

SUBCHAPTER C—CONTRACTING METHODS AND CONTRACT TYPES

PART 1513—SIMPLIFIED ACQUISITION PROCEDURES

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AUTHORITY: Sec. 205(c), 63 Stat. 390, as amended, 40 U.S.C. 486(c).

SOURCE: 61 FR 57338, Nov. 6, 1996, unless otherwise noted.

1513.000 Scope of part.

This part prescribes EPA policies and procedures for the acquisition of supplies, nonpersonal services, and construction from commercial sources, the aggregate amount of which does not exceed the simplified acquisition threshold.

Subpart 1513.1—General

1513.170 Competition exceptions and justification for sole source simplified acquisition procedures.

1513.170-1 Contents of sole source justifications.

The program office submitting the procurement request must submit, as a separate attachment, a brief written statement in support of sole source acquisitions exceeding the micro-purchase threshold. The statement must cite one or more of the circumstances in FAR 6.302 and the necessary facts to support each circumstance. Although program offices may not cite the authority in FAR 6.302-7, the public interest may be used as a basis to support a sole source acquisition. If the acquisition has been synopsisized as a notice of

proposed sole source acquisition, the statement must include the results of the evaluation of responses to the synopsis.

Subpart 1513.4—Imprest Fund [Reserved]

Subpart 1513.5—Purchase Orders

1513.505 Purchase order and related forms.

Contracting Officers may use the EPA Form 1900-8, Procurement Request/Order, in lieu of Optional Forms 347 and 348 for individual purchases prepared in accordance with the instructions printed on the reverse thereof (see 1553.213-70).

[61 FR 57338, Nov. 6, 1996. Redesignated at 62 FR 33572, June 20, 1997]

1513.507 Clauses.

(a) It is the general policy of the Environmental Protection Agency that Contractor or vendor prescribed leases or maintenance agreements for equipment shall not be executed.

(b) The Contracting Officer shall, where appropriate, insert the clause at 1552.213-70, Notice to Suppliers of Equipment, in orders for purchases or leases of automatic data processing equipment, word processing, and similar types of commercially available equipment for which vendors, as a matter of routine commercial practice, have developed their own leases and/or customer service maintenance agreements.

PART 1514—SEALED BIDDING

Subpart 1514.2—Solicitation of Bids

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1514.404 Rejection of bids.

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AUTHORITY: Sec. 205(c), 63 Stat. 390, as amended, 40 U.S.C. 486(c).

SOURCE: 49 FR 8843, Mar. 8, 1984, unless otherwise noted.

Subpart 1514.2—Solicitation of Bids

1514.201 Preparation of invitations for bids.

1514.201-6 Solicitation provisions.

The Contracting Officer shall insert the solicitation provision at 1552.214-71, Contract Award-Other Factors-Sealed Bidding, in invitations for bids when it is appropriate to describe other factors that will be used in evaluating bids for award.

[50 FR 14359, Apr. 11, 1985, as amended at 61 FR 55118, Oct. 24, 1996]

1514.201-7 Contract clauses.

The CCO is authorized to waive the inclusion of the clauses at FAR 52.214-27 and 52.214-28, in accordance with FAR 14.201-7.

[55 FR 24579, June 18, 1990, as amended at 58 FR 18976, Apr. 21, 1994]

1514.205 Solicitation mailing lists.

When a solicitation and all amendments are posted on the Internet with a synopsis providing information as to how to access the solicitation and all amendments, the CO will need to maintain a mailing list of only those individuals requesting paper copies from the contract service center/branch. When possible, the CO should also build an electronic "mailing list" of companies downloading the solicitation from the Internet.

[49 FR 8843, Mar. 8, 1984, as amended at 62 FR 37148, July 11, 1997]

Subpart 1514.4—Opening of Bids and Award of Contract

1514.404 Rejection of bids.

1514.406 Mistakes in bids.

PART 1515—CONTRACTING BY NEGOTIATION

Sec.

1515.000 Scope of part.

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1515.604 Agency points of contact.

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AUTHORITY: Sec. 205(c), 63 Stat. 390, as amended, 40 U.S.C. 486(c).

SOURCE: 64 FR 47410, Aug. 31, 1999, unless otherwise noted.

1515.000 Scope of part.

This part implements and supplements FAR part 15. It prescribes the Environmental Protection Agency policies and procedures for contracting for supplies and services by negotiation.

Subpart 1515.2—Solicitation and Receipt of Proposals and Information

1515.209 Solicitation provisions and contract clauses.

In addition to those provisions prescribed at FAR 15.209 and in accordance with FAR 15.203(a)(4), the contracting officer shall identify and include the evaluation factors that will be considered in making the source selection and their relative importance in each solicitation.

(a) The contracting officer shall insert the provisions at 1552.215-70, “EPA Source Evaluation and Selection Procedures—Negotiated Procurement” and either: the provision at 1552.215-71, “Evaluation Factors for Award,” where all evaluation factors other than cost or price when combined are significantly more important than cost or price; or the provision in Alternate I to 1552.215-71, where all evaluation factors other than cost or price when combined are significantly less important than cost or price; or the provision in Alternate II to 1552.215-71, where all evaluation factors other than cost or price when combined are approximately equal to cost or price; or Alternate III to 1552.215-71 where award will be made to the offeror with the lowest-evaluated cost or price whose proposal meets or exceeds the acceptability standards for non-cost factors.

