



At a Glance

Why We Did This Audit

We conducted this audit to determine whether the U.S. Environmental Protection Agency's (EPA's) performance-based contract methods and procedures are being effectively performed in accordance with acquisition requirements.

Over a 3-year period, the EPA awarded over \$4 billion dollars in performance-based contracts. These contracts attempt to achieve better value and enhanced performance.

Performance-based contracts focus on the results to be achieved instead of how the work is to be performed. These contracts are managed in accordance with the Federal Acquisition Regulation (FAR), the EPA Acquisition Regulation (EPAAR), and the EPA Acquisition Guide.

This report addresses the following:

- *Operating efficiently and effectively.*

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EPA Can Achieve Better Value by Complying With Performance-Based Contract Requirements

What We Found

We found that EPA performance-based contract methods and procedures were not being performed in accordance with FAR, EPAAR, and EPA Acquisition Guide requirements. Specifically, the EPA did not do the following:

- Correctly identify performance-based contracts in the EPA Acquisition System.
- Include required elements in quality assurance surveillance plans.
- Identify disincentives based on the FAR.
- Document contractor performance.

Over \$290 million awarded in performance-based contracts could have been put to better use if the EPA had not granted award terms for less-than-superior service. Over \$75 million could be put to better use if the EPA required superior service in its award term contract language.

We also found that the EPA did not perform the following requirements for performance-based contracts with award term incentives:

- Include the required quality assurance surveillance plans.
- Grant award term incentives in accordance with EPAAR.
- Include the required EPAAR award language for superior performance in the contract.
- Include the EPAAR general clause language and numbering system in the contract.

These conditions existed due to a combination of insufficient training and policy and procedure implementation. As a result, the EPA may not be obtaining better value and enhanced performance from using performance-based contracts.

Recommendations and Planned Agency Corrective Actions

This report makes 15 recommendations to the Assistant Administrator for Administration and Resources Management. Most of our recommendations require actions to improve policy and procedure, and require that training be provided on the requirements associated with performance-based acquisition and award term incentives.

The EPA agreed with 14 of the 15 recommendations. We consider the agency's planned corrective actions and completion dates for Recommendations 1 through 14 to be acceptable for meeting the intent of the recommendations. Recommendation 15 remains unresolved.