

**LIMITED REVIEW OF
ALLIANT AND ALLIANT SMALL BUSINESS
REPORT NUMBER A080152/Q/A/P08008**

September 22, 2008



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date: September 22, 2008

Reply to
Attn of: Audit Manager, Acquisition Programs Audit Office (JA-A)

Subject: Limited Review of Alliant and Alliant Small Business
Report Number A080152/Q/A/P08008

To: Tyree Varnado, Acting Commissioner, Federal Acquisition Service (Q)

The Acquisition Programs Audit Office conducted a limited review of Alliant and Alliant Small Business. Our review focused on whether the Alliant and Alliant Small Business Past Performance Support task order was awarded and administered properly. Additionally, we examined the actions the Federal Acquisition Service (FAS) took to ensure that the contractor did not have a conflict of interest.

Background

The U.S. General Services Administration (GSA), Federal Acquisition Service (FAS) is organized into ten portfolios. The Integrated Technology Services (ITS) Portfolio provides customer agencies with a full range of information technology and telecommunication goods and services. Operations within this portfolio include the Multiple Award Schedules (MAS) for Information Technology (IT) and the Government-wide Acquisition Contracts (GWACs)¹ for IT. The GWACs program establishes specialty and solution-based government-wide contracts which provide a wide range of IT solutions. The Office of Management and Budget (OMB) has designated GSA as an executive agent for government-wide acquisition of IT.

In 2006, FAS issued solicitations for two GWACs – Alliant and Alliant Small Business. The Alliant and Alliant Small Business GWACs were designed to provide federal agencies with a broad range of IT solutions. Proposals submitted for award under the Alliant and Alliant Small Business contracts were subject to a past performance evaluation. FAS contracted for assistance with conducting interviews of the Alliant and Alliant Small Business offerors' previous customers to obtain past performance information to be used in these past performance evaluations. FAS awarded the task order for \$242,400 to Calyptus Consulting Group Inc. (Calyptus) under GSA's Mission Oriented Business Integrated Services (MOBIS) Multiple Award Schedule. The contractor was responsible for conducting approximately 600 interviews for Alliant and 1,500 for Alliant Small Business, transcribing those interviews and then obtaining a validation of the interview answers from the interviewees. The contractor then provided the information obtained to GSA's past performance evaluation team for the respective contracts.

GSA ultimately selected 29 contractors for award for Alliant and 62 contractors for award for Alliant Small Business in July and December 2007 respectively. Subsequently, eight

¹ GWACs are defined in Part 2 of the Federal Acquisition Regulation (FAR) as task order contracts for Information Technology (IT) established by one agency for government-wide use. Each GWAC is operated by an executive agent designated by the Office of Management and Budget pursuant to section 5112(e) of the Clinger-Cohen Act.

unsuccessful offerors under Alliant sought review of the award process. The U.S. Court of Federal Claims (Court) concluded on March 3, 2008 that the GSA failed to take adequate steps to ensure that the past performance information it received was relevant to the evaluation factors and also failed to ensure that the information obtained was accurate. This is one factor that led the Court to require FAS to reevaluate all of the Alliant proposals. Four contractors also protested the Alliant Small Business awards, but those protests were dropped given that GSA also decided to reevaluate those proposals. Given the Court's conclusion and the reevaluation of the Alliant and Alliant Small Business awards, we initiated a limited review of the Past Performance Support task order.

Objectives, Scope and Methodology

The objectives of this review were (1) to determine to what extent FAS followed applicable laws, regulations, and guidance when awarding and administering the Past Performance Support task order and (2) to determine how FAS ensured that the contractor had no conflict of interest. We did not specifically evaluate the quality of the contractor's work during this review.

