



December 2, 2011

MEMORANDUM FOR: Scott B. Quehl, Chief Financial Officer and Assistant Secretary
for Administration

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

SUBJECT: Audit of Commerce's Management of Time-and-Materials and
Labor-Hour Contracts

Time-and-materials and labor-hour (T&M/LH) contracts are considered high-risk award actions due to their lack of cost clarity for the government. The contractor provides its best efforts to accomplish the objectives of these contracts up to the maximum number of hours authorized. In July 2009, the Office of Management and Budget's Office of Federal Procurement Policy directed each federal agency to reduce their use of these contract types for new contract actions.

We are initiating an audit of the Department's management of T&M/LH contracts. This audit is identified in our fiscal year 2012 audit and evaluation plan and is part of our risk-based oversight strategy developed to help the Department address management challenges in its acquisition function. According to Federal Procurement Data System records, in fiscal year 2011, Commerce obligated approximately \$586 million on T&M/LH contracts for goods and services. Our audit objective is to determine whether T&M/LH contracts are properly awarded and administered.

We will contact the audit liaisons to arrange an entrance conference and will conduct our audit work at NOAA, NIST, and Census. If you have any questions, please call me at (202) 482-2754 or Andrew Katsaros, Assistant Inspector General for Audit, at (202) 482-7859. We thank you in advance for your cooperation during this audit.

cc: Barry Berkowitz, Senior Procurement Executive and Director, Office of Acquisition
Management
Mark Daley Deputy Director for Acquisition Program Management
Mack Cato, Director, Audit, Internal Control Management Information Office, NOAA
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