(b) Evaluation factors and significant subfactors should be prepared in accordance with FAR 15.305 and inserted into paragraph (b) of the provision at

1552.215-71, Alternate I, Alternate II, and if used, in Alternate III.

Subpart 1515.3—Source Selection

1515.302 Applicability.

FAR subpart 15.3 and this subpart apply to the selection of source or sources in competitive negotiation acquisitions in excess of the simplified acquisition threshold, except architect-engineering services which are covered in 1536.6.

1515.303 Responsibilities.

The Source Selection Authority (SSA) shall be established at the levels specified as follows:

(a) Acquisitions having a potential value exceeding \$25,000,000: CCO.

(b) Acquisitions having a potential value exceeding \$10,000,000 to \$25,000,000: To be determined by the CCO, unless otherwise restricted in his/her delegation of procurement authority.

(c) Acquisitions having a potential value of \$10,000,000 or less: The contracting officer.

1515.305 Proposal evaluation.

1515.305-70 Scoring plans.

When trade-offs are performed (in accordance with FAR 15.101-1), the evaluation of technical and past performance shall be accomplished using the following scoring plan or one specifically developed for the solicitation, e.g., other numeric, adjectival, color rating systems, etc.

SCORING PLAN

Value	Descriptive statement
0	The factor is not addressed, or is totally deficient and without merit.
1	The factor is addressed, but contains deficiencies and/or weaknesses that can be corrected only by major or significant changes to relevant portions of the proposal, or the factor is addressed so minimally or vaguely that there are widespread information gaps. In addition, because of the deficiencies, weaknesses, and/or information gaps, serious concerns exist on the part of the technical evaluation team about the offeror's ability to perform the required work.
2	Information related to the factor is incomplete, unclear, or indicates an inadequate approach to, or understanding of the factor. The technical evaluation team believes there is question as to whether the offeror would be able to perform satisfactorily.
3	The response to the factor is adequate. Overall, it meets the specifications and requirements, such that the technical evaluation team believes that the offeror could perform to meet the Government's minimum requirements.
4	The response to the factor is good with some superior features. Information provided is generally clear, and the demonstrated ability to accomplish the technical requirements is acceptable with the possibility of more than adequate performance.
5	The response to the factor is superior in most features.

1515.305-71 Documentation of proposal evaluation.

In addition to the information required by FAR 15.305(a)(3), the technical evaluation documentation shall include:

(a) Score sheets prepared by each individual team member must be made available upon the contracting officer's request. For contracts valued at \$10,000,000 or less, the technical evaluation may be recorded on the short form technical evaluation format (EPA Form 1900-61) or another form specifically developed for the solicitation; and

(b) A statement that the respective team members are free from actual or potential personal conflicts of interest, and are in compliance with the Office of Government Ethics ethics provisions at 5 CFR part 2635.

(c) Any information which might reveal that an offeror has an actual or potential organizational conflict of interest.

(d) Any documentation related to exchanges with individual offerors.

1515.305-72 Release of cost information.

(a) In accordance with FAR 15.305(a)(4), the contracting officer may release the cost/price proposals to those members of the evaluation team who are evaluating proposals at his/her discretion.

(b) These individuals would then use this information to perform a cost realism analysis as described in FAR 15.404-1(d). Any inconsistencies between the proposals and the solicitation requirements and/or any inconsistencies between the cost/price and other than cost/price proposals should be identified.

1515.308-71 Documentation of source selection.

In addition to the information required by FAR 15.308, the source selection decision shall include:

(a) When there is only one proposal received or only one proposal in the competitive range, the contracting officer shall examine the solicitation to determine if it was unduly restrictive or flawed. As part of the source selection decision, the contracting officer

shall address at a minimum, the following five factors: whether the requirement could have been broken up into smaller components; whether the solicitation provided adequate response time; whether the requirement could have been satisfied with reduced staffing levels (discussion may be combined with the first factor); if applicable, whether the work required on-site could otherwise be performed at a contractor's facility, avoiding the cost and logistical implications of relocating employees; and whether the geographical area of consideration was either too narrow or too broad, so as to adversely impact competition. If the contracting officer determines that the solicitation requirements unduly restrict competition, the contracting officer shall consider making appropriate changes to the solicitation, canceling the solicitation, and reissuing the solicitation incorporating the appropriate changes. For 8(a) competitive or small business competitive set-asides, if the contracting officer in consultation with the Office of Small and Disadvantaged Business Utilization determines that the solicitation requirements unduly restrict competition, the contracting officer shall consider making appropriate changes to the solicitation, canceling the solicitation, and reissuing the solicitation incorporating the appropriate changes.

(b) The contracting officer shall provide a copy of any source selection decision that includes an analysis of the five factors described in paragraph (a) of this section to the Competition Advocate after approval of the decision by the designated Source Selection Authority.

