



Report In Brief

MAY 18, 2012

Background

As of June 2011, NOAA had nine active cost-plus-award-fee (CPAF) and cost-plus-award-term (CPAT) contracts, which provide financial incentives based on contractor performance. These contracts had a potential maximum value of approximately \$1.6 billion, including approximately \$87 million in available award-fee pools and about \$386 million in available award-term periods. While incentive contracts can encourage excellence in contractor performance, they can be burdensome to administer and require effective monitoring to ensure that contract dollars are spent wisely and that award fees and terms are justified based on contractor performance.

Why We Did This Review

In December 2007, the Office of Management and Budget's Office of Federal Procurement Policy issued guidance to chief acquisition officers and senior procurement executives to review and update their acquisition policies on the appropriate use of incentive contracts. In this audit, we assessed award-fee and award-term ratings and payments made by NOAA, based on documentation used to support them, and evaluated NOAA's award-fee and award-term guidance, payment structure, and evaluation criteria for nine incentive contracts: four CPAF contracts, four CPAT contracts, and one contract with both award fees and terms.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

NOAA's Cost-Plus-Award-Fee and Award-Term Processes Need to Support Fees and Extensions

OIG-12-027-A

WHAT WE FOUND

NOAA gave contractors high ratings, resulting in substantial award fees or extended contract periods of performance, for eight of nine contracts. However, the ratings associated with four of these contracts lacked sufficient support to demonstrate that the contractor met or exceeded the award-fee or award-term evaluation criteria. As a result, approximately \$43.8 million was paid in award fees or contract extensions without proper justification. On some contracts, the performance monitors did not maintain documentation to support the ratings, and on other contracts, the examples and comments provided did not contain enough information to determine whether the ratings, award fees, and award terms were warranted. In addition, NOAA's award-fee payment structures provided little incentive for contractors to excel in executing their contracts. Also, weaknesses existed in the management of NOAA's CPAF and CPAT contracts.

WHAT WE RECOMMEND

We recommend that the Director of the NOAA Acquisition and Grants Office:

1. Require performance monitors to provide narrative comments that identify specific strengths, weaknesses, and deficiencies to support assigned ratings.
2. Develop award-fee and award-term incentive structures that encourage contractor excellence.
3. Update the performance evaluation plans for contracts DGI33E10CN0229 and DGI33E09CN0094 to add more measurable award-fee criteria.
4. Develop measurable and outcome-based criteria for assessing contractor performance for award fees and award-term extensions.
5. Require a cost-benefit analysis in decisions on CPAF and CPAT contracts.
6. Establish clear division of responsibility for the evaluation team and prohibit the same official from performing multiple roles.
7. Develop controls over the maintenance of contract files and contract data to ensure more immediate availability and completeness of documentation for contract actions.