

TITLE: CIB 88-14 Avoiding Duplicate Recovery of Certain Fringe Benefit Costs

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

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MEMORANDUM FOR ALL CONTRACTING OFFICERS AND NEGOTIATORS

TO: Distribution List DD-14(LL)

FROM: M/AAA/SER, John F. Owens, Procurement Executive

FORMATION BULLETIN 88-14

SUBJECT: Avoiding Duplicate Recovery of Certain Fringe Benefit Costs

A recent pre-award pricing review by the Overhead & Special Costs & Contract Close-Out Branch in the Office of Procurement (OP/PS/OCC) disclosed a problem with a contractor's pricing proposal which Contracting Officers should be alerted to.

The Contractor proposed charging the costs of vacation, sick leave, and holidays as both a direct labor cost and a fringe benefit cost. The direct labor cost in the proposal was based on a 40 hour work week for 52 weeks a year (2080 hours) which included vacation, sick leave, and holidays. In addition, the proposal included an approved direct labor fringe benefit rate which included vacation, sick leave, and holidays. In other words, the costs were to be charged twice. In such a case, the proposed direct labor costs must be reduced by the value of the fringe benefit hours for vacation, sick leave, and holidays which are already covered on the approved fringe benefit rate.

To facilitate your cost/price analysis, your solicitation documents should require offerors to disclose their established policy regarding the number of employee work hours in a work year. Also, when a direct labor fringe benefit rate will be proposed, offerors should be requested to disclose the extent to which vacation, sick leave, and holiday hours are included in the benefit package. A high fringe benefit rate (over 25 percent) usually indicates that an organization is recovering vacation, sick leave, and holiday hours through the rate.

Questions regarding this matter should be directed to OP/PS/OCC, 703/875-1101.