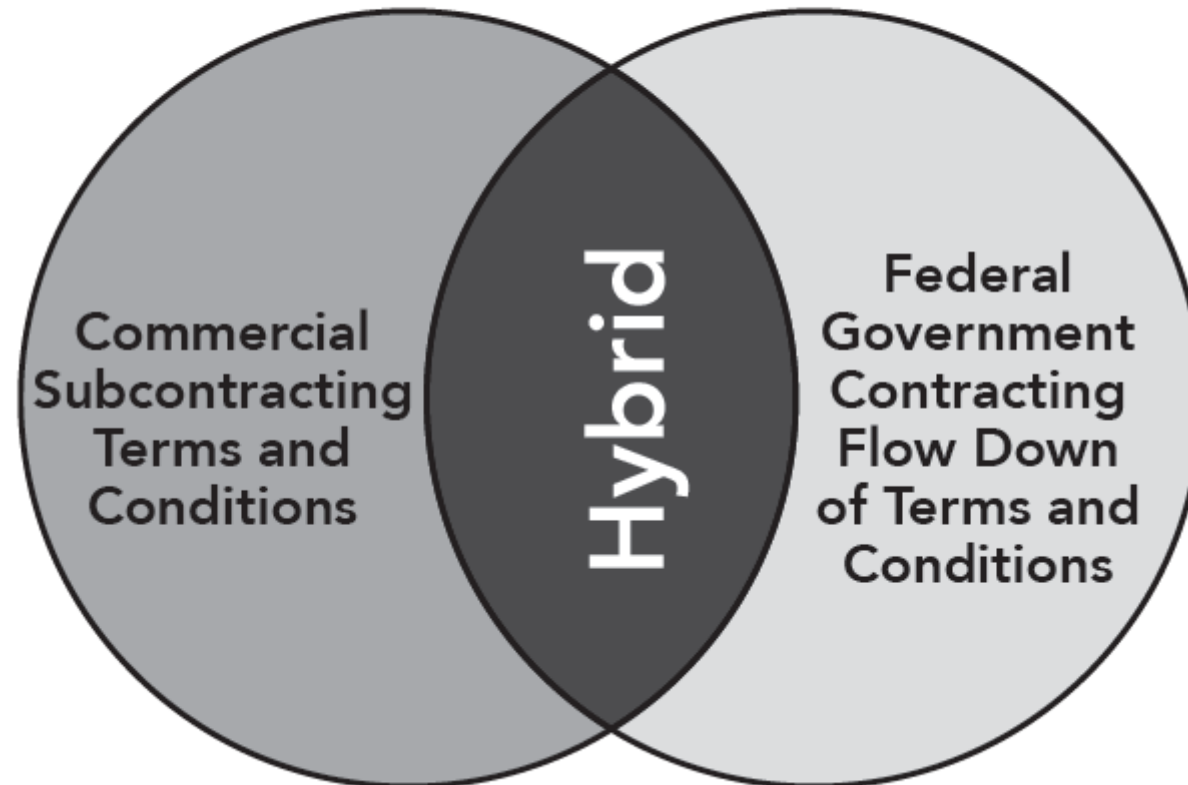
**Manage Subcontracts:** the management of contracts in support of the prime contract, including:

- Subcontract award,
- Technical and financial performance,
- Monitoring performance, and
- Payment to the subcontractors and suppliers for the work accomplished under subcontract terms.

# Privity of Contract



**FIGURE 8-7.** A Subcontract Under a Government Prime Contract is a Hybrid



# Flowdown Prescriptions



# Teaming Agreements

4.3.11

## Purpose

Win large complex programs by combining complementary resources.

