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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 1552.211-73, "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, as amended at 81 FR 31528, May 19, 2016]

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 intercompany 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 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

1516.401-1 General.

1516.401-70 Award term incentives.

(a) Award term incentives enable a contractor to become eligible for additional periods of performance under a current contract by achieving prescribed performance measures under that contract.

(b) Award term incentives are designed to motivate contractors to superior performance. Accordingly, the prescribed performance measures, i.e., acceptable quality levels (AQL) which must be achieved by a contractor to become eligible for an award term typically will be in excess of the AQLs necessary for Government acceptance of contract deliverables.

(c) The Award Term Incentive Plan sets forth the evaluation process, including the evaluation criteria and performance measures, and serves as the basis for award term decisions. The Award Term Incentive Plan may be unilaterally revised by the Government.

(d) Award term incentives may be used in conjunction with options. The Federal Acquisition Regulation does not prescribe a level of performance for the exercise of options, as contrasted with award term incentives, which should require superior performance as discussed in paragraph (b) of this subsection. Award term incentive periods will follow any option periods.

(e)(1) The Government has the unilateral right not to grant or to cancel award term incentive periods and the associated award term incentive plans if--

(i) The Contracting Officer has failed to initiate an award term incentive period, regardless of whether the contractor's performance permitted the Contracting Officer to consider initiating the award term incentive period; or

(ii) The contractor has failed to achieve the performance measures for the corresponding evaluation period; or

(iii) The Government notifies the contractor in writing it does not have funds available for the award term; or

(iv) The Government no longer has a need for the award term incentive period at or before the time an award term incentive period is to commence.

(2) When an award term incentive period is not granted or cancelled, any--

(i) Prior award term incentive periods for which the contractor remains otherwise eligible are unaffected.

(ii) Subsequent award term incentive periods are thereby also cancelled.

(f) Award term incentives may be appropriate for any type of service contract.

[73 FR 1980, Jan. 11, 2008.]

1516.401-270 Definition.

Acceptable quality level (AQL) as used in this subpart means the minimum percent of deliverables which are compliant with a given performance standard that would permit a contractor to become eligible for an award term incentive. Because the performance necessary for eligibility for the award term incentive may be in excess of that necessary for the Government acceptance of contract deliverables, the AQLs associated with the award term incentive may exceed the AQLs associated with the acceptance of contract deliverables. For example, under contract X, acceptable performance is 75 percent of reports submitted to the Government within five days. However, to be eligible for an award term incentive, 85 percent of reports must be submitted to the Government within five days.

[73 FR 1980, Jan. 11, 2008.]

1516.405-2 Cost-plus-award-fee contracts.

1516.405-270 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, 73 FR 1980, Jan. 11, 2008.]

1516.405-271 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, 73 FR 1980, Jan. 11, 2008.]

1516.405-272 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 Acquisition Policy and Training Service Center in the Office of Acquisition Management.

[60 FR 43404, Aug. 21, 1995, 73 FR 1980, Jan. 11, 2008, 78 FR 46290, July 31, 2013..]

1516.406 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, in all solicitations which contemplate the award of cost-plus-award-fee contracts. The Contracting Officer shall insert the appropriate percentages.

(c) The Contracting Officer shall insert the clauses at [1552.216-77](#), Award Term Incentive, [1552.216-78](#), Award Term Incentive Plan, and [1552.216-79](#) Award Term Availability of Funds in solicitations and contracts when award term incentives are contemplated. The clauses at [1552.216-77](#) and [1552.216-78](#) may be used on substantially the same basis.

(d) If the Contracting Officer wishes to use the ratings set forth in the Department of Defense Contractor Performance Assessment Reporting System on the contract at hand as the basis for contractor eligibility for an award term incentive, the Contracting Officer shall insert the clause at [1552.216-78](#) with its Alternate I.

[60 FR 43404, Aug. 21, 1995, as amended at 64 FR 3876, Jan. 26, 1999; 65 FR 31500, May 18, 2000, 73 FR 1980, Jan. 11, 2008, 78 FR 46290, July 31, 2013..]

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.

1516.603-1 What is a Notice to Proceed?

