



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

AUDIT OF SELECTED PERFORMANCE-BASED TASK ORDERS FOR INFORMATION TECHNOLOGY SERVICES

AUDIT REPORT NO. A-000-08-005-P

MAY 15, 2008

WASHINGTON, DC



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

May 15, 2008

MEMORANDUM

TO: A-M/CIO, Phil Heneghan
M/OAA/OD, Maureen A. Shauket

FROM: Director, IG/A/ITSA, Melinda G. Dempsey /s/

SUBJECT: Audit of Selected Performance-Based Task Orders for Information Technology Services (Report No. A-000-08-005-P)

This memorandum transmits the Office of Inspector General's final report on the subject audit. In finalizing the report, we considered your comments on our draft report and included those comments in their entirety in Appendix II of this report.

This report contains two recommendations to help USAID improve its use of performance-based task orders for information technology services. Based on your response to our draft report, we have reached management decisions on recommendations nos. 1 and 2. Please notify the Bureau for Management's Audit, Performance and Compliance Division when final actions are completed.

I appreciate the cooperation and courtesies extended to my staff during the audit.

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SUMMARY OF RESULTS

Performance-based acquisition is a technique for structuring all aspects of an acquisition around the purpose and outcome desired, as opposed to the process by which the work is to be performed. Performance-based acquisition has many benefits, including increased likelihood of meeting mission needs and decreased performance risk (page 2).

The Office of Inspector General, Information Technology and Special Audits Division, in Washington, DC conducted this audit to determine whether USAID established performance-based task orders for selected information technology services in accordance with Federal Acquisition Regulation (FAR) requirements (page 4).

The audit found that, for the task orders reviewed, USAID incorporated some but not all of the FAR requirements for performance-based contracting. Specifically, USAID did not always (1) include meaningful performance standards to the maximum extent practicable, (2) include monetary incentives to encourage contractors to achieve results or discourage contractors from not achieving results, and (3) follow a plan to determine whether the services received met requirements. As a result, USAID may have, among other things, missed opportunities to enhance its operations through its use of performance-based service contracting (page 5).

This report makes two recommendations to help USAID improve its use of performance-based task orders for information technology services. First, it recommends that USAID establish a process to review the performance work statements for information technology services before award to ensure that all FAR elements have been included to the maximum extent practicable. Second, it recommends that USAID incorporate cognizant technical officer duties and responsibilities into performance work objectives for its cognizant technical officers (page 11).

In response to the draft report, USAID agreed with the audit findings and described planned actions to address the recommendations, including target dates for when final actions will be completed. Based on management comments and the establishment of target dates, management decisions have been reached for recommendation nos. 1 and 2. The Agency's comments are included in their entirety in appendix II (page 15).

BACKGROUND

Performance-based acquisition is a technique for structuring all aspects of an acquisition around the purpose and outcome desired, as opposed to the process by which the work is to be performed. According to the Office of Management and Budget's Office of Federal Procurement Policy, performance-based acquisition for services has been articulated in regulation, guidance, and policy for more than two decades. Performance-based acquisition has many benefits, including the following:

- Increased likelihood of meeting mission needs
- Focus on intended results, not process
- Better value and enhanced performance
- Decreased risk of not meeting performance requirements
- Shared incentives to permit innovation and cost effectiveness

USAID's Office of the Chief Information Officer, Contract and Management Services Division (the Division) is responsible for the acquisition of Federal information technology (IT) resources, commodities, and services for the Agency. Specifically, the Division (among other things) manages IT contracts that outsource resources to support USAID projects, provides acquisition-related advice and assistance to project teams, coordinates the Federal IT resources program for the Agency, and monitors the performance of contracts, including quality assurance surveillance programs.¹ In addition, the Division communicates with and provides liaison services between the chief information officer and the Office of Acquisition and Assistance (which oversees the procurement function of USAID), and other Agency IT end users.

In recent months, the Division experienced a complete turnover in contracting officers. Specifically:

- One of the two original contracting officers went to another agency in October 2007 (prior to the commencement of this audit).
- The second of the original two contracting officers retired from USAID in January 2008, shortly after the commencement of this audit.
- Two new contracting officers began working in the Division in August 2007.