## Types

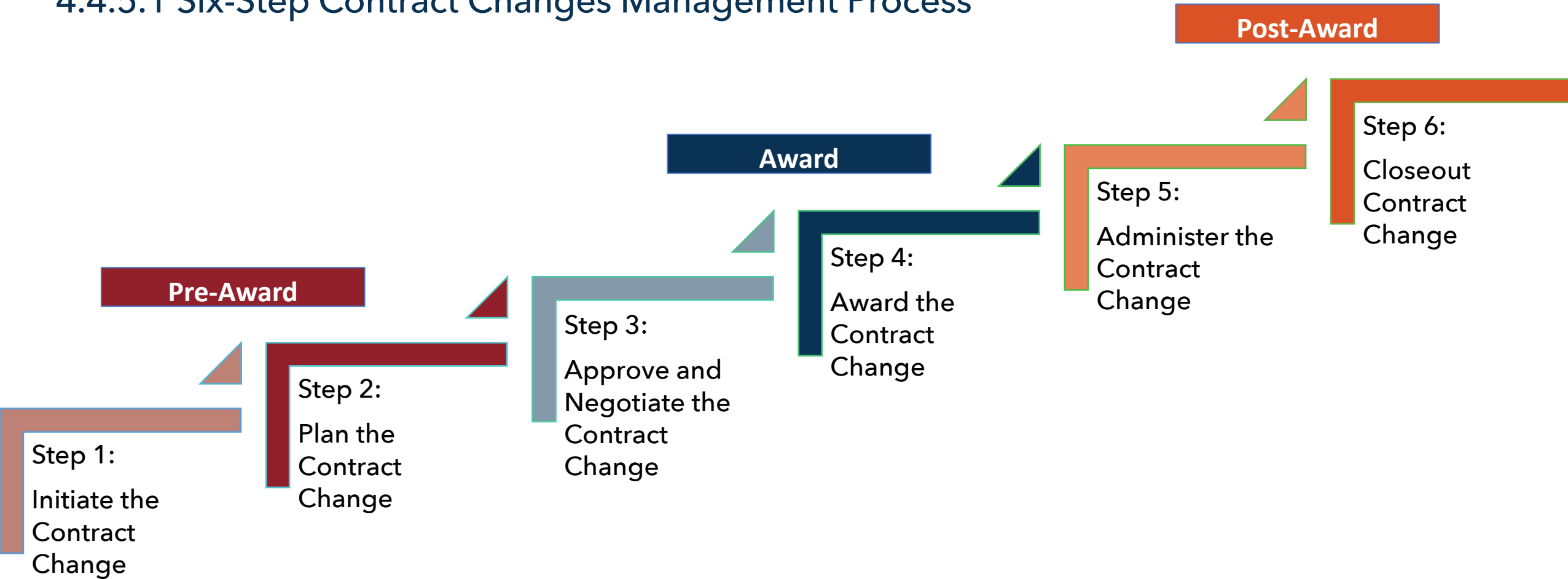
- Partnerships
- Joint ventures
- Prime/sub team



## Manage Changes:

- Initiating, considering, negotiating, and issuing contract modifications; and
- Maintaining configuration control of the contract and subsequent contract performance.

## 4.4.5.1 Six-Step Contract Changes Management Process



# When things don't go as planned...

## 4.4.6 Brief Termination Types

- FAR Part 12 commercial items (cause or convenience)
- FAR Part 49 termination (default or convenience)
- Excusable delay/force majeure
- Contract cancellation





## Case Study E: When Things Don't Go as Planned –Buyer

Read the case study.

Decide what type of notice you  
will send the contractor.



## Case Study F: When Things Don't Go as Planned –Seller

Read the case study.

Part 1:

- Decide how you will proceed with the Buyer.
- Decide how you will proceed with your subcontractor.

Part 2:

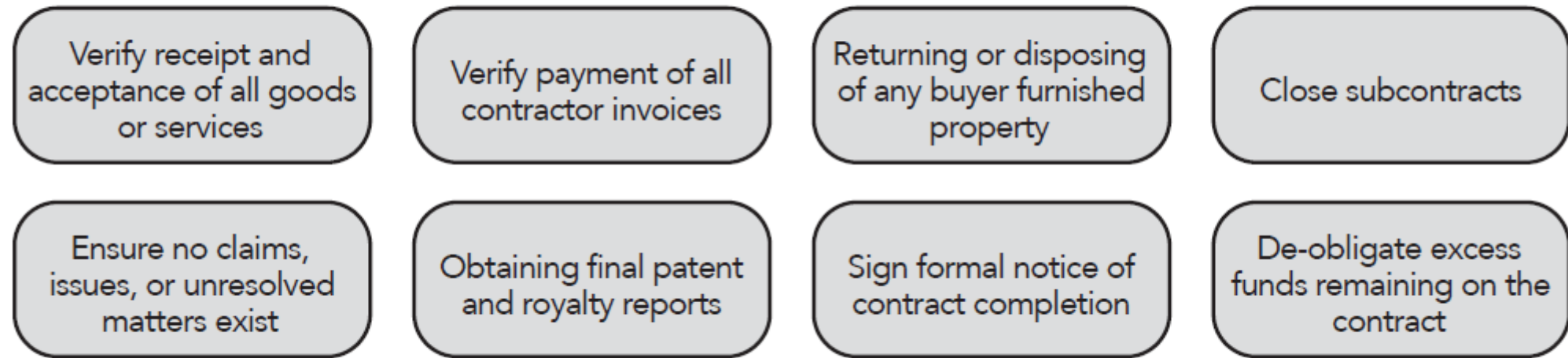
How will you respond to the Buyer?