Subpart 1515.4—Contract Pricing**1515.404-4 Profit.**

This section implements FAR 15.404-4 and prescribes the EPA structured approach for establishing profit or fee prenegotiation objectives.

1515.404-470 Policy.

(a) The Agency's policy is to utilize profit to attract contractors who possess talents and skills necessary to the accomplishment of the objectives of the Agency, and to stimulate efficient

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contract performance. In negotiating profit/fee, it is necessary that all relevant factors be considered, and that fair and reasonable amounts be negotiated which give the contractor a profit objective commensurate with the nature of the work to be performed, the contractor's input to the total performance, and the risks assumed by the contractor.

(b) The purpose of EPA's structured approach is:

- (1) To provide a standard method of evaluation;
- (2) To ensure consideration of all relevant factors;
- (3) To provide a basis for documentation and explanation of the profit or fee negotiation objective; and
- (4) To allow contractors to earn profits commensurate with the assumption of risk.

(c) The profit-analysis factors prescribed in the EPA structured approach for analyzing profit or fee include those prescribed by FAR 15.404(d)(1), and additional factors authorized by FAR 15.404(d)(2) to foster achievement of program objectives. These profit or fee factors are prescribed in 1515.404-471.

1515.404-471 EPA structured approach for developing profit or fee objectives.

(a) *General.* To properly reflect differences among contracts, and to select an appropriate relative profit/fee in consideration of these differences, weightings have been developed for application by the contracting officer to standard measurement bases representative of the prescribed profit factors cited in FAR 15.404(d) and EPAAR 1515.404-471(b)(1). Each profit factor or subfactor, or its components, has been assigned weights relative to their value to the contract's overall effort, and the range of weights to be applied to each profit factor.

(b)(1) *Profit/fee factors.* The factors set forth in this paragraph, and the weighted ranges listed after each factor, shall be used in all instances where the profit/fee is negotiated.

CONTRACTOR'S INPUT TO TOTAL PERFORMANCE

	Weight Range (Percent)
Direct material	1 to 4.
Professional/technical labor	8 to 15.
Professional/technical overhead	6 to 9.
General labor	5 to 9.
General overhead	4 to 7.
Subcontractors	1 to 4.
Other direct costs	1 to 3.
General and administrative expenses	5 to 8.
Contractor's assumption of contract cost risk	0 to 6.

(2) The contracting officer shall first measure the "Contractor's Input to Total Performance" by the assignment of a profit percentage within the designated weight ranges to each element of contract cost. Such costs are multiplied by the specific percentages to arrive at a specific dollar profit or fee.

(3) The amount calculated for facilities capital cost of money (FCCM) shall not be included as part of the cost base for computation of profit or fee. The profit or fee objective shall be reduced by an amount equal to the amount of facilities capital cost of money allowed. A complete discussion of the determination of facilities capital cost of money and its application and administration is set forth in FAR 31.205-10, and the Appendix to the FAR (see 48 CFR 9904.414).

(4) After computing a total dollar profit or fee for the Contractor's Input to Total Performance, the contracting officer shall calculate the specific profit dollars assigned for cost risk and performance. This is accomplished by multiplying the total Government cost objective, exclusive of any FCCM, by the specific weight assigned to cost risk and performance. The contracting officer shall then determine the profit or fee objective by adding the total profit dollars for the Contractor's Input to Total Performance to the specific dollar profits assigned to cost risk and performance. The contracting officer shall use EPA Form 1900-2 in hardcopy or electronic copy equivalent to facilitate the calculation of the profit or fee objective.

(5) The weight factors discussed in this section are designed for arriving at profit or fee objectives for other than

nonprofit and not-for-profit organizations. Nonprofit and not-for-profit organizations are addressed as follows:

(i) Nonprofit and not-for-profit organizations are defined as those business entities organized and operated:

(A) Exclusively for charitable, scientific, or educational purposes;

(B) Where no part of the net earnings inure to the benefit of any private shareholder or individual;

(C) Where no substantial part of the activities is for propaganda or otherwise attempting to influence legislation or participating in any political campaign on behalf of any candidate for public office; and

(D) Which are exempt from Federal income taxation under Section 51 of the Internal Revenue Code. (26 U.S.C.)

(ii) For contracts with nonprofit and not-for-profit organizations where fees are involved, special factor of -3 percent shall be assigned in all cases.

(c) *Assignment of values to specific factors*—(1) *General*. In making a judgment on the value of each factor, the contracting officer should be governed by the definition, description, and purpose of the factors, together with considerations for evaluation set forth in this paragraph.