The Division has awarded to several organizations blanket purchase agreements for IT services. Such services may include the following (among other things):

- Maintaining the current functionalities, system performance, and availability for IT systems

¹ A program for ensuring that goods or services received meet requirements in the statement of work.

- Implementing new applications as efficiently and promptly as possible
- Continuously improving efficiency in software maintenance and operations, by establishing and tracking metrics for software maintenance and operation support
- Providing disciplined maintenance of software systems.

The Federal Acquisition Regulation (FAR) is the primary regulation that all Federal Executive agencies should use when acquiring supplies and services with appropriated funds. According to Subpart 16.5, "Indefinite-Delivery Contracts," section 16.505(a)(3), performance-based acquisitions must be used to the maximum extent possible if the contract or order is for services. In addition, FAR Subpart 37.6, "Performance-Based Acquisition," prescribes policies and procedures for acquiring services using performance-based acquisition methods. According to that subpart, performance-based contracts for services must include the following:

- A performance work statement that (to the maximum extent practicable)
 1. Describes the work in terms of results required rather than the methods of performance of the work
 2. Enables assessment of work performance against measurable performance standards
 3. Relies on the use of measurable performance standards
 4. Relies on financial incentives
- A method of assessing contractor performance against performance standards
- Performance incentives (where appropriate) that correspond to the performance standards in the contract
- Quality assurance surveillance plans, as prescribed by Subpart 46.4, "Government Contract Quality Assurance"

Performance-based acquisition has not been fully implemented in the Federal Government, and agencies have faced a number of issues when using performance-based acquisitions. Specifically, Section 1423 of the Services Acquisition Reform Act of 2003 authorized the creation of an acquisition advisory panel (the Panel). The Panel was tasked to (among other things) review laws, regulations, and Governmentwide acquisition polices regarding performance-based contracting and make recommendations for improvements. In January 2007, the Panel reported to the Office of Federal Procurement Policy that, among other things, the top 10 contracting agencies had problems identifying and aligning performance measures and contract incentives to ensure that desired outcomes were achieved. The Panel recommended more guidance to assist agencies in the efficient and appropriate application of performance-based acquisition.

In December 2007, the U.S. Government Accountability Office (GAO) issued a report on the Panel's recommendations.² In that report, GAO reported that Office of Federal Procurement Policy plans to implement most of the Panel's recommendations. GAO also noted that the Office of Federal Procurement Policy would rely on chief acquisition officers and senior procurement executives within Federal agencies to help implement the recommendations.

AUDIT OBJECTIVE

The Office of Inspector General, Information Technology and Special Audits Division, conducted this audit because the Office of Management and Budget (OMB) has encouraged greater use of performance-based acquisition. Specifically, OMB set a goal for fiscal year 2006 to issue performance-based contracts for 40 percent or more of all eligible service acquisitions. Given OMB's goal of encouraging greater use of performance-based task acquisitions, this audit was performed to answer the following question.

Did USAID establish performance-based task orders for selected information technology services in accordance with Federal Acquisition Regulation requirements?

Appendix I contains details of the audit's scope and methodology.

² "Federal Acquisition: Oversight Plan Needed to Help Implement Acquisition Advisory Panel Recommendations" (Report No. GAO-08-160, December 2007)

AUDIT FINDINGS

Did USAID establish performance-based task orders for selected information technology services in accordance with Federal Acquisition Regulation requirements?

USAID established performance-based task orders for selected information technology (IT) services contracts in accordance with Federal Acquisition Regulation (FAR) requirements, although some requirements needed to be fully incorporated to improve performance-based task orders for IT services.

Specifically, for selected IT task orders, USAID's performance work statements included the following minimum requirements: (1) purpose, (2) scope or mission, (3) period and place of performance, (4) background, and (5) any operating constraints. In addition, the task orders generally described the work in terms of the required results rather than either how the work is to be accomplished or the number of hours to be provided.

Nonetheless, USAID did not always incorporate required aspects of performance-based task orders. Specifically, USAID did not always (1) incorporate meaningful performance standards to the maximum extent practicable, (2) use quality assurance surveillance plans, and (3) incorporate performance incentives into the task orders to the maximum extent practicable. The following section discusses these deficiencies in more detail.