**Close Contract** is the process of:

- Verifying all the requirements of the contract are satisfied,
- Settling unresolved matters, and
- Reconciling the contract to make final payment.

FIGURE 8-14. Close Out Contract

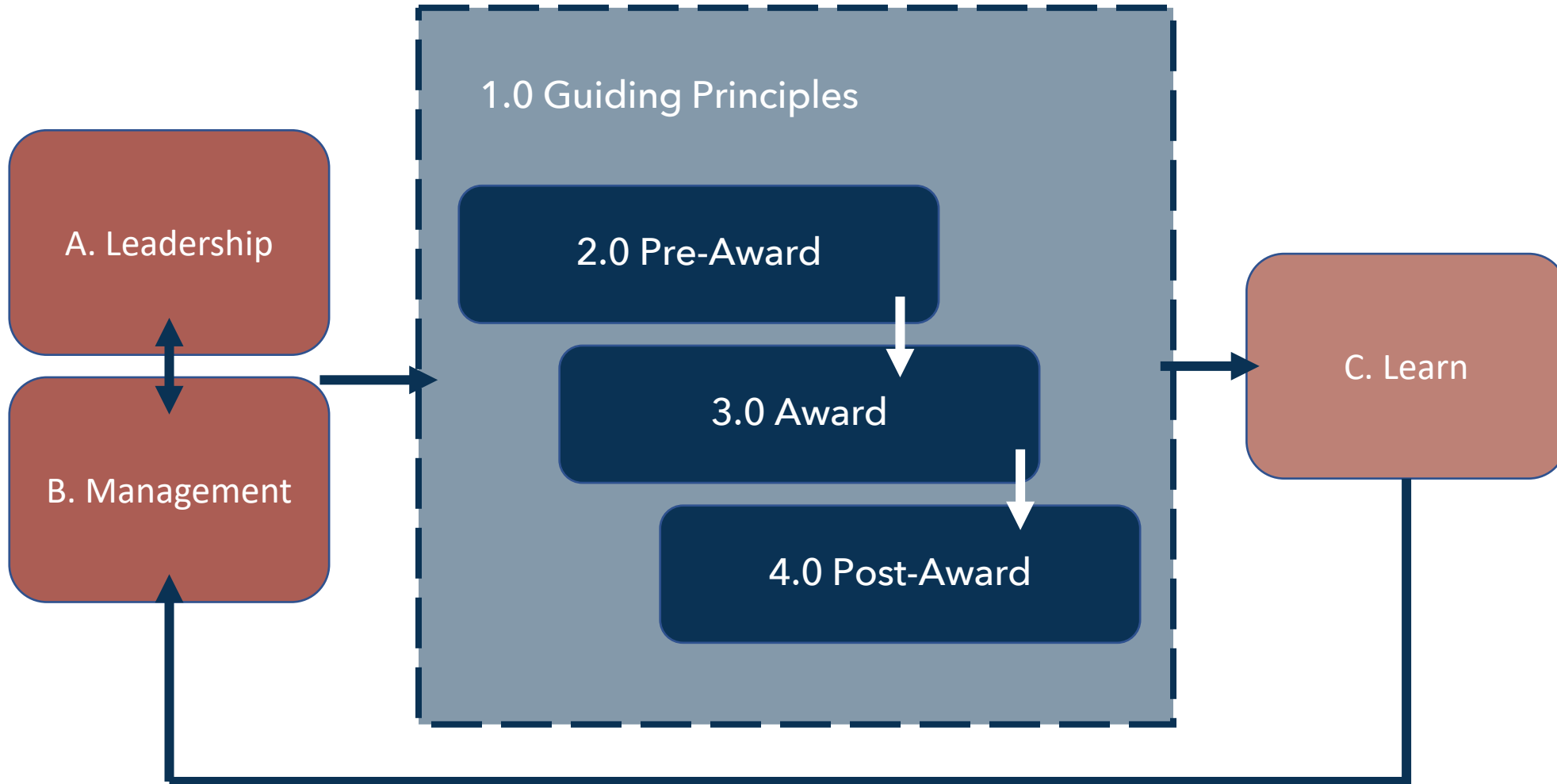


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# CONCLUSION

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## CMBOK Competency System





# CONTRACT MANAGEMENT COMPETENCY ASSESSMENT



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