



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

**AUDIT OF THE
EFFECTIVENESS OF
USAID/SOUTH AFRICA'S
AWARD CLOSEOUT AND
CONTRACTOR
PERFORMANCE EVALUATION
PROGRAMS**

AUDIT REPORT NO. 4-674-06-005-P
March 13, 2006

PRETORIA, SOUTH AFRICA



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

March 13, 2006

MEMORANDUM

TO: USAID/South Africa Mission Director, Carleene Dei

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

SUBJECT: Audit of the Effectiveness of USAID/South Africa's Award Closeout and Contractor Performance Evaluation Programs (Report No. 4-674-06-005-P)

This memorandum transmits our final report on the subject audit. In finalizing our report, we considered your comments on our draft report and have included your response in its entirety as Appendix II.

This report includes five recommendations that USAID/South Africa: 1) complete closeout procedures, or document an appropriate exception, for the 56 awards set forth in this report with unliquidated balances of \$968,368 and deobligate those balances that are no longer needed; 2) develop a plan with milestones to identify, prioritize and complete closeouts for all awards that are currently past required closeout dates; 3) establish procedures to ensure that contractor performance evaluations are completed in accordance with USAID policies and procedures; 4) develop a plan to complete contractor performance evaluations that are past the required evaluation dates; and 5) establish procedures to ensure that past performance information is used and documented for source selection criteria as required by USAID policies and procedures. In your written comments, you concurred with four of the five recommendations.

In your response to the draft report, you included evidence that the specified corrective actions, including the deobligation of \$968,368 in unliquidated balances, have taken place for all five recommendations. For the recommendation with which you did not concur, you presented additional evidence of compliance with policies and procedures that we used as a basis for revising the final report. We therefore consider that final action has been taken for all five recommendations, and, consequently, consider all five recommendations closed upon the issuance of this report.

I want to express my sincere appreciation for the cooperation and courtesy extended to my staff during the audit.

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SUMMARY OF RESULTS

The Regional Inspector General/Pretoria conducted this audit to determine whether USAID/South Africa implemented award closeout and contractor performance evaluation programs as required by USAID policies and procedures. (See page 2.)

Although it did have programs for closing out awards and evaluating contractor performance, USAID/South Africa did not complete all award closeouts and contractor performance evaluations in the time frames required by USAID policies and procedures. Specifically, USAID/South Africa did not complete closeouts for 56 awards with unliquidated balances totaling \$968,368 that were 36 months past their expiration date. Similarly, during fiscal years 2002, 2003 and 2004, the Mission did not complete 92 percent of required final contractor evaluations and 88 percent of required interim evaluations. Additionally, in fiscal years 2002, 2003 and 2004, USAID/South Africa did not document the use of past performance information in source selection for 20 percent of direct contracts. (See pages 3, 5 and 8.)

This report contains five recommendations to improve USAID/South Africa's programs for award closeouts and contractor performance evaluations. Those recommendations are that USAID/South Africa: 1) complete closeout procedures, or document an appropriate exception, for the 56 awards set forth in this report with unliquidated balances of \$968,368 and deobligate those balances that are no longer needed; 2) develop a plan with milestones to identify, prioritize and complete closeouts for all awards that are currently past required closeout dates; 3) establish procedures to ensure that contractor performance evaluations are completed in accordance with USAID policies and procedures; 4) develop a plan to complete contractor performance evaluations that are past the required evaluation dates; and 5) establish procedures to ensure that past performance information is used for source selection criteria, and documented, as required by USAID policies and procedures. (See pages 5, 7 and 9)

For Recommendation Nos. 1 through 4, USAID/South Africa concurred with the recommended action and provided evidence that final action had been taken. The Mission closed all 56 awards and deobligated the remaining balance of \$968,368; developed a plan with milestones for all awards currently past the required closeout dates; established procedures to ensure contractor performance evaluations are completed as required; and developed a plan to complete outstanding past performance evaluations. We therefore consider these recommendations closed upon the issuance of this report.