(a) A Notice to Proceed (NTP) is a type of letter contract issued pursuant to [FAR 16.603](#) under which an EPA Federal Classification Series 1102 (FCS) contracting officer or a duly authorized EPA on-scene coordinator with delegated procurement authority may initiate, in certain defined situations and subject to certain limitations and conditions, contracting actions to respond to certain situations as described in CERCLA section 104(a)(1) (42 U.S.C. 9604(a)(1)) and the Clean Water Act sections 311(c)(2) and (e)(1)(B) (33 U.S.C. 1321(c)(2) and (e)(1)(B)). An NTP may be utilized as a contractual instrument for certain—

(1) Actions that EPA is authorized to undertake under CERCLA section 104(a)(1), 42 U.S.C. 9604(a)(1), and the National Oil and Hazardous Substances Pollution Contingency Plan (40 CFR part 300), to respond to situations where any hazardous substance has been released or there is a substantial threat of such a release into the environment, or there is a release or substantial threat of release into the environment of any pollutant or contaminant which may present an imminent and substantial danger to the public health or welfare, and

(2) Actions that EPA is authorized to undertake under sections 311(c)(2) and (e)(1)(B) of the Clean Water Act, 33 U.S.C. 1321(c)(2) and (e)(1)(B), and the National Oil and Hazardous Substances Pollution Contingency Plan (40 CFR part 300), to respond when there is a discharge, or a substantial threat of a discharge (to or upon navigable waters, adjoining shorelines, the contiguous zone, or natural resources belonging to, appertaining to, or under the exclusive management of the United States), of oil or a hazardous substance from a vessel, onshore facility, or offshore facility that is a substantial threat to the public health or welfare. Pursuant to a class Justification For Other Than Full and Open Competition executed under the authority of [FAR 6.302-2](#) and [6.303-1\(c\)](#), an NTP may be issued on a non-competitive basis.

(b) What do subsections [1516.603-1](#) and [1516.603-2](#) cover? EPAAR [1516.603-1](#) and [1516.603-2](#) contain information and procedures relating to issuance and definitization of an NTP. An NTP is subject to, and must comply with, the applicable requirements for letter contracts in FAR 16.603 and the requirements in this section, and be definitized by an EPA FCS 1102 contracting officer.

[66 FR 12900, Mar. 1, 2001]

1516.603-2 What are the requirements for use of an NTP?

(a) An EPA FCS 1102 contracting officer or a duly authorized EPA on-scene coordinator with a delegation of procurement authority may issue an NTP so long as it does not exceed the limits of his or her procurement authority and only when all of the following conditions have been met:

(1) A written determination has been made by the Federal on-scene coordinator that—

(i) As authorized by and consistent with CERCLA section 104(a)(1), 42 U.S.C. 9604(a)(1), and the National Oil and Hazardous Substances Pollution Contingency Plan (40 CFR part 300), the EPA must take action to respond to a hazardous substance release or substantial threat of such a release into the environment, or a release or substantial threat of a release into the environment of any pollutant or contaminant which may present an imminent and substantial danger to the public health or welfare, or

(ii) As authorized by and consistent with the Clean Water Act sections 311(c)(2) and (e)(1)(B), 33 U.S.C. 1321(c)(2) and (e)(1)(B), and the National Oil and Hazardous Substances Pollution Contingency Plan (40 CFR part 300), the EPA must take action to respond to a discharge, or a substantial threat of a discharge (to or upon navigable waters, adjoining shorelines, the contiguous zone, or natural resources belonging to, appertaining to, or under the exclusive management of the United States), of oil or a hazardous substance from a vessel, offshore facility, or onshore facility that is of such a size and character as to pose a substantial threat to the public health or welfare of the United States; and

(2) Before a duly authorized EPA on-scene coordinator with a delegation of procurement authority may issue an NTP, he or she must confirm that an EPA FCS 1102 contracting officer is not available to provide the required contracting support by the time the Federal on-scene coordinator requires the response action to be undertaken; and

(3) A written determination is made by an EPA FCS 1102 contracting officer or a duly authorized EPA on-scene coordinator with a delegation of procurement authority that there is no other existing contracting mechanism available to provide the required contracting support by the time required, including the inability of an existing emergency response contractor or other existing contract vehicle to respond in the required time frame. These conditions, as well as any other requirements applicable to NTPs or letter contracts contained in the FAR or EPAAR, must be met before an NTP can be issued by an EPA FCS 1102 contracting officer or a duly authorized EPA on-scene coordinator with a

delegation of procurement authority.

(b) What should be included in an NTP? (1) Since an NTP is a type of letter contract, it is subject to the requirements of [FAR 16.603](#). All of the relevant requirements of FAR 16.603 apply to NTP's including [FAR 16.603-2](#), [16.603-3](#), and [16.603-4](#), and an NTP will include all appropriate FAR and EPAAR contract clauses. An NTP should also include an overall price ceiling and be as complete and definite as possible under the circumstances. To the extent NTPs require modification of any FAR or EPAAR prescribed procedures or clauses, an appropriate FAR or EPAAR deviation will be prepared.