FAR Requirements Not Fully Met

Summary: Contrary to FAR requirements, USAID did not always (1) incorporate meaningful performance standards to the maximum extent practicable, (2) use quality assurance surveillance plans, and (3) incorporate performance incentives into the task orders to the maximum extent practicable. Contracting personnel provided a number of possible contributing factors for the first two problems. Regarding meaningful performance standards, contracting officials believed that the cognizant technical officers (CTOs) were not being held accountable for reviewing available information to ensure that CTO duties and responsibilities were fulfilled. Regarding the use of quality assurance surveillance plans, contract surveillance was not always a top priority for contracting officers and CTOs. For the third problem, CTOs were not aware of the need to follow quality assurance surveillance plans. As a result of these problems, USAID may have, among other things, missed opportunities to enhance its operations through its use of performance-based service contracting.

Meaningful Performance Standards Not Always Incorporated – According to FAR Subpart 1.6, “Career Development, Contracting Authority, and Responsibilities,” contracting officers’ responsibilities include (1) performing all necessary actions for effective contracting and (2) protecting the Government in its contractual relationships.

In addition, according to FAR Subpart 37.6, "Performance-Based Acquisition," agencies should, to the maximum extent practicable, rely on the use of measurable performance standards (in terms of quality, timeliness, quantity, and so on) in preparing performance work statements. However, of the 12 task orders reviewed,

- Only one had meaningful performance standards that directly tied to the performance work statement.
- One did not contain performance standards.
- Ten identified only generic quality standards, which were provided as examples in the guidelines for preparing task orders and, thus, were not specific to the performance work statement. The generic quality standards were as follows:
 - Deliverables are written clearly and concisely, providing USAID stakeholders a clear understanding of all deliverables.
 - Final documentation to be in Microsoft Suite: Word 2000 and Excel 2000, or current USAID version.
 - Final documentation must be spellchecked, grammar checked, and accepted by the Government.
 - 100 percent of delivery dates specified by the CTO or work plan are met or exceeded.

Yet, for 7 of the 10 task orders with generic quality standards, the CTOs responsible for oversight were not using the performance standards. For two of the task orders, the CTO stated that he used the performance standards. However, that CTO did not document that the measures were actually used. (For the tenth task order, this determination could not be made because the CTO was not available.)

Moreover, USAID did not identify clear performance requirements for 3 of the 10 task orders reviewed that had only generic quality standards. The tasks were complex and various requirements were not specifically defined, as described below:

- The first was for program management and advisory support for joint USAID and Department of State business processes. One example of a broad task was for the contractor to provide the following:

...just-in-time Functional and Technical expertise, periodic assessment and management support for key program activities including but not limited to: requirements determinations, business process, joint concept developments, data migration, statutory compliance, integrated network, and system architectures, test planning, interoperability planning, infrastructure support, information assurances, certification and accreditation, interface development support, Help Desk strategy and concept of operations, reporting, and data warehouse...

In this instance, the language "including but not limited to" implies that the contractor may be given additional tasks that are not explicitly stated in the task order, thus making it difficult to develop meaningful performance measures.

- The second was for information technology (IT) program management support to the chief information officer. Although the performance work statement identifies many specific tasks, according to responsible Agency officials, most of the work was performed under the following very broad task:

The Contractor shall coordinate and implement the Government-approved PMP [program management plan]. The Contractor shall provide the communications and general program management support for day-to-day operations in accordance with current USAID Program Management Office (PMO) project management practices...

The task order further states that work activities shall include but not be limited to a number of activities, from providing management and technical advisory services to participating in various meetings. Again, this example implies that the contractor may be given additional tasks that are not explicitly stated in the task order, thus making it difficult to develop meaningful performance measures.

- The third was for program management and integration support services for information and communication technology to overseas missions. One example of a broad task is for the contractor to

Identify, facilitate, construct and/or implement development alliance opportunities with non-traditional private sector partners, NGOs [nongovernmental organizations], and USAID Missions in order to achieve greater impact on development goals.

In this example, it would be difficult to measure whether the contractor achieved a greater impact on development goals, as this is a broad performance requirement and no performance measures were established.