For Recommendation No. 5, with which USAID/South Africa did not concur, the Mission presented additional evidence of compliance with policies and procedures for two instances cited in the draft report, as well as evidence that procedures have been established to ensure that past performance information is used and documented for source selection criteria. Based on this evidence, we have revised the final report and consider that final action has taken place for this recommendation. We therefore consider this recommendation closed upon the issuance of this report.

(See page 10 for our evaluation of management comments.)

BACKGROUND

USAID/South Africa's Office of Acquisition and Assistance (OAA) has contracting responsibility for the Mission. The office is staffed with a contracting officer, a senior acquisition and assistance specialist and six other specialists and assistants. In addition, there are cognizant technical officers (CTO) located in the Mission's various program offices that participate in the contracting process. Contracting responsibilities for the Mission include awarding contracts, grants and cooperative agreements, as well as closing them. OAA also advises CTOs, who monitor awards, when contractor performance evaluations must be completed.

USAID policies and procedures state that missions should have formal control systems in operation for the closeout of contracts and grants. Whenever an award expires, the control system should be initiated to ensure that the Controller, CTO, contractor/grantee, and OAA perform their various closeout responsibilities. These responsibilities ensure that the disposition of all funds, as well as non-expendable property, is properly authorized and documented.

In addition to the closeout process, USAID policies and procedures state that there is an agency-wide control system for evaluating contractor performance, gathering the results of those evaluations and using the information as a major evaluation factor in the selection of new contractors. Performance evaluations are required for expiring contracts, as well as annually (interim) for active contracts. The completion, processing, and use of performance evaluations result from a joint effort between OAA personnel and CTOs.

For fiscal year 2005, USAID/South Africa reported budget authorizations totaling \$5.5 million for operating expense funds, in addition to \$83 million for program funds.

AUDIT OBJECTIVES

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

- Did USAID/South Africa implement an award closeout program as required by USAID policies and procedures?
- Did USAID/South 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.

AUDIT FINDINGS

Did USAID/South Africa implement an award closeout program as required by USAID policies and procedures?

USAID/South Africa did not implement an award closeout program as required by USAID policies and procedures. Although the Mission had an award closeout program, it did not follow USAID policies and procedures with regard to closing out expired contracts, grants and cooperative agreements within the required timeframes. Consequently, the Mission has accumulated a significant backlog of expired awards that have not been closed out. This issue is discussed in detail below.

Award Closeouts Were Not Completed

Summary: USAID/South Africa did not complete closeouts of awards in the time frames required by USAID policies and procedures. This occurred because USAID/South Africa did not devote enough resources to complete the closeouts when required. Also, the Mission did not have an adequate information system. As a result, USAID/South Africa did not have the required assurance that the disposition of remaining fund balances and non-expendable property had been properly authorized and documented.

ADS Chapter 302, *USAID Direct Contracting*, states that the *Federal Acquisition Regulation* (FAR) is an ADS mandatory reference, while the *Guidebook for Managers and Cognizant Technical Officers on Acquisition and Assistance* (Guidebook) serves as a supplementary reference. FAR Part 4 establishes several different time frames for closing out various types of contracts¹, as well as describing numerous steps to be taken in the process. The Guidebook states that all USAID missions should have formal systems in operation for the close out of contracts and grants. As a basis for these systems, the Guidebook cites Contract Information Bulletin (CIB) 90-12 as an additional supplement. This CIB states that a continuing priority of USAID is the expeditious closeout of acquisition and assistance instruments after the goods have been received or services have been delivered. It reiterates the necessity for a firm commitment by all procurement officials to effect closeout of instruments in a timely and comprehensive manner. In order to accomplish this, it contains 13 individual procedures for cost type contracts and 13 individual procedures for grants and cooperative agreements, as well as individual procedures for other types of instruments. USAID guidance states that the closeout process is vital in ensuring that the disposition of remaining fund balances and non-expendable property has been properly authorized and documented.

