

# USAID

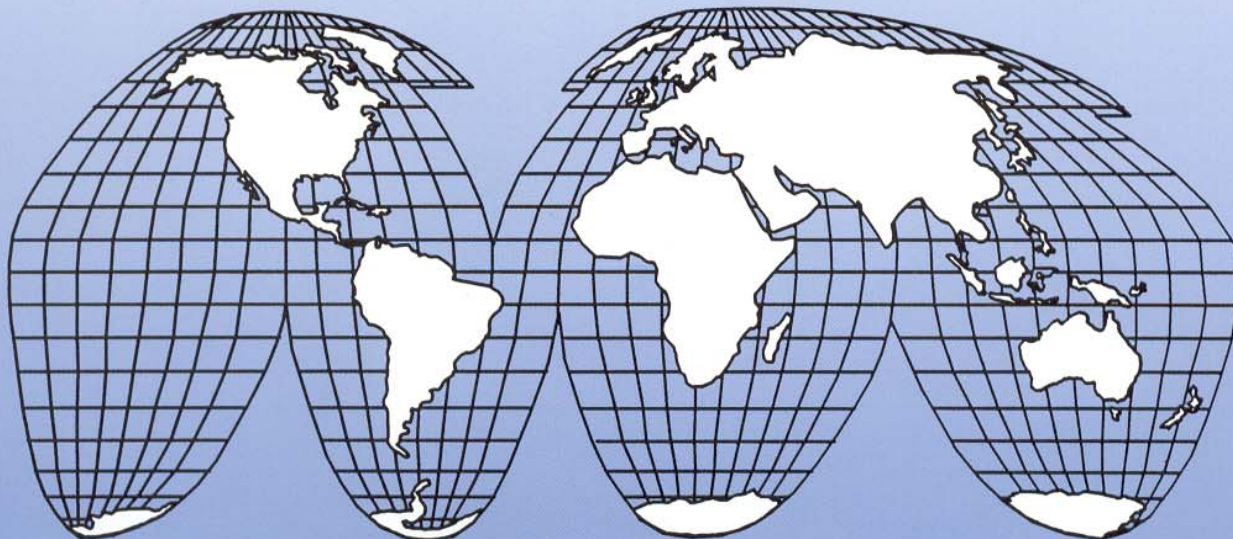
## OFFICE OF INSPECTOR GENERAL

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### Audit of USAID/RCSA's Contractor Performance Evaluation Program

Audit Report No. 4-690-05-002-P

December 15, 2004



**PRETORIA, SOUTH AFRICA**



December 15, 2004

## MEMORANDUM

**FOR:** USAID/RCSA Mission Director, Gerald Cashion

**FROM:** Regional Inspector General/Pretoria, Jay Rollins /s/

**SUBJECT:** Audit of USAID/RCSA's Contractor Performance Evaluation Program (Report No. 4-690-05-002-P)

This memorandum transmits our report on the subject audit. In finalizing this report, we considered management comments on the draft report and have included those comments, in their entirety, as Appendix II.

This report has two recommendations. In response to the draft report USAID/RCSA concurred with Recommendation No. 1, but did not include a corrective action plan or a target completion date. A management decision can be reached for Recommendation No. 1 when USAID/RCSA provides a corrective action plan and a target completion date. Please advise my office within 30 days of the actions you have planned or taken to implement Recommendation No. 1. USAID/RCSA concurred with Recommendation No. 2 and included a corrective action plan and a target completion date. Therefore, we consider that a management decision has been reached. Please provide the Bureau for Management, Office of Management Planning and Innovation with evidence of final action in order to close Recommendation No. 2.

I appreciate the cooperation and courtesy extended to my staff throughout the audit.

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## **Summary of Results**

The Regional Inspector General/Pretoria conducted this audit to determine whether USAID's Regional Center for Southern Africa (RCSA) had implemented a contractor performance evaluation program as required by USAID policies and procedures. (See page 6.)