Responsible Agency officials believed that the three task orders discussed above should not have been performance-based acquisitions. Further, to meet their needs, one CTO felt that CTOs needed a strong role in specifying how the work should be done as well as constant interaction with the contractor. USAID needs better criteria to help determine whether task orders such as these should be performance-based.

This audit could not determine the root cause of the above problems because the two contracting officers who awarded the task orders are no longer with USAID. However, one of the original contracting officers³ believed that it was the CTOs' responsibility to ensure that meaningful performance measures were included in the performance work statements. As a practical matter, contracting officers do not have sufficient technical expertise or time to ensure the successful administration and completion of all aspects of each award. Therefore, they rely on CTOs for various functions, including monitoring and evaluating contractor performance. USAID's contracting officers use a CTO

³ Over the past several months, the Office of the Chief Information Officer's Contract Management Services Division experienced a complete turnover in its contracting staff. Therefore, only one of the original contracting officers was available for discussions at the beginning of the audit.

designation letter to communicate what authorities and responsibilities have been delegated to the CTO. The letters reviewed generally instruct CTOs to verify that the contractor's performance conforms to the technical requirements and quality standards agreed to in the terms and conditions of the contract.

Contracting officials in USAID's Office of Acquisition and Assistance did not believe that additional information was needed to implement performance-based acquisitions. They felt that the FAR, USAID's Automated Directives System, and other internal guidance give contracting officers and CTOs the information they need to properly implement performance-based task orders. However, contracting officials believed that the underlying problem was that the CTOs were not being held accountable for diligently reviewing all of the information available to ensure that they fulfilled their CTO duties and responsibilities.

Based on documentation provided, CTO duties and responsibilities for monitoring and evaluating contractor performance were not incorporated into performance work objectives, including statements of performance expectations and results to be achieved. Specifically, CTOs for:⁴

- Six of the task orders reviewed did not have their CTO duties and responsibilities discussed in the work objectives against which they were evaluated.
- Two task orders had a work objective that stated, "[m]ay serve as contract or task order CTO." However, the work objectives did not contain statements of performance expectations and results to be achieved.
- Three task orders had work objectives that discussed responsibilities from a programmatic and financial standpoint. However, the work objectives did not discuss monitoring and evaluating the contractor's performance.

Similarly, a recent Office of Inspector General audit⁵ found that performance evaluations for the USAID bureaus and office reviewed did not address CTO duties and responsibilities. The audit recommended that the bureaus and office reviewed incorporate CTO duties and responsibilities into the work objectives. (However, that recommendation was not addressed to the Office of the Chief Information Officer because that office was not included in the audit's scope.)

One of the newly hired contracting officers believed that USAID had not yet fully embraced the concept and potential of performance-based acquisition. According to that contracting officer, it is difficult for an agency to assemble a team of people who have the knowledge, insight, and experience to benefit from performance-based acquisition.

Because USAID did not always identify and use meaningful performance standards for the task orders reviewed, it may have difficulty holding its contractors accountable for poor performance. Further, without assessing work performance against measurable

⁴ One CTO was no longer with USAID and, thus, was not contacted.

⁵ *Followup Audit on Recommendations Included in the Audit of Selected USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers Audit Report No. 9-000-03-009-P, dated September 22, 2003 (Audit Report No. 9-000-08-004-P, January 24, 2008).*

quality standards, USAID is at risk of being unable to identify insufficient contractor performance. Finally, USAID may have missed opportunities to enhance its operations through its use of performance-based service contracting.

Quality Assurance Surveillance Plans Not Used – The purpose of a quality assurance plan is to provide a systematic method to evaluate services the contractor is required to furnish. According to FAR subpart 46.4, “Government Contract Quality Assurance,” quality assurance surveillance plans should be prepared in conjunction with the statement of work. The plans should specify (1) all work requiring surveillance and (2) the method of surveillance.

According to the Office of Federal Procurement Policy’s “A Guide for Writing and Administering Performance Statements of Work for Service Contracts,” quality assurance is the actions taken by the Government to determine whether goods or services received meet requirements in the statement of work. A surveillance plan documents those actions and contains sampling guides, checklists, and decision tables.

