

EXAMPLE OF END OF CONTRACT YEAR MODIFICATION TO REFLECT ACTUAL UTILIZATION

Approximately 75 days after the completion of each contract year (October 30th), the Government will execute a bilateral modification to the contract revising the quantity of transactions for each individual Transactional Service to reflect actual utilization by the Government for that contract year. Actual utilization figures used in this modification will be obtained from DRD 2.5-2, *Contract Performance (Metrics) Report* for the month of September. The firm fixed price rate and total value for each individual Transactional Service (by CLIN) will also be revised to reflect the actual utilization figures, applicable Service Rate Band from Attachment I-13, *Labor and Transaction Rates*, and the associated recalculation of a total value amount.

Table One: Hypothetical Accounts Payable Bands			
Accts Payable 3.1.1 CY1, FY24	Band One 0-49,999	Band Two 50,000-99,999	Band Three 100,000-Above
Cost Per Transaction	\$2.25	\$2.00	\$1.75

The end of year contract value for each transactional service will be determined by which band the final utilization figure falls under for that service. For example, end of contract year utilization of 105,000 Accounts Payable transactions using the hypothetical bands and prices found in table one above would result in a final value of \$183,750 for that service. Final value for each transactional service is not determined by the amount of utilization within each band.

CORRECT

$$105,000 \times \$1.75 = \$183,750$$

Total Value for CLIN = \$183,750

INCORRECT

$$49,999 \times \$2.25 = \$112,497.75$$

$$50,000 \times \$2.00 = \$100,000$$

$$5,000 \times \$1.75 = \$8,750$$

Total Value for CLIN = \$221,247.75

The following three scenarios are based on an example of the Government ordering 75,000 Accounts Payable transactions at the hypothetical price per transaction rates found in table one above:

Scenario One: No Adjustment

The Government orders 75,000 Accounts Payable 3.1.1 transactions for Contract Year One (CY1.) at \$2.00 per transaction. The amount of total utilization for 3.1.1 for CY1 is 74,500.

CLIN	WBS	Description	Quantity	Unit	FFP Rate	Total Value
1 (modified)	3.1.1	Accounts Payable	74,500	Ea.	\$2.00	\$149,000
		TOTAL				\$149,000

The Contractor has invoiced as transactions were completed. The Contract would be modified to decrease the value of WBS 3.1.1 to represent a quantity of 74,500, but there would be no credit due to the Government or additional invoice from the Contractor because the utilization for the year ended in the range of band two and all transactions have already been invoiced at the appropriate FFP Rate.

Scenario Two: Adjustment Favoring Government

The Government orders 75,000 Accounts Payable 3.1.1 transactions for CY1 at \$2.00 per transaction. The Contractor invoices as the transactions are completed. During CY1, the Government orders another 30,000 transactions. CLIN one would be modified at the time of the order to represent the new value (note that in accordance with Clause G.7(d) all transactions are valued and invoiced at the band two price until the end of the CY.)

CLIN	WBS	Description	Quantity	Unit	FFP Rate	Total Value
1 (modified)	3.1.1	Accounts Payable	105,000	Ea.	\$2.00	\$210,000
		TOTAL				\$210,000

After twelve months, final utilization for 3.1.1 was 105,000, placing it in band 3. The Contractor has already invoiced for \$210,000 (105,000 X \$2). The value for 3.1.1 would be adjusted as follows:

CLIN	WBS	Description	Quantity	Unit	FFP Rate	Total Value
1 (modified)	3.1.1	Accounts Payable	105,000	Ea.	\$1.75	\$183,750
		TOTAL				\$183,750

The Contractor would owe the Government a credit of \$26,250 (\$210,000-\$183,750).

Scenario Three: Adjustment Favoring Contractor

The Government orders 75,000 Accounts Payable 3.1.1 transactions for CY1. The Contractor bills as the transactions are completed.

CLIN	WBS	Description	Quantity	Unit	FFP Rate	Total Value
1	3.1.1	Accounts Payable	75,000	Ea.	\$2.00	\$150,000
		TOTAL				\$150,000

Final utilization for 3.1.1 was 48,000, placing it in band 1. Therefore the value would be adjusted as follows:

CLIN	WBS	Description	Quantity	Unit	FFP Rate	Total Value
1 (modified)	3.1.1	Accounts Payable	48,000	Ea.	\$2.25	\$108,000
		TOTAL				\$108,000

Although the value has decreased from \$150,000 to \$108,000, the Contractor has only invoiced \$96,000 (48,000 X \$2). Therefore, the Contractor would invoice the Government for an additional \$12,000 (\$108,000 -\$96,000).