The RCSA did not implement a contractor performance evaluation program that adhered to USAID policies and procedures. Specifically, RCSA only completed about one-third of the required final contractor performance evaluations and just over half of the required interim contractor performance evaluations for the evaluation periods that were due. In addition, RCSA often combined several interim evaluation periods into one single evaluation—a procedure that is contrary to USAID policy. (See pages 6-10.)

This report contains two recommendations to improve RCSA's contractor performance evaluation program. (See page 10.)

In response to the draft report USAID/RCSA concurred with Recommendation No. 1, but did not include a corrective action plan or a target completion date. A management decision can be reached for Recommendation No. 1 when USAID/RCSA provides a corrective action plan and target completion date. USAID/RCSA concurred with Recommendation No. 2 and included a corrective action plan and target completion date. Therefore, we consider that a management decision has been reached. (See page 15.)

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## **Background**

The Regional Contracting Office of USAID's Regional Center for Southern Africa (RCSA) in Gaborone, Botswana has contracting responsibility for eight missions located in Angola, Botswana, Madagascar, Malawi, Mozambique, Namibia, Zambia, and Zimbabwe<sup>1</sup>. To assist these missions in developing contracts and agreement award documents and in monitoring contractors, RCSA has three Contracting Officers (COs) and five Assistance and Acquisition Specialists. In addition, there are Cognizant Technical Officers (CTOs) located at RCSA in Botswana, as well as at the other seven missions listed above. COs assign contracting responsibilities to the Assistance and Acquisition Specialists, whereas CTOs monitor awards and prepare contractor performance evaluations.

At RCSA the process for conducting contractor performance evaluations begins when an Acquisition and Assistance Specialist enters the contractor and contract data into the National Institutes of Health's (NIH) Contractor Performance Review System. When an evaluation is due, the Acquisition and Assistance Specialist notifies the respective CTO that an evaluation is to be performed. The CTO is responsible for preparing the draft contractor evaluation. Once prepared, this

<sup>1</sup>As of October 2003, RCSA acquired contracting responsibility for USAID missions in Angola and Mozambique.

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evaluation is then returned to the Acquisition and Assistance Specialist and is given to the CO for review and approval. Once approved by the CO, the evaluation is submitted to the contractor who must respond to the evaluation within 30 days. If the contractor disagrees with the evaluation, the Mission Director or Deputy will make a final determination as to the evaluation's findings. The evaluation is then posted on the NIH's Contractor Performance Review System for review by those with access.

This audit included both interim and final evaluations for 37 active contracts (of which 35 required interim evaluations) and 56 completed contracts, with a total value of \$273.5 million, for the period October 1, 2000, through August 4, 2004.

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**Audit Objective**

This audit was conducted at RCSA as part of the Regional Inspector General/Pretoria's annual audit plan. The audit was designed to answer the following question:

- Did USAID's Regional Center for Southern Africa implement a contractor performance evaluation program as required by USAID policies and procedures?

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

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**Audit Finding**

USAID's Regional Center for Southern Africa (RCSA) did not implement a contractor performance evaluation program as required by USAID policies and procedures.

Specifically, RCSA did not follow USAID policies and procedures with regard to conducting interim and final contractor performance evaluations. For example, RCSA had not completed all required interim and final evaluations on contracts and task orders in excess of \$100,000. This finding will be addressed in more detail in the following section.

**RCSA Needs to Ensure That Interim and Final Evaluations are Completed as Required**

Summary: USAID's Automated Directives System (ADS) Chapter 302 requires annual interim and final evaluations of contractor performance on all contracts and task orders in excess of \$100,000. RCSA has not ensured the timely completion of interim and final contractor performance evaluations. For example, RCSA completed only 36 percent of the required final contractor performance evaluations and 52 percent of the required interim contractor performance evaluations during the period under audit. In addition, when completing these evaluations, RCSA combined several interim evaluation periods into a single evaluation which is contrary to USAID policy. This occurred because RCSA did

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not make contractor performance evaluations a priority. There were several other reasons why contractor performance evaluations had not been conducted including staff shortages and lack of response by Cognizant Technical Officers (CTOs). As a result, contractors were not properly evaluated. When this occurs, the possibility exists that some contractors who performed poorly, and were not evaluated, may be selected for additional work with USAID. This could lead to the inefficient use of USAID's limited resources.

