

EICHLEAY FORMULA

The Eichleay formula requires three steps:

- 1) to find allocable contract overhead, multiply the total overhead cost incurred during the contract period times the ratio of billings from the delayed contract to total billings of the firm during the contract period;
- 2) to get the daily contract overhead rate, divide allocable contract overhead by days of contract performance;and
- 3) to get the amount recoverable, multiply the daily contract overhead rate times days of government-caused delay.

FORMULA

Contract Billings Total Overhead (General and Overhead

Total Billings x Administrative Expense) = allocated

during period of during period of contract to Contract

performance performance

Allocated Overhead = Daily Contract Overhead

Days of Performance

Daily Contract Overhead x days of delay = Claim Amount

Example

Contract Notice to Proceed November 1, 1986

Contract Completion Date November 1, 1987

Performance Time 365 days

Actual Completion Date December 1, 1987

Days of Delay 30 days

Contract Billings (Amount plus change orders), \$1,000,000

Contract Billings for Company 11/1/1986 to 12/1/87, \$2,000,000

Overhead (General and Administrative Expenses) 11/1/1986 to
12/1/1987, \$400,000

Calculation

$$\underline{\$1,000,000} \times \$400,000 = \$200,000$$

$$\$2,000,000$$

$$\$2000,000/395 \text{ days} = \$506.33/\text{day}$$

$$\$506.33 \times 30 \text{ days} = \$15,189.90$$