(2) *Contractor's input to total performance*. This factor is a measure of how much the contractor is expected to contribute to the overall effort necessary to meet the contract performance requirements in an efficient manner. This factor, which is separate from the contractor's responsibility for contract performance, takes into account what resources are necessary, and the creativity and ingenuity needed for the contractor to perform the statement of work successfully. This is a recognition that within a given performance output, or within a given sales dollar figure, necessary efforts on the part of individual contractors can vary widely in both value, quantity, and quality, and that the profit or fee objective should reflect the extent and nature of the contractor's contribution to total performance. Greater profit opportunity should be provided under contracts requiring a high degree of professional and managerial skill and to prospective contractors whose skills, facilities, and technical assets can be ex-

pected to lead to efficient and economical contract performance. The evaluation of this factor requires an analysis of the cost content of the proposed contract as follows:

(i) *Direct material (purchased parts and other material)*. (A) Analysis of these cost items shall include an evaluation of the managerial and technical effort necessary to obtain the required material. This evaluation shall include consideration of the number of orders and suppliers, and whether established sources are available or new sources must be developed. The contracting officer shall also determine whether the contractor will, for example, obtain the materials by routine orders or readily available supplies (particularly those of substantial value in relation to the total contract costs), or by detailed subcontracts for which the prime contractor will be required to develop complex specifications involving creative design.

(B) Consideration should be given to the managerial and technical efforts necessary for the prime contractor to administer subcontracts, and to select subcontractors, including efforts to break out subcontracts from sole sources, through the introduction of competition.

(C) Recognized costs proposed as direct material costs such as scrap charges shall be treated as material for profit evaluation.

(D) If intracompany transfers are accepted at price, in accordance with FAR 31.205-26(e), they should be excluded from the profit or fee computation. Other intracompany transfers shall be evaluated by individual components of cost, i.e., material, labor, and overhead.

(ii) *Professional/technical and general labor*. Analysis of labor should include evaluation of the comparative quality and level of the talents and experience to be employed. In evaluating labor for the purpose of assigning profit dollars, consideration should be given to the amount of notable scientific talent or unusual or scarce talent needed, in contrast to journeyman effort or supporting personnel. The diversity, or lack thereof, of scientific and engineering specialties required for contract performance, and the corresponding

need for supervision and coordination, should also be evaluated.

(iii) *Overhead and general and administrative expenses.* (A) Where practicable, analysis of these overhead items of cost should include the evaluation of the individual elements of these expenses, and how much they contribute to contract performance. This analysis should include a determination of the amount of labor within these overhead pools, and how this labor would be treated if it were considered as direct labor under the contract. The allocable labor elements should be given the same profit consideration as if they were direct labor. The other elements of indirect cost pools should be evaluated to determine whether they are routine expenses such as utilities, depreciation, and maintenance, and therefore given less profit consideration.

(B) The contractor's accounting system need not break down its overhead expenses within the classification of professional/technical overhead, general overhead and general and administrative expenses.

(iv) *Subcontractors.* (A) Subcontract costs should be analyzed from the standpoint of the talents and skills of the subcontractors. The analysis should consider if the prime contractor normally should be expected to have people with comparable expertise employed as full-time staff, or if the contract requires skills not normally available in an employer-employee relationship. Where the prime contractor is using subcontractors to perform labor which would normally be expected to be done in-house, the rating factor should generally be at or near 1 percent. Where exceptional expertise is retained, or the prime contractor is participating in the mentor-protégé program, the assigned weight should be nearer to the high end of the range.

(v) *Other direct costs.* The analysis of these costs should be similar to the analysis of direct material.

(3) *Contractor's assumption of contract cost risk.* (i) The risk of contract costs should be shifted to the fullest extent practicable to contractors, and the Government should assign a rating that reflects the degree of risk assumption. Evaluation of this risk requires a

determination of the degree of cost responsibility the contractor assumes, the reliability of the cost estimates in relation to the task assumed, and the chance of the contractor's success or failure. This factor is specifically limited to the risk of contract costs. Thus, such risks of losing potential profits in other fields are not within the scope of this factor.

(ii) The first determination of the degree of cost responsibility assumed by the contractor is related to the sharing of total risk of contract cost by the Government and the contractor, depending on selection of contract type. The extremes are a cost-plus-fixed-fee contract requiring only that the contractor use its best efforts to perform a task, and a firm-fixed-price contract for a complex item. A cost-plus-fixed-fee contract would reflect a minimum assumption of cost responsibility by the contractor, whereas a firm-fixed-price contract would reflect a complete assumption of cost responsibility by the contractor. Therefore, in the first step of determining the value given for the contractor's assumption of contract cost risk, a lower rating would be assigned to a proposed cost-plus-fixed-fee best efforts contract, and a higher rating would be assigned to a firm-fixed-price contract.

(iii) The second determination is that of the reliability of the cost estimates. Sound price negotiation requires well-defined contract objectives and reliable cost estimates. An excessive cost estimate reduces the possibility that the cost of performance will exceed the contract price, thereby reducing the contractor's assumption of contract cost risk.

(iv) The third determination is that of the difficulty of the contractor's task. The contractor's task may be difficult or easy, regardless of the type of contract.

(v) Contractors are likely to assume greater cost risks only if the contracting officer objectively analyzes the risk incident to the proposed contract, and is willing to compensate contractors for it. Generally, a cost-plus-fixed-fee contract would not justify a reward for risk in excess of 1 percent, nor would a firm-fixed-price contract normally justify a reward of less

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than 4 percent. Where proper contract type selection has been made, the reward for risk by contract type would usually fall into the following percentage ranges:

Type of contract	Percentage ranges
Cost-plus-fixed-fee	0 to 1.
Prospective price determination	4 to 5.
Firm-fixed-price	4 to 6.

