



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

The Office of Inspector General (OIG) conducted an audit of how the U.S. Environmental Protection Agency (EPA) uses independent government cost estimates (IGCEs) to control contract costs and receive the best value for dollars expended. This report is being issued to address a specific issue regarding the sharing of labor hours with contractors; another report will follow.

Background

An IGCE is a detailed estimate of what a reasonable person should pay to obtain the best value for a product or service. IGCEs are an essential tool to ensure the best value is obtained for dollars expended.

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

To view the full report, click on the following link:
www.epa.gov/oig/reports/2009/20090909-09-P-0229.pdf

EPA Should Stop Providing Estimates of Total Labor Hours to Contractors

What We Found

For 6 of the 22 contracts we reviewed, EPA provided the contractor with the government's estimate for total labor hours prior to receiving the contractor's proposal. The Federal Acquisition Regulation provides that the government may use various cost analysis techniques to ensure a fair and reasonable price, including comparing proposed prices with IGCEs. Since EPA is providing total labor hours to the contractor prior to receiving the proposal, EPA may be diminishing its ability to obtain a fair and reasonable price.

Contract management and program staff indicated that providing the total labor hours is common practice under level-of-effort-type contracts. Some informed us they provide contractors with estimated labor prior to receiving the proposal to indicate to the contractor the level of effort EPA anticipates will be associated with the work assignment. Office of Acquisition Management managers pointed out that EPA's Acquisition Regulation (EPAAR) requires that estimated labor hours be provided to contractors for contracts in which work is ordered through work assignments. Yet, an Office of Acquisition Management guide states that information from the IGCE should not be provided to the contractor.

We found that for most of the Superfund contracts reviewed, EPA did not routinely provide total labor hours to the contractor before receiving the proposal. Some EPA staff informed us they did not provide the total labor hours because doing so would undermine the negotiation process. When EPA provides its estimate of total labor hours before receiving the proposal, the contractor does not have an incentive to seek a more efficient or innovative approach to meet the government's requirement.

What We Recommend

We recommend that EPA revise EPAAR to eliminate the requirement that EPA include total estimated labor hours in work assignments or identify specific circumstances in which the requirement should apply. EPA agreed with our recommendations to modify EPAAR and will communicate new guidance to contracting staff and those who prepare IGCEs.