ADS Chapter 302.5.9, *Evaluation of Contractor Performance*, states that contracts in excess of \$100,000, including individual task orders under indefinite quantity contracts, must be evaluated at least annually (for contracts exceeding one year in duration) and upon completion of activities. ADS Chapter 302.5.10 provides that past performance information should be used by source selection evaluation committees in awarding new contracts. USAID's *Past Performance Handbook: Contractor Performance Report Cards*, a mandatory reference in ADS 302, provides the procedure for conducting contractor performance evaluations. It notes that the initial performance assessment is a collaborative effort between the contracting office and the technical office. *Contract Information Bulletin 97-28*, an appendix in the *Past Performance Handbook*, notes that an evaluation should be initiated within 30 days after completion of activities (or in October for active contracts), and completed within 90 days (or in December for active contracts). Both the October and December time periods were the result of policy guidance issued by USAID's Office of Procurement in May 2002. Each subsequent interim evaluation must be performed before 12 months have elapsed since the previous interim evaluation. When a contract needs an evaluation, the responsible Contracting Officer (CO) should request that the CTO develop the evaluation since the CTO is the party most knowledgeable about contractor performance in the areas of quality, cost control, and timeliness.

RCSA had not completed all required interim and final evaluations on contracts and task orders in excess of \$100,000. Of the 56 expired contracts and task orders that had a total value of \$111.5 million, RCSA should have completed 53 final contractor performance evaluations<sup>2</sup>. RCSA completed only 19 (or 36 percent) of the required final contractor performance evaluations during the period of October 1, 2000, to August 4, 2004. Table 1 compares the number of final contractor performance evaluations due against the number of evaluations actually completed.

<sup>2</sup>The remaining three contracts had recently expired, so a final evaluation was not yet due.