¹ FAR 4.804-1 provides the following closeout requirements: 1) simplified acquisitions—immediately upon completion of delivery and payment, 2) contracts requiring settlement of indirect cost rates—within 36 months of evidence of physical completion, 3) firm-fixed price contracts—within six months of confirmation of contract completion, and 4) all other contracts—within 20 months of evidence of physical completion. These standards do not apply in cases of litigation or appeal, outstanding audit or financial issues, or termination.

In order to test whether USAID/South Africa had closed out awards in accordance with guidance, we began by testing documents in the Mission's accounting system that we considered the highest risk, which were documents over 36 months since expiration date. We selected 36 months to provide sufficient time for the settlement of indirect rates and the completion of financial audits or other final settlement activities as set forth in FAR Part 4.

As reported by the Controller's Office², there were a total of 95 awards with undisbursed balances of \$1,099,957 that were 36 months past their reported expiration dates. Of these 95 awards, we determined that 36 awards with total undisbursed balances of \$131,050 were either not subject to closeout procedures or not the responsibility of the Office of Acquisition and Assistance (OAA)³. However, 59 of those awards, with an undisbursed balance of \$968,907, came under the responsibility of OAA.

From this total of 59 awards, 56 items were still open and, therefore, beyond the timeframes specified in USAID policies and procedures. These 56 documents constituted an undisbursed balance of \$968,368, accounting for 99.9 percent of the total unliquidated balances for awards over 36 months past their reported expiration date under OAA's closeout responsibility⁴. Details of the individual awards are provided in Appendix III of this report. The other three awards were closed, comprising a balance of \$539, or .1 percent of the total unliquidated balances, which was in the process of being deobligated at the time of our field work. This data is summarized in Table 1 below.

Table 1: Awards with Unliquidated Balances Over 36 Months Past Expiration Dates

Status of Awards	Number of Awards	Unliquidated Balances	Percentage of No. of Awards.	Percentage of Unliquidated Balances
Open	56	\$ 968,368	94.9%	99.9%
Closed	3	\$ 539	5.1%	.1%
Total Awards	59	\$ 968,907	100%	100%

The awards that remained open over 36 months were the result of a number of factors. In addition to USAID/South Africa not having its own contracting officer for over a year, there was a lack of available Mission staff devoted to the closeout process. A contributory factor was that the Mission did not have an adequate contract management information system to identify awards that remained open and that were due for closeout. These factors ultimately resulted in a substantial risk that a significant level of

² Source: Mission Accounting and Control System (MACS), as of August 31, 2005. The MACS is an accounting system that does not contain contract closeout information.

³ These other awards were separately addressed in Memorandum Report No. 4-674-06-001-S.

⁴ Fifteen of these awards were in the process of being closed out but had not been completed at the time of our fieldwork.

funding remained unavailable for better use. Also, there was little assurance that non-expendable property associated with the awards was disposed of as authorized.

USAID/South Africa had recognized that a compliance problem existed and consequently has identified and partially addressed some of the above causes for the noncompliance. For example, during the past two years, two additional personnel have been added to the staff to work on award closeouts. Additionally, OAA has been working in conjunction with the Controller's Office and Data Management Division (DMD), and are planning to develop a stand-alone data base for managing the closeout process. To strengthen internal controls, OAA has also been improving coordination with the Controller's Office, as well as developing a new mission order to further ensure compliance with USAID policies and procedures.

For these reasons we are not making any recommendation regarding Mission internal controls governing closeouts. However, to eliminate the backlog of unclosed awards that has remained beyond required closeout dates, and reduce the risk that funds are not being put to better use, we are making the following recommendations.

Recommendation No. 1: We recommend that USAID/South Africa complete closeout procedures, or document an appropriate exception, for the 56 awards set forth in this report with unliquidated balances of \$968,368 and deobligate those balances that are no longer needed.

Recommendation No. 2: We recommend that USAID/South Africa develop a plan with milestones to identify, prioritize and complete closeouts for all awards that are currently past the required closeout dates.

Did USAID/South Africa implement a contractor performance evaluation program as required by USAID policies and procedures?