To accomplish the audit objectives, we reviewed applicable Federal Acquisition Regulations (FAR), the GSA Acquisition Manual (GSAM) and GSA Orders; obtained and reviewed the task order file for Alliant and Alliant Small Business Past Performance Support task order for compliance with applicable policies and procedures; obtained and reviewed status reports and invoices; reviewed contractor deliverables to ensure that they were received in accordance with the Statement of Work (SOW); and interviewed the Contracting Officer (CO) and Contracting Officer Technical Representative (COTR) for the task order.

We conducted this review between April 2008 and June 2008, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results of Review

Our limited review of the Alliant and Alliant Small Business Past Performance Support task order identified that FAS did not always adhere to relevant policies and procedures during the key phases of planning, award, and administration. As a result, there is no evidence of proper acquisition planning; there is limited assurance that the government paid a fair and reasonable price for the work; and the government paid for work it had no evidence the contractor performed, which is one factor that led the Court to require FAS to reevaluate all of the Alliant proposals, a costly and time-consuming outcome that highlights the importance of proper contract oversight. The problems with planning and award occurred due to the CO's lack of application of the correct FAR criteria, and the problem with contract administration occurred primarily due to the COTR's infrequent delegation of contract administration responsibilities and lack of recent training related to these responsibilities. Additionally, we determined that FAS required Calyptus to self-certify that no conflict of interest existed between Calyptus and the contractors bidding on the Alliant or Alliant Small Business GWACs.

Acquisition Planning

We determined that FAS did not prepare an acquisition plan for the Past Performance Support task order. Acquisition planning is intended to ensure that agency needs are fulfilled in the most effective, economical, and timely manner. Acquisition planning ensures that agencies consider

procurement alternatives before acquiring goods and/or services, and also ensures that agencies provide for full and open competition. Through acquisition planning, the requiring activity should identify specific requirements and outline a preliminary statement of need. Additionally, the activity should establish realistic delivery and performance schedules and identify management responsibilities for overseeing contract performance.

For acquisitions exceeding the Simplified Acquisition Threshold (SAT), which is \$100,000, GSA Order OGP 2800.1 requires at least a Limited Acquisition Plan. The Past Performance Support task order award amount was \$242,400; accordingly, FAS was not in compliance with the FAR relative to acquisition planning. In addition, the CO stated that she did not believe that an acquisition plan was required for orders placed under Federal Supply Schedule contracts in accordance with FAR Part 8.4--Federal Supply Schedules. However, FAR 8.404(c) specifically states that orders placed under a Federal Supply Schedule contract are not exempt from the development of acquisition plans.

Given that there is no evidence of sufficient acquisition planning, there is limited assurance that the government's needs were met in the most effective, economical, and timely manner.

Price Analysis and Award Determination

We determined that there was no evidence of a tradeoff analysis or an evaluation of level of effort and labor mix in the contract file documentation. Both the tradeoff analysis and evaluation of level of effort and labor mix assist in ensuring the government is receiving a fair and reasonable price.

Three contractors submitted proposals in response to the solicitation FAS issued for the Past Performance Support task order. FAS awarded the task order to Calyptus, which submitted the highest priced proposal. While the SOW indicated that technical evaluation factors were more important than price, and the government's technical evaluation rated Calyptus' proposal highest, there is no evidence that the CO performed the required tradeoff analysis in making a best value determination. FAR 15.101-1 permits tradeoffs among cost or price and non-cost factors to allow the government to accept other than the lowest priced proposal. FAR 15.101-1(c) also requires that:

The perceived benefits of the higher priced proposal shall merit the additional cost, and the rationale for tradeoffs must be documented in the file in accordance with 15.406.

When requesting the documentation for the tradeoff analysis from the CO, she referred us back to the technical evaluation, which does not include a cost analysis or a tradeoff analysis meriting the additional cost. Considering that Calyptus' price was 36 percent higher than the next proposal, and the documentation does not indicate that the required analysis was performed, there is concern whether the government needed to pay a premium for this work.