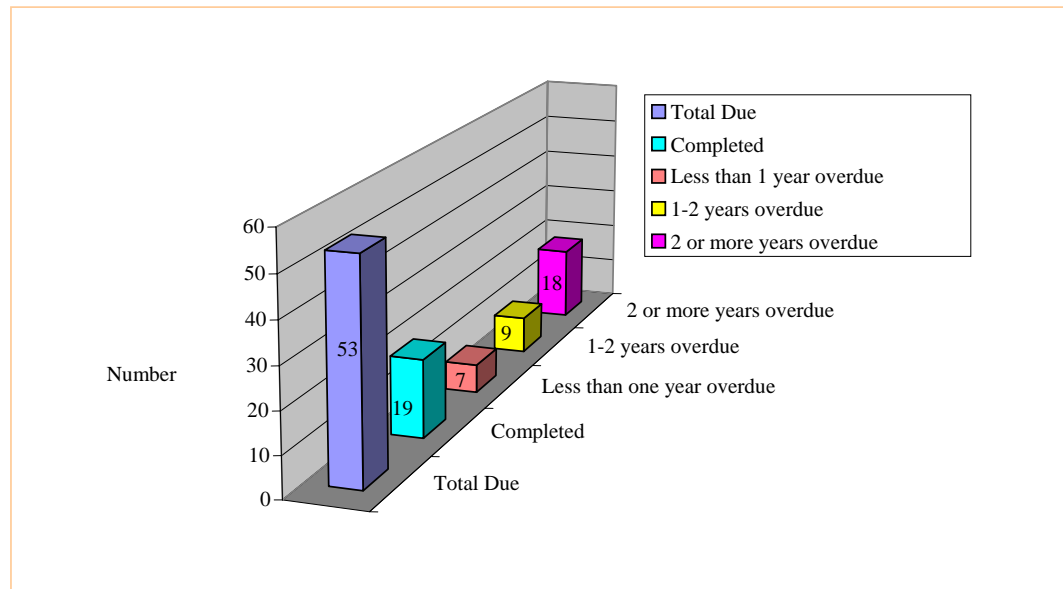


**Table 1: Number of Required Final Contractor Performance Evaluations by Location Compared to Completions**

Location of Mission	Number of Expired Contracts/Task Orders	Number of Final Evaluations Due	Number of Final Evaluations Completed	Number of Final Evaluations Overdue
Angola	0	0	0	0
Botswana	10	9	3	6
Madagascar	16	16	5	11
Malawi	12	12	5	7
Mozambique	6	6	1	5
Namibia	2	2	0	2
Zambia	8	7	5	2
Zimbabwe	2	1	0	1
<b>Total</b>	<b>56</b>	<b>53</b>	<b>19</b>	<b>34</b>

A time analysis of final evaluations due found substantial problems related to the lack of timeliness. For instance, of the 34 final evaluations overdue, 18 were overdue by two or more years. Chart 1 illustrates these problems.

**Chart 1: Results of Time Analysis of Final Evaluations Due**



With regard to interim evaluations, RCSA completed evaluations for only 38 (52 percent) of the required 73 evaluation periods for 35 active contracts and task orders that had a total value of \$162 million<sup>3</sup>. Also, RCSA commonly combined several interim periods into a single contractor performance evaluation, a procedure that is contrary to USAID policy. As stated previously, ADS 302.5.9

<sup>3</sup>Two of the active contracts had not been in effect long enough to require interim evaluations.

in part requires evaluations to be conducted at least annually. RCSA had completed 23 interim evaluations which combined a total of 38 required evaluation periods. Table 2 compares, among other things, the number of interim evaluations required against the number of evaluation periods covered by RCSA's completed interim evaluations.

**Table 2: Analysis of Interim Evaluation Periods Due vs. Evaluations Performed**

Location of Mission	Number of Active Contracts/ Task Orders Requiring Interim Evaluations	Number of Interim Evaluation Periods Due on the 35 Active Contracts	Number of Periods Covered in Interim Evaluations Performed	Number of Actual Interim Evaluations Performed Covering the 38 Periods
Angola	2	2	0	0
Botswana	6	18	9	4
Madagascar	3	8	3	3
Malawi	1*	3	3	2
Mozambique	10	10	0	0
Namibia	5	10	7	4
Zambia	5	17	11	7
Zimbabwe	3	5	5	3
<b>Total</b>	<b>35*</b>	<b>73</b>	<b>38</b>	<b>23</b>

**\*Note: USAID/Malawi also had two additional active contracts that at the time of this audit did not yet require interim evaluations.**

The problems identified with the contractor performance evaluations stem from RCSA not making contractor performance evaluations a priority. There were several factors which contributed to the contractor performance evaluation problems:

- staff shortages,
- CTOs not submitting initial contractor evaluations in a timely manner,
- personnel turnover, and
- problems encountered when entering data in the National Institutes of Health's System.

Because most of the required performance evaluations were not completed by RCSA, contractors' performances in the eight missions it serves have largely not been evaluated or recorded. USAID selection committees tasked with choosing the best bidder for proposed awards will lack useful data on contractors' past performances if the contractors have not been subjected to a contractor

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performance evaluation. As a result, poorly performing contractors could be selected for additional USAID work, resulting in USAID's limited resources not being used efficiently.

There are several measures that RCSA could take to strengthen its ability to perform contractor performance evaluations. These measures are intended to correct both the condition and cause of RCSA's current problems related to contractor evaluations. However, there is recognition that strict adherence to completing all overdue evaluations may be of limited benefit, such as evaluations that are over two years old. Therefore, we are relying on RCSA to determine which overdue evaluations should be completed.