(A) These ranges may not be appropriate for all acquisitions. The contracting officer might determine that a basis exists for high confidence in the reasonableness of the estimate, and that little opportunity exists for cost reduction without extraordinary efforts. The contractor's willingness to accept ceilings on their burden rates should be considered as a risk factor for cost-plus-fixed-fee contracts.

(B) In making a contract cost risk evaluation in an acquisition that involves definitization of a letter contract, consideration should be given to the effect on total contract cost risk as a result of partial performance under a letter contract. Under some circumstances, the total amount of cost risk may have been effectively reduced by the existence of a letter contract. Under other circumstances, it may be apparent that the contractor's cost risk remained substantially as great as though a letter contract had not been used. Where a contractor has begun work under an anticipatory cost letter, the risk assumed is greater than normal. To be equitable, the determination of a profit weight for application to the total of all recognized costs, both those incurred and those yet to be expended, must be made with consideration to all relevant circumstances, not just to the portion of costs incurred or percentage of work completed prior to definitization.

1515.404-472 Other methods.

(a) Contracting officers may use methods other than those prescribed in 1515.404-470 for establishing profit or fee objectives under the following types of contracts and circumstances:

- (1) Architect-engineering contracts;
- (2) Personal service contracts;

(3) Management contracts, e.g., for maintenance or operation of Government facilities;

(4) Termination settlements;

(5) Services under labor-hour and time and material contracts which provide for payment on an hourly, daily, or monthly basis, and where the contractor's contribution constitutes the furnishing of personnel.

(6) Construction contracts; and

(7) Cost-plus-award-fee contracts.

(b) Generally, it is expected that such methods will:

(1) Provide the contracting officer with a technique that will ensure consideration of the relative value of the appropriate profit factors described under "Profit Factors," in FAR 15.404-4(d) and

(2) Serve as a basis for documentation of the profit or fee objective.

1515.404-473 Limitations.

(a) In addition to the limitations established by statute (see FAR 15.404-4(b)(4)(i)), no administrative ceilings on profits or fees shall be established, except those identified in EPAAR (48 CFR) 1516.404-273(b).

(b) The contracting officer shall not consider any known subcontractor profit/fee as part of the basis for determining the contractor profit/fee.

1515.404-474 Waivers.

Under unusual circumstances, the CCO may specifically waive the requirement for the use of the guidelines. Such exceptions shall be justified in writing, and authorized only in situations where the guidelines method is unsuitable.

1515.404-475 Cost realism.

The EPA structured approach is not required when the contracting officer is evaluating cost realism in a competitive acquisition.

1515.408 Solicitation provisions and contract clauses.

(a) In addition to those provisions and clauses prescribed in FAR 15.408, when an exception to FAR 15.403-1 does not apply and no other means available can be used to ascertain whether a fair

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and reasonable price can be determined, the contracting officer may insert in negotiated solicitations the provisions at—

(1) 1552.215-72 when requesting information other than cost or pricing data, for cost-reimbursable, level-of-effort contracts. Use Alternate I for cost-reimbursable, level-of-effort contracts when the Government's requirement is for fully dedicated staff for a twelve month period(s) of performance and performance is on a Government facility; Alternate II for acquisitions for cost-reimbursable, level-of-effort contracts when the Government's requirement is for fully dedicated staff for a twelve month period(s) of performance and performance is not on a Government facility; and Alternate III if the Government's requirement is for the acquisition of supplies or equipment. The contracting officer may make revisions, deletions, or additions to 1552.215-72 and its Alternates I-III as needed to fit an individual acquisition, and

(2) 1552.215-73, General Financial and Organizational Information.

(b) If uncompensated overtime is proposed, the resultant contract shall include the provisions at FAR 52.237-10 and include the provision at 1552.215-74. The contracting officer may use provisions substantially the same as 1552.215-74 without requesting a deviation to the EPAAR.

Subpart 1515.6—Unsolicited Proposals

1515.604 Agency points of contact.

The Director, Grants Administration Division (3903R), EPA, 1200 Pennsylvania Ave., NW., Washington, DC 20460, is the Agency contact point established to coordinate the receipt and handling of unsolicited proposals.

[64 FR 47410, Aug. 31, 1999, 65 FR 47325, Aug. 2, 2000]

1515.606-70 Contracting methods.

The Department of Housing and Urban Development-Independent Agencies Appropriation Act contains a requirement that none of the funds provided in the Act may be used for payment through grants or contracts to

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recipients that do not share in the cost of conducting research resulting from proposals that are not specifically solicited by the Government. Accordingly, contracts for research which result from unsolicited proposals shall provide for the contractor to bear a portion of the cost of performance for work subject to the Act. The extent of the cost sharing shall reflect the mutuality of interest of the contractor and the Government. Therefore, where there is no measurable gain to the performing organization, cost sharing is not required.