Finally, according to USAID’s guidelines for preparing task orders against the blanket purchasing agreements

The CTO is responsible for developing the Quality Assurance Surveillance Plan (QASP). The QASP provides a systematic method to evaluate services the contractor is required to furnish

Although the quality assurance surveillance plans met FAR requirements, for 10 of the 12 task orders reviewed, USAID did not follow the plans to ensure strong oversight of the contractors. The CTOs did not document that the contractors’ performance was monitored in a methodological way to ensure that deliverables met acceptable levels of quality and quantity to achieve the overall desired outcome of the task order. For example, the CTOs could not provide surveillance reports or other evidence showing which deliverables (1) were or were not received on time and (2) met or did not meet established standards. Instead, the CTOs for each task order asserted that they monitored the contractors’ performance by conducting meetings, reviewing monthly progress reports, and reviewing and approving deliverables, and they provided some evidence of monitoring performance.

USAID contracting officials attributed the insufficient surveillance to a number of factors. They stated that (1) contract surveillance was not always a top priority for contracting officers and CTOs, (2) contracting personnel did not have sufficient hours during their normal workday to get the job done, a factor which they stated may be influenced by staff shortages and turnover, and (3) contracting personnel did not have a good understanding of performance-based service contracting and how to rely on the use of measurable performance standards.

Discussions revealed that CTOs for six of the task orders were not aware that they needed to follow a quality assurance surveillance plan. (For a seventh task order, the original CTO prepared a detailed quality assurance surveillance plan, but the successor CTO was not aware of it and therefore did not follow it.) Moreover, some CTOs indicated that they were not clear on their responsibilities.

As discussed in the preceding section, contracting officials in USAID's Office of Acquisition and Assistance did not believe that additional information was needed to aid in implementing performance-based acquisitions. Contracting officials believed that the underlying problem was that CTOs were not being held accountable for diligently reviewing the information that is available. Based on documentation provided, CTO duties and responsibilities for monitoring and evaluating contractor performance were not incorporated into performance work objectives, including statements of performance expectations and results to be achieved.

For one task order, a detailed, rigorous process was used to assess the contractor's performance against measurable performance standards. Moreover, those standards corresponded to the tasks contained in the performance work statement. The CTO believed that this process was an excellent way to measure the contractor's performance. Because the contractor did not meet performance measures, the contractor's billings were reduced by more than \$79,000.

Proper surveillance has the potential to identify poor contractor performance, mitigate task order problems, and save costs to the Government. Inconsistent surveillance poses the risk that USAID will be unable to identify and correct poor contractor performance in a timely manner and may pay contractors more than the value of the services they performed.

Performance Incentives Not Incorporated Into Task Orders to the Maximum Extent Possible – According to FAR Subpart 37.6, "Performance-Based Acquisition," performance-based contracts for services must include performance incentives where appropriate. The performance incentives must correspond to the performance standards set forth in the contract.

In addition, FAR Subpart 16.4, "Incentive Contracts," states that

To the maximum extent practicable, positive and negative performance incentives shall be considered in connection with service contracts for performance of objectively measurable tasks when quality of performance is critical and incentives are likely to motivate the contractor.

However, USAID established effective performance incentives for only 1 of the 12 task orders reviewed. The remaining 11 task orders did not include performance incentives. Instead, the task orders included only a disincentive—placing a contract discrepancy report into the official contract file when (1) the contractor had more than one valid written complaint during the life of the task order and (2) the contractor's performance fell below the acceptable quality range for the task order. Contracting officials also mentioned that they could choose not to exercise options to extend a contractor's period of performance when performance is poor, although this was not included in the task orders as a disincentive.

Moreover, the CTOs did not monitor the contractors' performance in a methodological way to ensure that deliverables met acceptable levels of quality and quantity. As a result, the CTOs could not ensure that contractors would be held accountable, as discussed above.

According to USAID contracting officials, monetary incentives were not included in the tasks primarily because funds were not available for such incentives. Nonetheless, although this audit could not determine why more rigorous performance incentives were not used, other disincentives could have been built into the task orders, such as withholding a percentage of payment until acceptance of the final deliverables.