**Recommendation No. 1: We recommend that USAID's Regional Center for Southern Africa determine which of its overdue contractor performance evaluations should be completed, and complete them in accordance with USAID policies and procedures.**

**Recommendation No. 2: We recommend that USAID's Regional Center for Southern Africa develop and implement a procedure that includes a tracking system to help its contracting officers initiate and complete all final and interim contractor performance evaluations as required.**

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**Evaluation of  
Management  
Comments**

In response to our draft report, USAID/RCSA management concurred with Recommendation Nos. 1 and 2. For Recommendation No. 1, the Mission indicated that it will determine which overdue contractor performance evaluations can be completed and initiate action to complete the evaluations. Consequently, we are waiting for the Mission to more fully develop a course of action and an estimated completion date to address this recommendation. For Recommendation No. 2 a management decision has been reached.

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**Scope and  
Methodology****Scope**

The Regional Inspector General/Pretoria conducted this audit in accordance with generally accepted government auditing standards. The audit was conducted at the USAID Regional Center for Southern Africa (RCSA) in Gaborone, Botswana from May 10 to May 18 and then from August 2 to August 6, 2004.

This audit was designed to determine if RCSA had implemented a contractor performance evaluation program as required by USAID policies and procedures. The audit included contracts and task orders under indefinite quantity contracts for amounts greater than \$100,000 issued and/or completed from October 1, 2000, to August 4, 2004 for eight missions. These missions were located in Angola, Botswana, Madagascar, Malawi, Mozambique, Namibia, Zambia, and Zimbabwe.

In planning and performing the audit, we tested and assessed significant management controls related to the RCSA's initiation, monitoring and completion of contractor performance evaluations. This testing and assessment of management controls included a determination of (1) whether any of the required evaluations were performed, and (2) whether the evaluations were initiated and completed within the timeframes established by USAID. We interviewed RCSA officials, including Contracting Officers and Acquisition and Assistance Specialists. The types of evidence examined during the audit included—but were not limited to—contract files, preaward files, and the National Institutes of Health's (NIH) Contractor Performance Review System electronic files. We reviewed negotiation memos, contract solicitations, technical evaluation memorandums, and contractor performance evaluations. We also reviewed RCSA's list of completed and active contracts and task orders in excess of \$100,000 from October 1, 2000 to August 4, 2004. This list included 56 completed contracts and task orders valued at \$111.5 million and 37 (of which 35 required interim evaluations) active contracts and task orders valued at \$162 million.

Because the NIH Contractor Performance Review System did not show several important dates for evaluations that had been completed, the scope of this audit was limited. As a result, our testing was incomplete; we could not calculate the number of days used by RCSA for completing all final or annual interim evaluations within the audit scope.

**Methodology**

To gain an understanding of RCSA's contractor performance evaluation program, we held discussions with officials from RCSA and reviewed relevant documents. In order to accomplish the audit objective, we developed an audit program and performed the following tasks:

- 
- Reviewed applicable regulations, USAID policy, and guidance related to the audit objective.
  - Gained an understanding of the NIH's Contractor Performance Review System by observing its contents and operations.
  - Interviewed RCSA's Contracting Officers and Acquisition and Assistance Specialists involved in performing contractor performance evaluations.
  - Analyzed contract and task order start and end dates. We then determined which periods applied and the number of evaluations that should have been performed for each contract or task order. This was compared against the completed performance evaluations.
  - Reviewed contractor performance evaluations in the NIH's Contractor Performance Review System. When available, we reviewed the documented key dates.
  - Conducted time analyses for final contractor performance evaluations which had not been completed. Our analyses included a determination of the number of days that each final contractor performance evaluation was overdue. Our analyses stratified the overdue evaluations into the following categories: (1) less than one year overdue, (2) from one to two years overdue, (3) and two years or more overdue.
  - Determined whether contractor performance evaluations were performed in accordance with the relevant policy and regulations.

We set a materiality threshold of five percent, meaning that errors that exceed this percentage were deemed to be significant.

Management  
Comments



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December 3, 2004

**MEMORANDUM**

**TO:** Regional Inspector General/Pretoria, Jay Rollins  
**FROM:** USAID/RCSA Mission Director, Gerald Cashion /s/  
**SUBJECT:** Audit of USAID/RCSA's Contractor Performance  
Evaluation Program (Report No. 4-690-04-XXX-P) dated October 27, 2004

This memorandum is in response to the subject draft audit report submitted for RCSA review and comment. RCSA agrees with the audit recommendations and has elaborated a plan for corrective action as described below:

**Recommendation No. 1: We recommend that USAID's Regional Center for Southern Africa determine which of its overdue contractor performance evaluations should be completed, and complete them in accordance with USAID policies and procedures.**

RCSA will determine which overdue contractor performance evaluations can be completed and initiate action to complete the evaluations.

