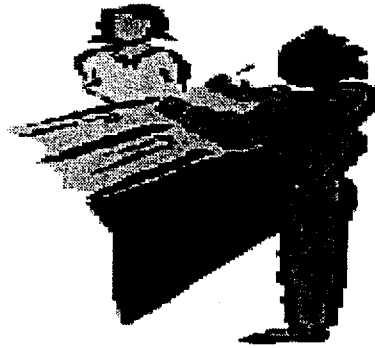


Inter-Contractor Purchases



□ **Overview**

This chapter provides guidance on the internal management control process to be followed by contracting activities to ensure that Inter-Contractor Purchases (ICPs) entered into by authorized contractors under their cognizance comply with necessary requirements.

This guidance provided here does not affect a contractor's ability to place orders against pre-established contracts for property or services awarded by another contractor for use by other Department of Energy (DOE) contractors pursuant to the consortium purchasing concept. This guidance also does not affect the responsibilities for accounting for ICP transactions in accordance with the Accounting Handbook.

Guiding Principles

- Inter-Contractor Purchases expedite the purchase of necessary special or unique services or expertise from other authorized DOE contractors.
- Contractors have a responsibility or periodically assess the use of ICP transactions and report to DOE any inappropriate uses.

□ **Background**

The Department of Energy Acquisition Regulation requires that a contractor's purchasing system make use of effective competitive techniques in obtaining the services and expertise necessary to meet its mission needs.

The Department's ICP process evolved to expedite the acquiring of unique or specialized services and expertise from other DOE major facilities contractors, thereby reducing lead and delivery time from months to a matter of days. The ICP process, however, was intended for use only in special circumstances (e.g., where services are not readily available from the private sector). Many of the process steps inherent in a normal procurement transaction, such as cost and price analysis, rate verifications, flow-down clauses are eliminated through use of an ICP transaction.

In order to facilitate this type of transaction, the Department developed a process for the inter-office transfer of funds involving, among other things, ICP transactions of \$250,000 or more and a similar process for ICP transactions under \$250,000. Neither of those processes is affected by this guidance.

□ **Definitions**

The term *Inter-Contractor Purchase* means a subcontract level purchase transaction between two or more DOE management and operating contractors or site integrating contractors. The transaction is appropriate only as described in this guidance. These transactions tend to be less formal than a subcontract, however, the necessity of establishing a fair and reasonable cost for performance and the necessity of effectively administering the transaction remain. Inter-Contractor Purchases as used in this Guide Chapter Letter include transactions known by the following names, among others: Inter-office Work Orders, Integrated Contractor Order, Memorandum Purchase Order, Integrated Contractor Requisitions.

The term *Contractor* means a management and operating contractor or other major site or facilities contractor which is a party to an ICP transaction.

□ **Guidance**

Contracting Officers shall ensure that the contractor's approved procurement system provides adequate management control and oversight relating to the use of ICPs, consisting of the following principles:

- An ICP transaction is used only if the following criteria are met: (a) the performing contractor has special or unique experience or equipment to perform work not readily available from the private sector; (b) the nature of the work is consistent with the scope of the performing contractor's contract; and (c) any effort subcontracted by the performing contractor is incidental to the effort.

- It is the requesting contractor's responsibility to ensure that the use of an ICP is at a fair and reasonable cost or price and properly administered.
- For ICP transactions expected to exceed \$250,000, the requesting contractor shall appropriately document compliance with the criteria of A 1. above and the fairness and reasonableness of the proposed cost or price. ICPs expected to exceed \$1,000,000 shall be documented and submitted to the DOE contracting officer for written consent prior to the issuance of the proposed ICP.
- Upon receipt of an appropriately documented contractor's request to issue an ICP expected to exceed \$1,000,000, the contracting officer will either provide written consent to issue the ICP or require that the acquisition be processed as a normal purchase in accordance with the contractor's purchasing systems and methods. The consideration and disposition should occur within two working days of receipt of the request.
- The contractor should periodically assess the adequacy of its control system, determining whether ICPs were used in an appropriate manner and are being effectively performed. The assessment is subject to validation by the DOE/NNSA field activity that has cognizance over the contractor. The contractor shall promptly notify the DOE contracting officer of any ICP transaction found to be inconsistent with these guidelines.

A contractor's inappropriate use of an ICP may be the basis for lowering the threshold for prior written consent of DOE then in effect and may result in the disallowance of costs incurred that are in excess of those that would have been incurred had the transaction been handled appropriately.