PART 1516—TYPES OF CONTRACTS

Subpart 1516.3—Cost-Reimbursement Contracts

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- 1516.303 Cost-sharing contracts.
- 1516.303-71 Definition.
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- 1516.303-73 Types of cost-sharing.
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- 1516.303-76 Fee on cost-sharing contracts by subcontractors.
- 1516.303-77 Administrative requirements.
- 1516.307 Contract clauses.
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Subpart 1516.4—Incentive Contracts

- 1516.404-2 Cost-plus-award-fee contracts.
- 1516.404-272 Definitions.
- 1516.404-273 Limitations.
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Subpart 1516.5—Indefinite-Delivery Contracts

- 1516.505 Contract clauses.

Subpart 1516.6—Time-and-Materials, Labor-Hour, and Letter Contracts

- 1516.603 Letter Contracts.
- 1516.603-3 Limitations.

AUTHORITY: Sec. 205(c), 63 Stat. 390, as amended, 40 U.S.C. 486(c).

SOURCE: 49 FR 8852, Mar. 8, 1984, unless otherwise noted.

Subpart 1516.3—Cost-Reimbursement Contracts

1516.301-70 Payment of fee.

The policy of EPA for cost-reimbursement, term form contracts is to make provisional payment of fee (i.e. the fixed fee on cost-plus-fixed-fee type contracts or the base fee on cost-plus-award-fee type contracts) on a percentage of work completed basis, when such a method will not prove detrimental to proper contract performance. Percentage of work completed is the ratio of the direct labor hours performed in relation to the direct labor hours set forth in the contract in clause 1552.212-70, "Level of Effort—Cost Reimbursement Term Contract." Provisional payment of fee will remain subject to withholding provisions, such as 48 CFR 52.216-8, Fixed Fee.

[56 FR 43711, Sept. 4, 1991]

1516.303 Cost-sharing contracts.

1516.303-71 Definition.

Cost-sharing is a generic term denoting any situation where the Government does not fully reimburse a contractor for all allowable costs necessary to accomplish the project under the contract. This term encompasses cost-matching and cost-limitations, in addition to cost-sharing. Cost-sharing does not include usual contractual limitations such as indirect cost ceilings in accordance with FAR 42.707, or ceilings on travel or other direct costs. Cost-sharing contracts may be required as a result of Congressional mandate.

[61 FR 14504, Apr. 2, 1996]

1516.303-72 Policy.

(a) The Agency shall use cost-sharing contracts where the principal purpose is ultimate commercialization and utilization of technologies by the private sector. There should also be a reasonable expectation of future economic benefits for the contractor and the Government beyond the Government's contract.

(b) Cost-sharing may be accomplished by a contribution to either direct or indirect costs, provided such costs are reasonable, allocable and allowable in accordance with the cost

principles of the contract. Allowable costs which are absorbed by the contractor as its share of contract costs may not be charged directly or indirectly to the Agency or the Federal Government.

(c) Unsolicited proposals will be considered on a case-by-case basis by the Contracting Officer as to the appropriateness of cost-sharing.

[61 FR 14504, Apr. 2, 1996]

1516.303-73 Types of cost-sharing.

(a) Cost-sharing may be accomplished in various forms or combinations. These include, but are not limited to: cash outlays, real property or interest therein, personal property or services, cost matching, or other in-kind contributions.

(b) In-kind contributions represent non-cash contributions provided by the performing contractor which would normally be a charge against the contract. While in-kind contributions are an acceptable method of cost-sharing, should the booked costs of property appear unrealistic, the fair market value of the property shall be determined pursuant to 1516.303-74 of this chapter.

(c) In-kind contributions may be in the form of personal property (equipment or supplies) or services which are directly beneficial, specifically identifiable and necessary for the performance of the contract. In-kind contributions must meet all of the following criteria before acceptance.

- (1) Be verifiable from the contractor's books and records;
- (2) Not be included as contributions under any other Federal contract;
- (3) Be necessary to accomplish project objectives;
- (4) Provide for types of charges that would otherwise be allowable under applicable Federal cost principles appropriate to the contractor's organization; and
- (5) Not be paid for by the Federal Government under any contract, agreement or grant.

[61 FR 14504, Apr. 2, 1996]

1516.303-74 Determining the value of in-kind contributions.

In-kind contributions accepted from a contractor will be addressed on a

case-by-case basis provided the established values do not exceed fair market values.

(a) Where the Agency receives title to donated land, building, equipment or supplies and the property is not fully consumed during performance of the contract, the Contracting Officer should establish the property's value based on the contractor's booked costs (i.e., acquisition cost less depreciation, if any) at the time of donation. If the booked costs reflect unrealistic values when compared to current market conditions, the Contracting Officer may establish another appropriate value if supported by an independent appraisal of the fair market value of the donated property or property in similar condition and circumstances.

(b) The Contracting Officer will monitor reports of in-kind costs as they are incurred or recognized during the contract period of performance to determine that the value of in-kind services does not exceed fair market values.

(c) The value of any services or the use of personal or real property donated by a contractor should be established when necessary in accordance with generally accepted accounting policies and Federal cost principles.

[61 FR 14505, Apr. 2, 1996]

1516.303-75 Amount of cost-sharing.