**Recommendation No. 2: We recommend that USAID's Regional Center for Southern Africa develop and implement a procedure that includes a tracking system to help its contracting officers initiate and complete all final and interim contractor performance evaluations as required.**

RCSA will utilize the NIH system for tracking Contractor Performance. Although ADS guidance suggests that evaluations be performed as near as possible to contract anniversary dates, RCSA will follow the more recent guidance issued by M/OAA (see below, RCSA Observation No.2) to execute the evaluations during the month of October. This month follows the very busy end-of-the-fiscal-year period when many awards are customarily made and therefore corresponds very closely with contract anniversary dates.

In addition to using the NIH tracking system, RCSA will maintain active file lists for each country, which will include CPR evaluation dates. In addition, RCSA will employ a MAARD tracking system which is updated weekly and shared with each Mission. CPR requirements and dates will be added to this system to keep Cognizant Technical Officers and bilateral Mission Directors up to date on CPR status. RCSA will also work with bilateral Mission Management to help Mission CTOs fulfill their CPR duties on a timely basis. Some bilateral missions now provide monthly status reports on CPR activity. RCSA will request all bilateral missions to provide this information in their monthly procurement status reports.

RCSA appreciates the thoroughness and professionalism with which RIG/A performed the CPR audit and will exploit the audit report as a tool to improve RCSA management efficiency.

RCSA also wishes to provide RIG/A with some observations that RIG officers may wish to consider in the process of finalizing the audit report.



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**1. Contractor Performance Report Cards:** USAID has agreed to use the NIH CPR system. As cited in the audit report, ADS E302.5.9(h) requires use of the “Past Performance Handbook – Contractor Performance Report Cards.” RCSA believes that the use of “Contractor Performance Report Cards” is required only for Contracting Officers without access to NIH. Since RCSA has access to the NIH tracking system, RCSA contracting officers may not be required to utilize “Contractor Performance Report Cards.”

**2. Contractor Performance Reporting Dates:** M/OAA issued revised CPR policy guidance on May 6, 2002 (see attachment). The guidance established October as the month for annual Contractor Performance Reporting. The guidance suggested that annual CPRs be completed by December. RCSA will follow this guidance and conduct interim CPRs during the month of October. Final CPRs will be conducted at the contract end.

**3. Roles and Responsibilities in the Conduct of CPRs:** Per ADS E302.5.9, Contracting Officers are responsible for ensuring that CPRs are completed under the NIH system. However, the CTO must also fulfill his/her functions in the process. Lack of CTO action can compromise the timely completion of CPRs. The final audit report might usefully include information on how many CPRs were not completed in a timely manner because Mission CTOs did not submit the required information.

**4. RCSA Contracting Responsibility:** RCSA assumed contracting responsibility for Madagascar in April 2002 and for Mozambique and Angola in November 2003. The final audit report might usefully clarify whether CPRs required for Madagascar, Mozambique, and Angola for the period of 2000-2004 were included in the audit findings that evaluate RCSA’s performance.

**5. RIG/A Assistance for More Efficient RCSA CPRs:** RCSA notes that Tables 1 and 2 of the draft audit report provide statistics on the number of evaluations completed and due. To assist RCSA properly conduct timely CPRs, RIG/A might consider annexing support documentation for the numbers in tables 1 and 2.

Finally, RCSA wishes to note that action has already been initiated to implement RIG/A recommendations.

