



UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

April 26, 2011

MEMORANDUM FOR: Dr. Jane Lubchenco
Under Secretary of Commerce for Oceans and Atmosphere
National Oceanic and Atmospheric Administration

FROM: Ann C. Eilers *Ann C. Eilers*
Principal Assistant Inspector General for Audit and Evaluation

SUBJECT: Audit of NOAA's Management of Cost-Plus-Award-Fee Contracts

We are initiating an audit of the National Oceanic and Atmospheric Administration's (NOAA's) use of cost-plus-award-fee (CPAF) contracts. This audit is part of our risk-based oversight strategy developed to help the Department address management challenges in its acquisition function. Our audit will determine whether (1) NOAA's decisions related to award fee ratings and payments are properly supported, and (2) NOAA effectively monitors award fee plans and contractor performance.

Although we recently issued two reports on major CPAF contracts for Census (which obligated 75 percent of the Department's CPAF funds during fiscal years 2008 through 2010) we have not performed recent CPAF work at NOAA. At 20 percent (\$243 million) of Commerce's total CPAF obligations for the same fiscal years, NOAA's CPAF contracts also make up a significant portion of the funds awarded by the Department. As of March 2011, NOAA had paid over \$10 million in award fees on its CPAF contracts while approximately \$88 million remained available in award-fee pools for five open contracts.

We will contact the audit liaison to arrange an entrance conference, and will conduct our audit work at NOAA. If you have any questions, please call me at (202) 482-2754, or Andrew Katsaros, Assistant Inspector General for Audit, at (202) 482-7859.

cc: Mack Cato, Director, Audit, Internal Control Management Information Office, NOAA
Chad Wagner, Branch Chief, NOAA Acquisition and Grants Office, Policy and Oversight Management Division, Oversight and Compliance Branch
Barry Berkowitz, Senior Procurement Executive and Director, Office of Acquisition Management