(a) Contractors should contribute a reasonable amount of the total project cost covered under the contract. The ratio of cost participation should correlate to the apparent advantages available to performers and the proximity of implementing commercialization, i.e., the higher the potential for future profits, the higher the contractor's share should be.

(b) Fee will not be paid to the contractor or any member of the contractor team (subcontractors and consultants) which has a substantial and direct interest in the contract, or is in a position to gain long term benefits from the contract. A vulnerability the Contracting Officer should consider in reviewing a prime contractor's request for consent to subcontract is whether subcontractors under prime cost-sharing contracts have a significant direct interest in the contract to gain long-term benefits from the contract.

(c) The Contracting Officer, with the input of technical experts, may consider the following factors in determining reasonable levels of cost sharing:

(1) The availability of the technology to competitors;

(2) Improvements in the contractor's market share position;

(3) The time and risk necessary to achieve success;

(4) If the results of the project involve patent rights which could be sold or licensed;

(5) If the contractor has non-Federal sources of funds to include as cost participation; and

(6) If the contractor has the production and other capabilities to capitalize the results of the project.

(d) A contractor's cost participation can be provided by other subcontractors with which it has contractual arrangements to perform the contract as long as the contractor's cost-sharing goal is met.

[61 FR 14505, Apr. 2, 1996]

1516.303-76 Fee on cost-sharing contracts by subcontractors.

(a) Subcontractors under prime cost-sharing contracts who do not have a significant direct interest in the contract or who are not in a position to gain long-term benefits from the contract may earn a fee.

(b) Contracting Officers should be alert to a potential vulnerability for the Government under cost-sharing contracts when evaluating proposed subcontractors or consenting to a subcontract during contract administration, where the subcontractor is a wholly-owned subsidiary of the prime. The vulnerability consists of the subsidiary earning a large amount of fee, which could be returned to the prime through stock dividends or other inter-company transactions. This could circumvent the objective of a cost-sharing contract.

[61 FR 14505, Apr. 2, 1996]

1516.303-77 Administrative requirements.

(a) The initial Procurement Request shall reflect the total estimated cost of the cost-sharing contract. The face

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page of the contract award shall indicate the total estimated cost of the contract, the Contractor's share of the cost, and the Government's share of the cost.

(b) The manner of cost-sharing and how it is to be accomplished shall be set forth in the contract. Additionally, contracts which provide for cost-sharing shall require the contractor to maintain records adequate to reflect the nature and extent of their cost-sharing as well as those costs charged the Agency. Such records may be subject to an Agency audit.

[61 FR 14505, Apr. 2, 1996]

1516.307 Contract clauses.

(a) The Contracting Officer shall insert the clause in 1552.216-71, Date of Incurrence of Cost, in cost-reimbursement contracts when an anticipatory cost letter has been issued on the project.

(b) The Contracting Officer shall insert the clause at 1552.216-74, Payment of Fee, in solicitations and contracts where a cost-reimbursement term form contract is contemplated, unless the Contracting Officer determines that such a provision would be detrimental to ensuring proper contract performance.

(c) The Contracting Officer shall insert a clause substantially the same as 48 CFR 1552.216-76, Estimated Cost and Cost-Sharing, in solicitations and contracts where the total incurred costs are shared by the contractor on a straight percentage basis. The Contracting Officer may develop other clauses, as appropriate, following the same approach, but reflecting different cost-sharing arrangements negotiated on specific contract actions.

[49 FR 8852, Mar. 8, 1984, as amended at 56 FR 43711, Sept. 4, 1991; 61 FR 14505, Apr. 2, 1996; 61 FR 57338, Nov. 6, 1996]

1516.370 Solicitation provision.

The solicitation document shall state whether any cost-sharing is required, and may set forth a target level of cost-sharing. Although technical considerations are normally most important, the degree of cost-sharing may be considered in a selection decision when

cost becomes a determinative factor in a selection decision.

[61 FR 14505, Apr. 2, 1996]

Subpart 1516.4—Incentive Contracts

1516.404-2 Cost-plus-award-fee contracts.

1516.404-272 Definitions.

(a) *Performance Evaluation Board (PEB)*. Group of Government officials responsible for assessing the quality of contract performance and recommending the appropriate fee.

(b) *Fee Determination Official*. Individual responsible for reviewing the recommendations of the PEB and making the final determination of the amount of award fee to be awarded to the contractor.

[60 FR 43404, Aug. 21, 1995]

1516.404-273 Limitations.

(a) No award fee may be earned if the Fee Determination Official determines that contractor performance has been satisfactory or less than satisfactory. A contractor may earn award fee only for performance rated above satisfactory or excellent. All award fee plans shall disclose to offerors the numerical rating necessary to be deemed "above satisfactory" or "excellent" for award fee purposes.

(b) The base fee shall not exceed three percent of the estimated cost of the contract, exclusive of the fee.

(c) Unearned award fee may not be carried forward from one performance period into a subsequent performance period unless approved by the FDO.

(d) The payment of award fee on a provisional basis is not authorized.

[60 FR 43404, Aug. 21, 1995]

1516.404-274 Waiver.