USAID/South Africa did not implement a contractor performance evaluation program as required by USAID policies and procedures. Although the Mission did have a performance evaluation program, it did not follow USAID policies and procedures with regard to conducting interim and final contractor performance evaluations within required timeframes. It, therefore, had accumulated a significant backlog of contracts that have not been evaluated. Similarly, the Mission did not document past performance information in source selection as required. These issues are discussed in detail below.

Performance Evaluations Were Not Completed

Summary: USAID/South Africa did not complete contractor performance evaluations in the time frames required by USAID policies. This occurred because USAID/South Africa did not devote enough resources to complete the evaluations when required. Weak controls also contributed to the problem. As a result, contractor performance evaluations were not available to USAID and other Federal contracting officers for use when evaluating contractors for new contracting actions, which could potentially lead to the award of future contracts to poorly performing contractors.

ADS Chapter 302.5.9, *Evaluation of Contractor Performance*, states that contracts⁵ must be evaluated at least annually (for contacts exceeding one year in duration) and upon completion of activities. USAID's *Past Performance Handbook: contractor Performance Report Cards*, a mandatory reference in ADS Chapter 302, provides the procedures for conducting contractor performance evaluations. 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 December for active contracts)⁶. Each subsequent interim evaluation must be performed before 12 months have elapsed since the previous interim evaluation. The ADS states that the initial performance evaluation is a collaborative effort between the contracting office and the technical office. It states that 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.

USAID/South Africa did not complete all the required interim and final performance evaluations on all relevant contracts during fiscal years 2002, 2003 and 2004. Reported contracting actions that we sampled requiring a final evaluation during this period had a total value of \$156 million. Of the 36 expired contracts and task orders that we tested during this three year period, we determined that 33 contracts, representing 92 percent of the total, had not been evaluated. Only 3 contracts had completed evaluations, or 8 percent of the total. Table 2 compares the number of final evaluations required against the number actually completed.

Table 2: Required Final Evaluations Compared to Completed Final Evaluations

Fiscal Year	Required Evaluations	Completed Evaluations	Overdue Evaluations	Percentage of Overdue Evaluations
FY 2002	12	2	10	83%
FY 2003	18	1	17	94%
FY 2004	6	0	6	100%
Total	36	3	33	92%

Similarly, for fiscal years 2002, 2003, and 2004, USAID/South Africa did not complete all of the interim evaluations as required. Of the 58 required interim evaluations, we determined that 51 interim evaluations, representing 88 percent of the total, had not been completed. The Mission had documentation supporting only 7 completed evaluations that we sampled, or 12 percent of the total required. Table 3 below details the number of interim evaluations compared to the total required.

⁵ Contracts requiring evaluations include those in excess of \$100,000, as well as individual task orders in excess of \$100,000 under indefinite quantity contracts.

⁶ The October and December time periods were published in supplemental policy guidance issued by USAID's Office of Acquisition and Assistance in May 2002.

**Table 3: Required Interim Evaluations
Compared to Completed Interim Evaluations**

Fiscal Year	Required Evaluations	Completed Evaluations	Overdue Evaluations	Percentage of Overdue Evaluations
FY 2002	13	2	11	85%
FY 2003	25	3	22	88%
FY 2004	20	2	18	90%
Total	58	7	51	88%

The major factor that contributed to the low compliance with performance evaluation requirements was the lack of adequate resources devoted to the process. USAID/South Africa, however, had observed that evaluations were not being completed as required, and as a result has hired two additional personnel during the last two years. This increase in staff should assist the Mission in improving future compliance. A contributing factor was the lack of an adequate information system for managing evaluations. We also noted that there were weak controls for maintaining coordination between OAA staff and CTOs.

By not completing the majority of required performance evaluations, contracting officers at USAID and other Federal agencies did not have the evaluations to use in their source selection procedures when evaluating potential contractors. This raised the risk that the goals of FAR Subpart 42 will not be achieved. These goals, designed to prevent poorly performing contractors from being selected, include contractor conformance to contract requirements and standards of good workmanship, control of costs, adherence to contract schedules, and commitment to customer satisfaction, as well as concern for the interest of the customer.