In addition, the FAR has specific requirements for the determination of price reasonableness for orders for services placed against Federal Supply Schedule contracts where a SOW is required (FAR Part 8.405-2); specifically, the FAR requires an analysis of the level of effort and labor mix to arrive at the conclusion that the total price is fair and reasonable. The contract file documentation does not reflect that this analysis was performed. The award determination indicated that the CO considered prices to be fair and reasonable because the labor rates proposed were at or below Calyptus' MOBIS rates. However, in determining price reasonableness for services, the labor rates are only one part of the equation. An analysis of

the number of hours and mix of labor disciplines the contractor is proposing is also necessary to ensure that the total price is fair and reasonable. While there was an Independent Government Cost Estimate (IGCE), it was of limited value because (1) the IGCE lacks sufficient detail, and (2) there is no indication of an analysis of substantial variations between the IGCE and the accepted proposal; specifically:

- The IGCE included eight Survey Analysts and referenced the GSA e-Library, GSA MOBIS Schedule 874-3. However, there are 658 contractors on this particular schedule; accordingly, there is no information to explain how the estimator selected the category and associated rate. Calyptus proposed a labor rate that was 22 percent higher than the IGCE rate for a comparable position. There were 1,584 labor hours associated with this higher rate, which represented approximately a \$35,000 difference.
- The accepted proposal included an \$84,000 allowance for a project manager and assistant project manager, but the IGCE made no allowance for any type of project management. This represents a significant difference in labor mix.
- The accepted proposal included a total of 2,224 hours of labor, while the IGCE indicated a total of 3,840 hours would be needed. This represents a 42 percent difference in the level of effort.

Generally, when competition is present, there is increased assurance that pricing will be fair and reasonable. However, given the disparity in the proposals for this task order and the absence of an analysis of level of effort and labor mix in conjunction with the IGCE and as required by the FAR, there was insufficient documentation to support that the government received a fair and reasonable price for this task order.

Contract Administration

We determined that FAS did not comply with proper contract administration procedures relative to the inspection and acceptance of contract deliverables; as a result, there was no assurance that the government received the services for which it paid.

The contractor was responsible for three main tasks outlined in the SOW:

- (1) Conduct approximately 600 interviews for Alliant and 1,500 for Alliant Small Business,
- (2) Transcribe those interviews, and
- (3) Validate the interviewee's responses.

Deliverables to be received by the government included all interview reports and a file showing the interviewee's validation. FAS received all of the interview reports; however, the COTR authorized final payment to the contractor without receiving the validation documentation. Accordingly, there was no assurance that contractor performed the work for which the government paid.

We did not find a COTR delegation letter in the file as required by FAR 4.802. A COTR letter provides for a clear description of key roles and responsibilities. Specifically, a standard COTR letter instructs that the COTR should not certify payment on an invoice until they are able to verify contractor performance by receipt of applicable deliverables, examination of contractor's periodic progress reports, reconciliation of hours invoiced with contractor's timecards, and/or personal knowledge of the contractor's activities in support of the contract. Although the contractor's periodic progress reports indicated that validation of the interviews was occurring, without receiving the final deliverable, the COTR had no other reasonable basis to determine that the contractor completed the validation in accordance with the SOW. Therefore, the COTR

improperly authorized payments for deliverables that the government did not receive. Consequently, GSA relied upon the past performance information obtained by the contractor when evaluating Alliant and Alliant Small Business proposals for awards and awarded those contracts without ensuring that the information was valid and accurate. This error is one factor that led the Court to require FAS to reevaluate all of the Alliant proposals, a costly and time-consuming process. Four contractors also protested the Alliant Small Business awards, but those protests were dropped given that GSA also decided to reevaluate those proposals. Not only do these reevaluations require additional resources that could be used for other GSA operations, but the situation could also impact the level of public confidence in GSA's ability to manage large procurement programs, which is a key element of the agency's mission.

We determined that the following factors contributed to the COTR error:

- COTR duties were not part of the individual's regular job responsibilities.
- The COTR for this task order last attended refresher COTR training in June 2004.