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ATTACHMENT TO RIG AUDIT REPORT OF RCSA CONTRACTOR PERFORMANCE REPORTING

From: "internet[<TBeans@usaid.gov>]"@usaid.gov  
[mailto:"internet[<TBeans@usaid.gov>]"@usaid.gov]  
Sent: Monday, May 06, 2002 7:55 PM  
To: overseascolist%oplist%aidw@usaid.gov

Subject: Contractor Performance Report's ( CPRs )

To my fellow Contract Professionals:

The Contractor Performance System is vital to each and every Contracting Officer in the Agency. This system speeds up the solicitation evaluation process by having all performance reports in one place. If all the reports are in the system, evaluators do not need to prepare cumbersome emails or make long distance telephone calls to check out voluminous performance data. A large, accurate data base makes it easier for you all to document decisions on past performance. Each and every Contracting Office is responsible for the accuracy and success of this system. Given the requirement to consider past performance in all awards, the systems importance cannot be overstated.

According to the December 2001 report for last Calendar year, the total number of CPRs has increased steadily each quarter; but it is still only a fraction, perhaps a third, of what should be in the database. Presently, over 325 individual reports have been initiated but not completed. The average number of days in a single reporting status is 292 days, meaning they have been effectively abandoned. It is vitally important that these unfinished reports be completed as soon as possible in order to capture the data before Contracting Officers start moving to other posts during the summer months. Additionally, evaluations of many solicitations will be conducted during the remainder of the fiscal year and this data is very important to that process. If you are overwhelmed with your workload, you may want to consider hiring a spouse or other short term assistance to help you follow up on these reports.

It has been noted that approximately 75% of the Contracting Officers have used the system and they are to be commended. M/OP's goal is to get all of the Contracting Office's on board this year. All Contracting Offices have a variety of priorities and M/OP is aware that this contract administration priority is sometimes difficult to fit into the schedule. However, given the importance this reporting is playing throughout the entire Agency, it must now become a priority if we are to maintain the effectiveness of the system.

In the past, M/OP has established **APRIL** as the month to focus on Past Performance Reporting. Many Contracting Officers have advised me that Spring is not a good time to focus on these reports since that is when many of the solicitations are in full swing and also when AEFs are required to be prepared and finalized. Consequently, starting this year, these reports should be initiated in **OCTOBER** of each year and completed by no later than the end of **December** of each year. A report will be prepared for each Contracting Office in January which will show usage of the system and completion of the reports ( we are now able to track who is putting information into the system ). Please note that while these are the established dates for concentrating on the reports, it is much better to initiate these reports shortly after completion of one year of activity. For completed contracts, they should be initiated promptly. As a result, you are strongly encouraged to work on these reports, depending on workload, throughout the entire year.

CONGRATULATIONS TO THE FOLLOWING TOP PRODUCERS IN THE CONTRACTOR PERFORMANCE REPORTING SYSTEM:

M/OP: Marcelle Wijesinghe and Szilvia Illes, Hungary

Honorable Mention for Significant Contributions:

Maria Baltodano, Nicaragua  
Lance Butler, M/OP  
Guatemala

Charity Benson, M/OP  
Alisa Dunn, M/OP

Maria Burgos, Bolivia  
Claudia Enriquez,

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Carlitha Jackson, M/OP  
Uganda  
Sam Nagwere, Uganda  
Natalie Thunberg, REDSO/EA

Karin Kolstrom, Botswana  
Martin Napper, Botswana

Patrick Mugabo,  
Michael Nicholas, Hungary

M/OP remains ready and available to assist in training individuals in the use of the system. Page Kemp (Clark) is USAID's Past Performance Coordinator and Contract Performance System Organization Administrator. Ken Monsess is responsible for the policy for the Contractor Performance Reports.

**Personal Note:** I am painfully aware of the administrative burden associated with getting these critically important reports done. I would spend considerable time and effort getting the forms filled out and then send them out to my technical colleagues and wait months to get them back...sometimes they would never come back at all. It is a frustrating undertaking. However, as you all may know, we were recently cited by the IG for not reporting these actions in a timely manner and now have a audit recommendation which I am required to report on. Please help assure that the contractor past performance process is operating effectively by submitting the completed form as quickly as you possibly can....All my best....Tim

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