



August 1, 2013

MEMORANDUM FOR: Teresa Stanek Rea
Acting Under Secretary of Commerce for Intellectual Property
and Acting Director of the U.S. Patent and Trademark Office



FROM: Andrew Katsaros
Assistant Inspector General for Audit

SUBJECT: Audit of U.S. Patent and Trademark Office's Management of
Time-and-Materials and Labor-Hour Contracts

Time-and-materials and labor-hour (T&M/LH) contracts constitute high risk to the government. The contractor puts forth its best effort to accomplish the objectives of the contract up to the maximum number of hours authorized under the contract. In July 2009, the Office of Federal Procurement Policy in the Office of Management and Budget directed each federal agency to reduce their use of high-risk contracting authorities.

We are initiating an audit of the U.S. Patent and Trademark Office's (USPTO's) management of T&M/LH contracts. This is part of our risk-based, oversight strategy developed to help the Department address management challenges in its acquisition function. In fiscal year 2012, USPTO obligated approximately \$194 million to T&M/LH contracts for goods and services. Our audit objective is to determine whether T&M/LH contracts are properly awarded and administered.

An entrance conference has been scheduled for August 6, 2013, where we will further discuss our objectives. If you have any questions regarding this audit, please call me at (202) 482-7859, or Mark Zabarsky, Director of Acquisition Audits, at (202) 482-3844. Thank you in advance for your cooperation during this audit.