In order to improve timeliness and compliance with USAID performance evaluation policies and procedures, we are making the following recommendations.

Recommendation No. 3: We recommend that USAID/South Africa establish procedures to ensure that contractor performance evaluations are completed in accordance with USAID policies and procedures.

Recommendation No. 4: We recommend that USAID/South Africa develop a plan with milestones to complete contractor performance evaluations that are past the required evaluation dates.

Past Performance Information was Not Always Documented in Source Selection Process

Summary: USAID/South Africa did not document past performance information in the source selection process for two of its new direct contracts as required by USAID policies. This occurred because USAID/South Africa did not have adequate controls for maintaining coordination between the Office of Acquisition and Assistance and the program offices to ensure that the required performance information was retained. As a result, contractor past performance information was not documented for source selection for all new contracting actions, which could potentially lead to the award of contracts to poorly performing contractors.

The *Federal Acquisition Streamlining Act of 1994* (FASA) states that Congress concluded that the use of past performance information is one of the relevant factors that a contracting official should consider in awarding a contract. FAR Subpart 42.15 continues by stating that past performance information is relevant information for future source selection purposes.

To implement these regulations, ADS 302.5.10, *Past Performance Information in Source Selection*, states that the contracting officer should use past performance information (PPI) for two different purposes when selecting an offeror to whom to award the contract. The offeror must have a satisfactory performance record in order for the contracting officer to make a positive determination that the offeror is responsible and therefore eligible to receive the award. In addition, the source selection authority (usually the contracting officer), supported by the evaluation team, must normally evaluate the offeror's past performance to make a comparative assessment of the offeror's past performance as an indicator of how well the offeror is likely to perform the contract. It further states that documented PPI obtained in accordance with this section is retained in the contract files as part of the source selection documentation.

Although USAID/South Africa did use PPI in the source selection process for the new direct contracts examined, it did not document the use of PPI in all required instances. We determined that the Mission did not retain PPI documentation as required for two of 10 contracts for which PPI was used. Table 4 below provides detail on the number of contracts awarded using PPI, and those not documented.

Table 4: Past Performance Information (PPI) Used In Source Selection

Fiscal Year	Direct Awards	PPI Used	PPI Not Used	PPI Not Documented	Percentage PPI Not Used	Percentage PPI Not Documented
2002	4	4	0	2	0%	50%
2003	5	5	0	0	0%	0%
2004	1	1	0	0	0%	0%
Total	10	10	0	2	0%	20%

One factor that contributed to the problems with documenting past performance information requirements was the lack of adequate resources devoted to the process. As with performance evaluations, USAID/South Africa had observed that PPI was not

being documented as required, and, as a result, has hired two additional personnel during the last two years. This increase in staff should assist the Mission in improving future compliance. A contributing factor, however, was the lack of local procedures to document PPI in source selection, and coordinate information flows between OAA and the respective CTOs.

Without documentation of PPI in source selection, the risk is increased that the goals of FAR Subpart 42 will not be achieved in future awards. These goals include contractor conformance to contract requirements and standards of good workmanship, control of costs, adherence to contract schedules, and commitment to customer satisfaction, as well as concern for the interest of the customer.

In order to improve compliance with USAID policies and procedures, as well as reduce the risk of not achieving the goals of Federal regulation, we are making the following recommendation.

Recommendation No. 5: We recommend that USAID/South Africa establish procedures to ensure that past performance information is used for source selection criteria, and documented, as required by USAID policies and procedures.

EVALUATION OF MANAGEMENT COMMENTS

In its response to our draft report, USAID/South Africa concurred with four of our five recommendations. The Mission described the actions taken and those planned to be taken to address our concerns. The Mission's comments and our evaluation of those comments are summarized below.