As a result of not including effective performance incentives in the task orders, USAID did not take advantage of opportunities to discourage and punish poor performance, and thus possibly save money when acceptable quality and quantity levels were not met. Nor did USAID provide incentives for contractors to find better, more cost-effective ways of completing tasks.

Because of the issues addressed above, this audit makes the following recommendations to help USAID improve its implementation of performance-based task orders for IT services.

Recommendation No. 1: We recommend that USAID's chief information officer, in collaboration with the director, Office of Acquisition and Assistance, establish a process to review the performance work statements for information technology services before award to ensure that all elements have been included in accordance with Federal Acquisition Regulation Subpart 37.6. At a minimum, performance work statements must be reviewed to ensure to the maximum extent practicable (a) performance requirements are clearly defined; (b) performance measures for quality, quantity, and/or timeliness tie to key performance requirements; and (c) incentives and disincentives are developed and tie to performance measures.

Recommendation No. 2: We recommend that USAID's chief information officer incorporate cognizant technical officer duties and responsibilities for monitoring and evaluating contractor performance into performance work objectives, including statements of performance expectations and results to be achieved, for its cognizant technical officers.

EVALUATION OF MANAGEMENT COMMENTS

In response to the draft report, USAID agreed with the audit findings and described planned actions to address the recommendations, including target dates for when final actions will be completed. Based on management comments and the establishment of target dates, management decisions have been reached for recommendation nos. 1 and 2. The Agency's comments are included in their entirety in appendix II.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General's Information Technology and Special Audits Division in Washington, DC, conducted this audit in accordance with generally accepted Government auditing standards. The purpose of this audit was to determine whether USAID established performance-based task orders for selected information technology services in accordance with Federal Acquisition Regulation requirements.

From a universe of task orders totaling \$91 million⁶ that appeared to be for information technology services, we selected and reviewed a judgmental sample of 12 task orders totaling more than \$75 million.⁷ This amounted to approximately 82 percent of the universe dollars. The following table provides details on the task orders reviewed.

Task Orders Reviewed		
No.	Task Order No.	Amount
1	IRM-E-01-06-00019	\$ 6,417,553
2	IRM-E-09-05-00010	3,482,341
3	IRM-E-01-05-00020	3,356,186
4	IRM-E-08-05-00010	3,102,456
5	IRM-E-03-05-00022	2,593,450
6	IRM-E-07-05-00007	2,106,175
7	IRM-E-01-06-00015	38,744,830
8	IRM-E-05-06-00012	6,000,000
9	IRM-E-05-05-00007	3,466,472
10	IRM-E-04-05-00021	2,994,469
11	IRM-E-12-06-00012	1,741,990
12	IRM-E-13-06-00012	<u>1,019,897</u>
TOTAL		\$75,025,819

This audit was conducted in USAID's (1) Office of the Chief Information Officer; (2) Office of Acquisition Assistance; and (3) Bureau for Economic Growth, Agriculture and Trade in Washington, DC.

We performed limited work regarding USAID's internal controls over training its cognizant technical officers, which was determined to be a potential area of weak internal controls related to the audit objectives. Specifically, we (1) conducted inquiries to assess whether the cognizant technical officers were trained and (2) obtained and reviewed CTO designation letters. We also considered the results of the following audits and reviews, as related to the audit objectives:

- USAID OIG's *Audit of USAID's Training, Use and Accountability of Cognizant Technical Officers* (Report No. 9-000-04-003-P, March 31, 2004).

⁶ Unaudited.

⁷ Also unaudited.

- U.S. Government Accountability Office’s “Federal Acquisition: Oversight Plan Needed to Help Implement Acquisition Advisory Panel Recommendations” (Report No. 08-160, December 2007).
- U.S. Government Accountability Office’s⁸ “Contract Management: Guidance Needed for Using Performance-Based Service Contracting” (GAO-02-1049, September 2002).
- Office of Management and Budget’s Office of Federal Procurement Policy’s “Performance-Based Service Acquisition” (July 2003).
- Acquisition Advisory Panel’s “Report of the Acquisition Advisory Panel to the Office of Federal Procurement Policy and the United States Congress” (January 2007).

We did not evaluate the selected task orders to determine whether they were properly identified as performance-based task orders. Instead, we relied on the determination made by USAID’s contracting officials. Nor did we review other task orders to determine whether they should have been performance-based.

