

## **Subchapter 3016.6 Time-And-Materials, Labor-Hour, and Letter Contracts**

### **3016.601 Time-and-materials contracts.**

(c)(1)(i) *Government Surveillance.* DHS surveillance of time-and-materials (T&M) and labor-hour contracts shall include monitoring and verification of contract performance and approval of vouchers. To assist contracting officers with these contract oversight functions, the contracting officer shall appoint a contracting officer's representative (COR) in writing and specify the duties to be performed for orders or contracts expected to exceed SAT. Appropriate use of sampling for review and monitoring of contractor performance is encouraged.

(ii) For T&M and labor-hour contracts, the COR duties for monitoring contract performance should include at a minimum verifying:

- (A) If the work performed is consistent and conforms with the Statement of Work;
- (B) The appropriateness of the categories of labor used;
- (C) The reasonableness of the number of hours worked, including any approved overtime,
- (D) The reasonableness of materials used; and
- (E) The hours worked against the hours billed for the invoice period.

(iii) Duties for processing vouchers for T&M and labor-hour contracts are contained in HSAM 3032.7002(d).

(d) *Limitations.* When making the required determination and findings, the contracting officer must use a format substantially the same as the format found in Appendix M.

### **3016.602 Labor-hour contracts.**

(a) *Determination and Findings.* When making the required determination and findings, the contracting officer must use a format substantially the same as the format found in Appendix M.

(b) *Disallowing material costs under labor-hour contracts.*

(1) FAR 48 CFR 32.111(a)(7) was amended, effective August 2012, to remove the requirement to insert Alternate I of 52.232-7, Payments under Time-and-Materials and Labor-Hour Contracts, in contracts designated as a labor-hour type contract. Alternate I had made it clear that the contractor was not to be paid for any costs for material under the labor-hour contract and that the contractor would only be paid for labor hours.

(2) Because Alternate I of 52.232-7, Payments under "Time-and-Materials and Labor-Hour Contract, is no longer present in the FAR, the remainder of the clause required to be

used in a labor-hour contract includes terms and conditions that might be misinterpreted as authorizing payment for materials under a labor-hour contract. In order to ensure that the FAR clause is not misinterpreted, the contracting officer shall include a clear statement in each contract and order that contains a labor-hour item that the contract includes a line item that has been designated as a labor-hour contract type item and no amounts will be paid for material under labor-hour items in the contract (or order).

### **3016.603 Letter contracts.**

#### **3016.603-2 Application.**

(c) The Chief of the Contracting Office (COCO), without redelegation, has the authority to approve a contracting officer's determination of a reasonable price or fee for a letter contract. The COCO, without redelegation, must approve extensions to the definitization of a letter contract.

#### **3016.603-3 Limitations.**

The use of letter contracts will be authorized in accordance with HSAM 3043.7002-1. Letter contracts must contain the appropriate sections of the uniform contract format as discussed FAR 15.204-1 as practicable. Profit or fee under letter contracts must not be paid until after definitization of the letter contract (see HSAR 3052.216-74). Requests for authority to issue a letter contract include as a minimum:

- (1) The name and address of the proposed contractor;
- (2) The location where the contract is to be performed;
- (3) The contract number, including modification number, if applicable;
- (4) A brief description of the work or services to be performed;
- (5) The amount of the letter contract;
- (6) The performance period or delivery schedule;
- (7) The estimated total amount of the definitive contract;
- (8) The type of definitive contract to be executed (firm-fixed-price, cost-plus-award-fee, etc.);
- (9) A statement that the definitive contract will contain all required clauses or that deviations to the required clauses have been obtained;
- (10) A statement as to the necessity and advantage to the Government of a letter contract and why no other contract type is suitable; and

(11) A statement as to the competition received pursuant to FAR 16.603-3(b).