In response to Recommendation Nos. 1 through 4, USAID/South Africa concurred with the recommendations and provided evidence that it had completed the recommended actions. For Recommendation No. 1, the Mission closed out all 56 awards and deobligated \$968,368 of related unliquidated balances; for Recommendation No. 2, the Mission developed a plan with milestones to identify, prioritize, and complete closeouts for all awards that are currently past the required closeout dates; for Recommendation No. 3, the Mission issued a standard operating procedure to ensure that contractor performance evaluations are completed in accordance with USAID policies and procedures; and for Recommendation No. 4 the Mission developed a plan with milestones to complete contractor performance evaluations that are past the required evaluation dates. The Mission concluded that it would not be practical to complete all the reported delinquent evaluations due to the fact that some are in excess of five years old and some involve multiple interim evaluations. The Mission, instead, proposed to complete one final evaluation for all expired awards, and one interim evaluation encompassing all outstanding periods for active awards, which we consider consistent with the intent of the recommendation. Consequently, we consider final action to have been taken on Recommendation Nos. 1 through 4, and, therefore, consider them closed upon the issuance of this report.

In response to Recommendation No. 5, USAID/South Africa did not concur with the recommendation. The Mission stated that it had evidence that past performance information was used and documented in two awards that were identified in the draft report as not having the information used or documented during source selection. The Mission provided evidence to us that adequately supported their position regarding the two awards. We therefore have revised the final report to reflect this additional evidence. The Mission also provided evidence that a standard operating procedure has been issued to ensure that past performance information is used for source selection criteria, and documented, as required by USAID policies and procedures. Consequently, we consider final action to have been taken on Recommendation No.5, and, therefore, consider this recommendation closed upon the issuance of this report.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Pretoria conducted this audit in accordance with generally accepted government auditing standards. The fieldwork was conducted at USAID/South Africa from October 31, 2005 to January 12, 2006. For the review of the closeout program, we examined all contract, grant and cooperative agreement awards with remaining balances that were at least 36 months past reported expiration dates. These totaled 95 awards with remaining balances of \$1,099,957. Of these 95 awards, we determined that 36 awards with total undisbursed balances of \$131,050 were either not subject to closeout procedures or not the responsibility of the Office of Acquisition and Assistance (OAA). Therefore, the audit focused on the 59 remaining awards with total undisbursed balances of \$968,907. For the examination of the contractor performance evaluation program, we examined a judgmental sample of contracts in fiscal years 2002, 2003 and 2004 that required either a final or an interim evaluation (contract actions over \$100,000). For the examination of the use of past performance information, we examined all of the new direct contracts during fiscal years 2002, 2003 and 2004.

We examined the significant internal controls associated with identifying, prioritizing, and closing out of contracts, grants and cooperative agreements in a timely manner, as well as completing performance evaluation of contractors. This examination included a determination of whether closeouts and performance evaluations were actually completed and whether they were completed within the required time frames. The types of evidence included 1) interviews with personnel in the Office of Acquisition and Assistance, as well as CTOs in the program offices; 2) a review of the contract and grant data base and related controls; 3) a review of contract files and associated documents; and 4) a review of the use of the National Institutes of Health Contractor Performance Review System.

In conducting our fieldwork, we tested the validity of computer-generated data against original source documents and found it reliable for the purposes of answering the audit objectives. Additionally, we found no significant prior audit affecting the areas examined.

Methodology

To accomplish our audit objectives, we interviewed cognizant officials, reviewed applicable USAID and Federal policies and procedures, and assessed significant management controls and risk exposure relating to the management of award closeouts and contractor performance evaluations. Management controls included identifying and recording the completion of required closeouts and performance evaluations. For relevant awards that required either a closeout or a performance evaluation, we performed a time analysis to determine whether the required procedure was completed within the required time frame.

We set the materiality threshold of five percent to determine whether exceptions were significant and therefore reportable.

Due to the various timeframes for closing different types of contracts, as well as the differences between the relevant criteria pertaining to contracts, grants, and cooperative agreements, we were unable to determine the actual population of awards that were eligible for closeout. We, therefore, selected awards for our sample that we considered high risk—those awards over 36 months since reported expiration with remaining obligation balances—to answer the audit objective related to closeouts.