The Chief of the Contracting Office may waive the limitations in paragraphs (a), (b), and (d) of 1516.404-273 on a case-by-case basis when unusual or compelling circumstances exist. The waiver shall be supported by a justification and coordinated with the

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Procurement Policy Branch in the Office of Acquisition Management.

[60 FR 43404, Aug. 21, 1995]

1516.405 Contract clauses.

(a) The Contracting Officer shall insert the clause at 1552.216-70, Award fee (May 2000), in solicitations and contracts where a cost-plus-award-fee contract is contemplated.

(b) The Contracting Officer shall insert the clause at 1552.216-75, Base Fee and Award Fee Proposal (SEPT 1995), in all solicitations which contemplate the award of cost-plus-award-fee contracts. The Contracting Officer shall insert the appropriate percentages.

[60 FR 43404, Aug. 21, 1995, as amended at 64 FR 3876, Jan. 26, 1999; 65 FR 31500, May 18, 2000]

Subpart 1516.5—Indefinite-Delivery Contracts

1516.505 Contract clauses.

(a) The Contracting Officer shall insert the clause in 1552.216-72, Ordering—By Designated Ordering Officers, in indefinite delivery/indefinite quantity type solicitations and contracts.

(b) The Contracting Officer shall insert the clause in 1552.216-73, Fixed Rates for Services—Indefinite Delivery/Indefinite Quantity Contract, in solicitations and contracts to specify fixed rates for services.

Subpart 1516.6—Time-and-Materials, Labor-Hour, and Letter Contracts

1516.603 Letter Contracts.

1516.603-3 Limitations.

The CCO is authorized to make the determination in FAR 16.603-3.

[55 FR 24580, June 18, 1990, as amended at 59 FR 18976, Apr. 21, 1994]

PART 1517—SPECIAL CONTRACTING METHODS

Subpart 1517.2—Options

Sec.

1517.204 Contracts.

1517.207 Exercise of options.

48 CFR Ch. 15 (10-1-00 Edition)

1517.208 Solicitation provisions and contract clauses.

AUTHORITY: Sec. 205(c), 63 Stat. 390, as amended, 40 U.S.C. 486(c).

SOURCE: 49 FR 8854, Mar. 8, 1984, unless otherwise noted.

Subpart 1517.2—Options

1517.204 Contracts.

The CCO may approve a contract with a base contract period and option periods which total in excess of five (5) years, unless otherwise prohibited by statute.

[60 FR 12713, Mar. 8, 1995]

1517.207 Exercise of options.

(a) Unless otherwise approved by the Chief of the Contracting Office, contracts for services employing option periods shall require that a preliminary written notice of the Government's intention to exercise the option be furnished to the Contractor a minimum of sixty (60) calendar days prior to the date for the exercise of the option. Failure to provide such preliminary notice within the timeframe established in the contract waives the Government's right to unilaterally exercise the option and requires the negotiation of a bilateral contract modification in order to extend the period of performance, where such an extension is authorized.

(b) When the term of the service contract coincides with the fiscal year and delays in receipt of authority to obligate funds for the new fiscal year are anticipated, the Contracting Officer, if the contract so provides (see FAR 17.204(d)), may, within 60 days after the end of the fiscal year, unilaterally exercise an option to extend the term of the contract. The option may be exercised only if funds become available within the 60-day period. In the event that sufficient funding is not available within the 60 day period, the Government waives the right to exercise the option, thereby rendering any additional requirements subject to full and open competition requirements.

(c) The Contracting Officer, if the contract so provides, may, subject to the conditions in FAR 17.204(d), 32.703-2, and 32.705-1(a), exercise an option

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contingent upon the availability of funds. To exercise such an option, the contract must contain the clause in FAR 52.232-18, Availability of Funds. Under no circumstances shall any action be taken which could be construed as creating a legal liability on the part of the Government until a formal notice of availability of funds in the form of a contract modification has been issued by the Contracting Officer.

[49 FR 8854, Mar. 8, 1984, as amended at 50 FR 14359, Apr. 11, 1985]

1517.208 Solicitation provisions and contract clauses.

(a) The Contracting Officer shall insert the solicitation provision at 1552.217-70, Evaluation of Contract Options, in Requests for Proposals when options are included.

(b) The Contracting Officer shall insert the clause at 1552.217-71, Option To

Extend the Term of the Contract—Cost-Type Contract, when applicable.

(c) The Contracting Officer shall insert the clause at 1552.217-72, Option To Extend the Term of the Contract—Cost-Plus-Award-Fee Contract, when applicable.

(d) The Contracting Officer shall insert the clause at 1552.217-73, Option for Increased Quantity—Cost-Type Contract, when applicable.

(e) The Contracting Officer shall insert the clause at 1552.217-74, Option for Increased Quantity—Cost-Plus-Award-Fee Contract, when applicable.

(f) The Contracting Officer shall insert the clause at 1552.217-75, Option To Extend the Effective Period of the Contract—Time and Materials or Labor Hour Contract, when applicable.

(g) The Contracting Officer shall insert the clause at 1552.217-76, Option To Extend the Effective Period of the Contract—Indefinite Delivery/Indefinite Quantity Contract, when applicable.