We conducted this audit from November 5, 2007, through February 26, 2008.

Methodology

To answer the audit objective, we reviewed requirements in the Federal Acquisition Regulation Subparts 37.6, 37.5, 4.8, and 46.4. We also reviewed relevant policies issued by the Office of Management and Budget’s Office of Federal Procurement Policy.

We selected a judgmental sample of high-dollar-value task orders that were either active at the time of fieldwork or closed within 3 months of the start of fieldwork. For each task order, we reviewed performance work statements, quality assurance surveillance plans, performance measures, and other documentation related to contractor performance. In addition, to the extent possible, we interviewed contracting officers and cognizant technical officers for each task order. (However, the two contracting officers who awarded the task orders are no longer with USAID. One left prior to commencement of the audit, and the other left shortly after audit fieldwork began. Also, the original cognizant technical officers for some of the task orders are no longer with USAID.)

We did not establish a materiality threshold for this audit. Instead, we used auditor judgment based on the evidence gathered.

⁸ Formerly the U.S. General Accounting Office.

MANAGEMENT COMMENTS



April 11, 2008

MEMORANDUM

TO: IG/A/ITSA, Melinda G. Dempsey

FROM: M/CIO, David Anewalt /s/
M/OAA, Maureen A. Shauket /s/

SUBJECT: Audit of Selected Performance-Based Task
Orders for Information Technology Services,
Report No. A-000-08-00X-P

Thank you for the opportunity to respond to the draft audit report. This memorandum contains the management decision for the draft Audit of Selected Performance Based Task orders for Information Technology Services, Report No. A-000-08-00X-P.

The following are the management decisions and corrective actions regarding the proposed audit recommendation:

Recommendation No. 1 - We recommend that USAID's Chief Information Officer in collaboration with the Director, Office of Acquisition and Assistance, establish a process to review the performance work statements for information technology services before award to ensure that all elements have been included in accordance with Federal Acquisition Regulation 37.6. At a minimum, performance work statement must be reviewed to ensure (1) performance requirements are clearly defined; (2) performance measures for quality, quantity, and/or timeliness tie to key performance requirements; and (3) incentives and disincentives are developed to the maximum possible and tie to performance measure.

The Offices of the CIO and AA agree with the recommendation. As a result of the Inspector General's audit, the CIO will review all new contracts to determine if they are suitable for being designated as performance based. This decision will be documented and filed in the "Determination and Finding" section of the contract file. If a contract is designated as performance-based, the CIO will review each contract to ensure (1) performance requirements are clearly defined; (2) performance measures for quality, quantity, and/or timeliness tie to key performance requirements; and (3) incentives and disincentives are developed to the maximum extent possible and tie to performance measure. We will also coordinate with M/OAA as needed to make the determination. We will also provide CTOs written guidance and have a workshop on criteria for awarding performance-based contracts, quality measures, and incentives. This will ensure that CTOs receive adequate training and materials to augment their skills and to ensure that they are operating in accordance with their responsibilities. We will also put procedures in place to ensure that CTOs work more closely with the contracting officers in creating templates and quality assurance surveillance plans in advance of task order awards.

Please note that there are a number of tasks that are not suitable for performance-based service contracting and thus will not be considered where it is not practicable.

Target completion date: October 2008.

***Recommendation No. 2** - We recommend that USAID's Chief Information Officer incorporate cognizant technical officer duties and responsibilities for monitoring and evaluating contractor performance into performance work objectives, including statements of performance expectations and results to be achieved, for its cognizant technical officers.*

The Offices of the CIO and AA agree with the recommendation. We will implement the procedures to ensure that the supervisors incorporate CTO responsibilities in the CIO CTOs annual performance plans and evaluations beginning in calendar year 2008, as required by ADS Series 400 Interim Update 05-13, section 7(a) and (b).

Target completion date: June 2008

If you have questions or need additional information, please contact Tracy Blackburn, M/CIO at 202-712-0816, or Steve Tashjian, M/OAA at 202-712-5321.

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Ave., NW
Washington, DC 20523
Tel: (202) 712-1150
Fax: (202) 216-3047
www.usaid.gov/oig