For the objective relating to contractor evaluations, we judgmentally sampled 36 of 44 expired contract actions (or 82 percent) during fiscal years 2002, 2003, and 2004 that required a final evaluation. Concerning interim evaluations, we sampled 18 active contracts out of a population of 18 active contracts that required one or more interim evaluations during fiscal years 2002, 2003 and 2004. For the objective relating to past performance information, we sampled all new direct contracts awarded during fiscal years 2002, 2003, and 2004.

The results relating to closeouts can not be projected to the entire population of contracts, grants and cooperative agreements. Likewise, the results pertaining to the completion of evaluations cannot be projected to the entire population. However, the results concerning the use of past performance information represent the actual results for the entire population of new direct contracts for the period examined.

MANAGEMENT COMMENTS



USAID | SOUTH AFRICA
FROM THE AMERICAN PEOPLE

UNITED STATES GOVERNMENT
ACTION M E M O R A N D U M

DATE : February 28, 2006

TO : Jay Rollins, Regional Inspector General/Pretoria

FROM : Carlene Dei, Mission Director /s/

SUBJECT : Management comments – Audit of USAID/South Africa’s Award Closeout and Contractor Performance Evaluation Programs (Report # 4- 674-06-00X-P).

The Mission has reviewed the subject draft audit report. We agree with four of the five audit recommendations, and appreciate RIG’s acknowledgement of the serious prior and ongoing efforts by the mission to address the timely closeout of expired awards as well as the completion of required CPRs. Prior to the commencement of this audit, we recognized the unsatisfactory state of award closeouts and contractor performance reviews (CPRs) in the mission, and began to take steps toward corrective action and future regulatory compliance. Two full-time personnel have been designated to perform the closeout function for the mission, and additional short-term support has been employed to assist with research, data entry, and file disposition. Mission orders on the closeout and the CPR processes, to include time frames and assignment of responsibilities, are currently under revision by OAA personnel. (*Attachment I, II*) Additionally, OAA personnel attended a special closeout training session conducted by Steve Tashjian, Lead Contract Specialist, M/OAA/CAS on February 28, 2006, and effective from June 30, 2006, subsequent closeout training, including pre-and post-award guidance, will be provided by OAA closeout specialists on an ongoing basis to awardees and mission technical offices. Lastly, the mission will continue to support the concurrent efforts of the technical and financial management offices to identify and de-obligate or de-commit excessive residual balances.

The following is our response to each of the recommendations made, and a summary of the actions planned to resolve them.

Recommendation #1: We recommend that USAID/South Africa complete closeout procedures, or document an appropriate exception, for the 56 awards set forth in this report with unliquidated balances of \$968,368, and deobligate those balances that are no longer needed.

The mission concurs with this recommendation and has taken the appropriate steps to complete the closeout of these awards and to deobligate excessive residual balances.

- Four of the 56 awards cited are documented as closed. Attached are the corresponding completion statements, shelf lists, and/or other OAA official closeout documentation. (*Attachment III-VI*)
- The remaining 52 of the 56 awards cited have been administratively closed as evidenced by the attached action memorandum to the Mission Director dated February 27, 2006. The subject awards are shown in italics. (*Attachment VII*)
- The total amount of unliquidated balances cited, \$968,368, identified as either excessive or residual, has been de-obligated or de-committed by the Financial Management Office (FMO) and is now available for recommitment for other activities. Attached is a Financial Status Report which reflects the resulting nil balances. (*Attachment VIII*)

In light of the fact that all of the 56 awards cited have been closed and the related balances de-obligated or de-committed, we request that this recommendation be closed upon issuance of the final report.

Recommendation #2: We recommend that USAID/South Africa develop a plan with milestones to identify, prioritize, and complete closeouts for all awards that are currently past the required closeout dates.

The Mission concurs with this recommendation. The Office of Acquisition and Assistance (OAA) has developed a plan to identify, prioritize, and complete closeouts (or document appropriate exceptions) for all awards that are currently past the required closeout dates.