In discussions with ITS management, they recognize the importance of ensuring that individuals assigned as COTRs perform COTR functions as their primary job responsibility as a mitigating factor to the risk of improper contract administration. ITS officials advised us that in February 2008 they shifted all internal ITS contract administration activities to a full-time Contracting Officer's Representative (COR) in response to the improper authorization of payments for the Calyptus task order. ITS also plans on implementing a Contract Review Board to oversee pre and post award contracting activities. We believe that once implemented, this step will contribute to an improved control environment.

Training records indicated that the most recent refresher training the COTR assigned this task order attended was eight hours in June 2004. The Calyptus task order was awarded in January 2007. By memorandum dated November 26, 2007, OMB established a structured training program for COTRs applicable to all executive agencies. All COTRs appointed after November 26, 2007 are required to attain certification no later than six months from their date of appointment and must maintain their skills through continuous learning. The memorandum outlines both the certification and ongoing training requirements, which must cover essential COTR competencies. By implementing the OMB policy and requiring COTRs to attend more frequent training on contract administration roles and responsibilities, the ITS organization can help ensure that proper contract administration occurs.

Conflict of Interest

In accordance with FAS requirements, Calyptus self-certified that no conflict of interest existed between Calyptus and the contractors bidding on the Alliant or Alliant Small Business GWACs. Further, before sending out the Request for Quotation (RFQ) to the vendors, the CO for the Past Performance Support task order contacted the Alliant CO to ensure that the contractors solicited for the task order were not bidders on Alliant or Alliant Small Business.

FAS included two Organizational Conflict of Interest clauses in the SOW. These clauses state that, "The Contractor warrants that, to the best of its knowledge and belief, it does not have any organizational conflict of interest." Furthermore, the clauses require that if the contractor discovers an organizational conflict of interest with respect to the task order, it shall make an immediate and full disclosure in writing to the CO.

In addition to the above, FAS required the contractor's personnel assigned to work on the task order to sign non-disclosure agreements. By signing the non-disclosure agreements, the

individual is indicating that, to the best of their knowledge, they do not have any conflicts of interest that would impair their capacity to exercise independent judgment and provide impartial advice when performing their assignment related to the Alliant Program and its acquisitions. The disclosure also states that the person is agreeing to disclose any circumstances that may create an actual or apparent conflict of interest by contacting the CO. The GSAM requires non-disclosure agreements to be signed by non-government personnel that are serving as evaluators. However, in this case, the contractor was responsible for obtaining but not evaluating past performance information. Although not required, FAS took the additional measure by requiring the contractor personnel to sign non-disclosure agreements.

Recommendations

We recommend that the Commissioner of the Federal Acquisition Service:

1. Provide contracting officers with periodic refresher training on the requirements for acquisition planning, price analysis and award determination for orders placed under Multiple Award Schedules.
2. Increase supervisory oversight during the award and administration of task orders to ensure the adherence to policies and procedures.
3. Ensure that (a) contract administration duties are part of the designated COR or COTR's regular job responsibilities; (b) all CORs and COTRs attend training related to their roles and responsibilities on a regular basis; (c) OMB guidelines on COTR training and certification are followed; and (d) COR and COTR delegations are properly documented.

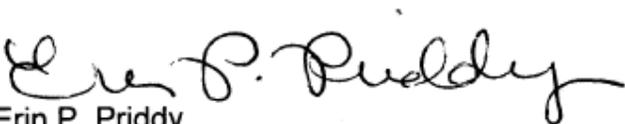
Management Comments

The Acting Commissioner of the Federal Acquisition Service concurs with the report findings and recommendations. The Office of Integrated Technology Services is in the process of implementing these recommendations. See Appendix A for management's response to the draft report.

Internal Controls

This review was limited in scope to the award and administration of a single task order in support of GSA's past performance evaluation of proposals submitted in response to the Alliant and Alliant Small Business solicitation. Thus, our evaluation of internal controls was limited to GSA's award and administration of the task order.