(2) The EPA FCS 1102 contracting officer or duly authorized EPA on-scene coordinator with a delegation of procurement authority shall include in each NTP the clauses required by the FAR or EPAAR for the type of definitive contract contemplated and any additional clauses known to be appropriate for it. In addition, the following clauses must be inserted in the solicitation (if one is issued) and the NTP when an NTP is used:

(i) The clause at [FAR 52.216-23](#), Execution and Commencement of Work, except that the term on-scene coordinator may be used in place of the term contracting officer;

(ii) The clause at [FAR 52.216-24](#), Limitation of Government Liability, with dollar amounts completed in a manner consistent with FAR 16.603-2(d); and

(iii) The clause at [FAR 52.216-25](#), Contract Definitization, with its paragraph (b) completed in a manner consistent with [FAR 16.603-2](#)(c) or any applicable FAR deviation. The clause at [FAR 52.216-26](#), Payment of Allowable Costs Before Definitization, shall also be included in a solicitation (if one is issued) and NTPs if a cost-reimbursement definitive contract is contemplated.

(3) Each NTP shall, as required by the clause at [FAR 52.216-25](#), Contract Definitization, contain a negotiated definitization schedule that includes:

(i) Dates for submission of the contractor's price proposal, required cost and pricing data, and if required, make-or-buy and subcontracting plans;

(ii) The date for the start of negotiations; and

(iii) A target date for definitization which shall be the earliest practicable date for definitization (an NTP must be definitized by an EPA FCS 1102 contracting officer). The schedule will provide for definitization of the NTP within 90 calendar days after the date of the NTP award. However, the EPA FCS 1102 contracting officer may, in extreme cases and according to agency procedures, authorize an additional period. If, after exhausting all reasonable efforts, the EPA FCS 1102 contracting officer and the contractor cannot negotiate a definitive contract because of failure to reach agreement as to price or fee, the clause at [52.216-25](#) requires the contractor to proceed with the work and provides that the contracting officer may, with the approval of the head of the contracting activity, determine a reasonable price or fee in accordance with [subpart 15.4](#) and [part 31](#) of the FAR, subject to appeal as provided in the Disputes clause.

(4) The maximum liability of the Government inserted in the clause at [52.216-24](#), Limitation of Government Liability, shall, as approved by the official who authorized the NTP, be the estimated amount necessary to cover the contractor's requirements for funds to complete the work to be performed under the NTP. However, it shall not exceed the estimated cost of the definitive contract.

(c) Are there any financial or monetary limitations on the use of an NTP? In addition to the requirements for issuance of an NTP set forth elsewhere in this subpart—

(1) The total definitized dollar value of an individual NTP shall not exceed \$200,000.00, and

(2) The applicable Program Office must commit and make available appropriate funding for the emergency response action taken under the NTP prior to NTP issuance.

(d) Are there any other procedural requirements for issuance of an NTP? An NTP must be issued in writing by the EPA FCS 1102 contracting officer or the duly authorized EPA on-scene coordinator with a delegation of procurement authority using a Standard Form 33. In addition, the EPA FCS 1102 contracting officer or the EPA on-scene coordinator awarding the NTP must ensure that the NTP complies with all applicable requirements for letter contracts set forth in the FAR and the requirements of this section, includes all relevant provisions and clauses, and that all actual or potential conflict of interest or other contracting issues are identified and resolved prior to NTP issuance. To assist the EPA on-scene coordinator and EPA FCS 1102 contracting officer in their responsibilities regarding NTP award, an NTP checklist will be completed by the EPA FCS 1102 contracting officer or EPA on-scene coordinator prior to issuance of the NTP.

(e) What happens after an NTP is awarded to a contractor? (1) If an NTP is issued by a duly authorized EPA on-scene coordinator with a delegation of procurement authority, he or she must notify the cognizant EPA FCS 1102 contracting officer of the NTP award, and provide the NTP checklist to the contracting officer, as soon as possible but in no event later than the next working day after NTP issuance.

(2) Within 5 working days of the EPA on-scene coordinator's award of an NTP, the on-scene coordinator shall provide to the cognizant EPA FCS 1102 contracting officer all NTP documents, materials, and information necessary for the contracting officer to definitize the contract, and should retain a copy for his/her records. An EPA FCS 1102 contracting officer will be responsible for definitization of the NTP consistent with the definitization procedures set forth in this subpart. During the process of definitizing the NTP, the EPA FCS 1102 contracting officer will send the contractor the "Representations, Certifications, and Other Statements of Offerors" for completion. The contractor will complete this information, and any other required information, and submit it to the EPA FCS 1102 contracting officer prior to definitization of the NTP.

(f) The CCO, who is authorized by EPAAR [1516.603-3](#) to make the determination to use a letter contract, shall make a class determination and findings authorizing EPA FCS 1102 contracting officers and duly authorized EPA on-scene coordinators with delegations of procurement authority to award NTPs pursuant to the conditions set forth in this subpart.

[66 FR 12900, Mar. 1, 2001]

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]