



At a Glance

Why We Did This Review

We conducted this audit to determine whether the U.S. Environmental Protection Agency (EPA) complied with revisions made to the Federal Acquisition Regulation (FAR) for use of cost-reimbursement contracts.

Background

The Duncan Hunter National Defense Authorization Act for fiscal year 2009 required the FAR to be revised to address the use of cost-reimbursement contracts. The FAR was revised on March 16, 2011. The revisions provide additional guidance on when cost-reimbursement contracts are appropriate, require agencies to develop acquisition plans to support the contract type selection, and require agencies to discuss the acquisition resources necessary to award and manage cost-reimbursement contracts. A cost-reimbursement contract is one in which a contractor is paid based on the occurrence of allowable costs.

For further information, contact our Office of Congressional and Public Affairs at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2012/20120306-12-P-0320.pdf

Policies Needed for Proper Use and Management of Cost-Reimbursement Contracts Based on Duncan Hunter Act

What We Found

EPA did not comply with several key revisions to the FAR as amended by the interim rule, *Proper Use and Management of Cost Reimbursement Contracts* (FAR Case 2008-030). Although EPA complied with several revisions, those tended to be areas where the new rules expanded on requirements already in existence. For example, we found that the contract files reviewed generally did not have documentation of:

- Discussions concerning minimizing the use of other than firm-fixed-price contracts on future acquisitions for the same requirement;
- Consideration as to whether portions of the contract could be established on a firm-fixed-price basis; and
- A written acquisition plan.

EPA did not always nominate or appoint contracting officer's representatives (CORs) in writing. EPA program staff did not nominate the current COR for two of the seven contracts in our sample, and contracting officers did not appoint the current COR in writing for four of the seven contracts reviewed.

EPA improperly coded four indefinite-delivery/indefinite-quantity (ID/IQ) Task Order contracts as cost-plus-fixed-fee contracts in EPA's contract writing system and in the Federal Procurement Data System-Next Generation.

What We Recommend

We recommend that EPA develop a policy that provides a standardized approach for preparing written acquisition plans to ensure compliance with the new FAR revisions. We also recommend that EPA update the procurement initiation notice to include a copy of the COR appointment memorandum and direct contracting officers to verify that nomination forms and appointment memorandums are included in all contract files. Further, we recommend that EPA develop and distribute instructions on coding of ID/IQ contracts. EPA, in its response to the draft report and at the exit conference, concurred with our recommendations and provided milestone dates.