We wish to thank you and your staff for the courtesies extended to the auditors during this review. Should you or your staff have any questions concerning this review, please contact me at (816) 926-8610.


Erin P. Priddy
Audit Manager
Acquisition Programs Audit Office

APPENDICES

LIMITED REVIEW OF
ALLIANT AND ALLIANT SMALL BUSINESS
REPORT NUMBER A080152/Q/A/P08008

Management Response



GSA Federal Acquisition Service

September 17, 2008

MEMORANDUM FOR KENNETH L. CROMPTON
DEPUTY ASSISTANT INSPECTOR GENERAL
FOR ACQUISITION AUDITS (JA-A)

FROM: BARNEY L. BRASSEUX
ACTING COMMISSIONER (Q)

A handwritten signature in black ink, appearing to read "Barney L. Brasseux", written over the typed name in the "FROM" field.

SUBJECT: GSA Draft Report, "Limited Review of Alliant and
Alliant Small Business" (A080152)

Thank you for the opportunity to review the above draft report. We concur with the report findings and recommendations, and the Office of Integrated Technology Services (QT) is in the process of implementing these recommendations as outlined in the attached statement.

Please call me at (703) 605-5400 if you have any questions. Your staff may contact Ms. Cathy Fick at (703) 605-5452 or Catherine.fick@gsa.gov for additional information.

Attachment

cc: Regina M. O'Brien
Acting Assistant Inspector General for Auditing (JA)

Erin Priddy
Audit Manager (JA-6)

U.S. General Services Administration
2200 Crystal Drive
Arlington, VA 20406-0003
www.gsa.gov

LIMITED REVIEW OF
ALLIANT AND ALLIANT SMALL BUSINESS
REPORT NUMBER A080152/Q/A/P08008

Management Response

FEDERAL ACQUISITION SERVICE (FAS) COMMENTS ON THE
GSA DRAFT REPORT, "LIMITED REVIEW OF ALLIANT AND
ALLIANT SMALL BUSINESS" (A080152)

Recommendation 1:

Provide contracting officers with periodic refresher training on the requirements for acquisition planning, price analysis and award determination for orders placed under Multiple Award Schedules.

Comment:

Concur. The Office of Acquisition Operations, Integrated Technology Services (ITS), will ensure that all appropriate contracting personnel have received refresher training in the areas of acquisition planning, price analysis, and award determination when placing orders under Multiple Award Schedules.

Recommendation 2:

Increase supervisory oversight during the award and administration of task orders to ensure the adherence to policies and procedures.

Comment:

Concur. The Office of Acquisition Operations is instituting a Contract Review Board to provide management oversight to the award and administration of all task orders within ITS.

Recommendation 3:

Ensure that (a) contract administration duties are part of the designated COR or COTR's regular job responsibilities; (b) all CORs and COTRs attend training related to their roles and responsibilities on a regular basis; (c) OMB guidelines on COTR training and certification are followed; and (d) COR and COTR designations are properly documented.

Comment:

Concur. The Office of Acquisition Operations will appoint a COR/COTR for all internal ITS task orders and will ensure that these CORs/COTRs have up-to-date, relevant COR/COTR training, including contract administration roles and responsibilities, in accordance with the guidelines issued by OMB. Additionally, we will remind the appropriate personnel of the importance of maintaining the COR and COTR delegation letter in the contract file as required by FAR 4.802.

LIMITED REVIEW OF
ALLIANT AND ALLIANT SMALL BUSINESS
REPORT NUMBER A080152/Q/A/P08008

REPORT DISTRIBUTION

	Copies
Acting Commissioner, Federal Acquisition Service (Q).....	3
Internal Control and Audit Division (BEI).....	1
Acting Assistant Inspector General for Auditing (JA, JAO).....	2
Assistant Inspector General for Investigations (JI).....	1