- By June 30, 2006, OAA closeout personnel in collaboration with FMO and the Data Management Division (DMD) will design, populate, and **implement a closeout database** to facilitate the collection, analysis, and tracking of expired awards and related closeout activity. OAA personnel will use this database to compile an up-to-date list, categorized by award type and end date, of all expired awards required to be closed by USAID/South Africa.
- By September 30, 2006, OAA personnel will identify and complete closeout of all **expired purchase orders and personal services contracts** that are past the required closeout date.

- By December 31, 2006, OAA will identify and complete the closeout of **all grants and cooperative agreements** that are past the required closeout date.
- By March 31, 2007, OAA will identify and complete the closeout of **all contracts and IQC task orders** that are past the required closeout date.
- By June 30, 2007, OAA personnel will finalize the closeout process, or document appropriate exceptions, for all awards that are currently past the required dates (as of December 31, 2005). This will include:
 - Verification of the de-obligation or de-commitment of all residual excessive balances;
 - Archiving or other disposition of retired files in accordance with agency regulations; and
 - Reconciliation of the closeout database.

The summary above constitutes the Mission’s plan for corrective action complete with milestones. We, therefore request that this recommendation be closed upon issuance of the final report.

Recommendation #3: We recommend that USAID/South Africa establish procedures to ensure that contractor performance evaluations are completed in accordance with USAID policies and procedures.

The Mission concurs with this recommendation. Steps have been taken to ensure that contractor performance evaluations are completed in accordance with USAID policies and procedures.

- Procedures, time frames, and assignment of responsibilities have been established per the attached operating procedure (*Attachment IX*) to ensure that contractor performance evaluations are completed on a timely basis.

Based upon the above plan, we request that this recommendation be closed upon issuance of the final report.

Recommendation #4: We recommend that USAID/South Africa develop a plan with milestones to complete contractor performance evaluations that are past the required evaluation dates.

The Mission concurs with this recommendation. Following is the **status of the CPRs** past the required evaluation dates.

- The OIG Audit Report cited 84 CPRs—33 final and 51 interim, pertaining to 54 contractors, that were past the required evaluation dates. Upon analyzing the contracts and task orders tested in the subject audit sampling, OAA personnel

have concluded that it would not be practical or cost effective to the US Government to complete all of the outstanding reports for the following reasons:

- In some cases, more than five years have elapsed since the expiration of these awards, and the personnel familiar with the contractors' performance are no longer available to the mission.
- In some cases, multiple interim evaluations are outstanding for the same contractor that could be combined into one interim evaluation or final evaluation in instances where the award is no longer active.
- In light of the above, OAA has concluded that it would be feasible for the mission to ensure the completion and submission of 60 contractor performance reviews for the 54 contractors cited (17 interim evaluations and 43 final evaluations) in order to rectify those currently in delinquent status, preserve the integrity of the CPR system, and promote the effective and efficient use of USG resources. A list of outstanding evaluations to be completed is attached. (*Attachment X*)
 - In instances where multiple interim evaluations are outstanding for the same award and the award is still active, the Cognizant Technical Officer (CTO) will complete one interim evaluation which encompasses all outstanding (unevaluated) periods of performance.
 - In all instances where an award has expired, the CTO will complete one final evaluation which encompasses all outstanding (unevaluated) periods of performance up to and including the end date.

A **plan with milestones** to complete contractor performance evaluations is summarized below:

- By March 31, 2006, OAA will **design, populate, and implement a CPR database** of all current awards and relevant details necessary to facilitate the tracking and completion of contractor performance reviews required to be completed. The Contracting Officer will ensure the **entry of all awards** due for performance evaluations into the CPR system
- By April 30, 2006, and no less than quarterly thereafter, the contracting officer or the contracting officer's designee will **produce CPS management reports** which reflect the status of required CPRs. Notices of delinquent evaluations will be provided to appropriate technical officers and copied to the mission director.
- Annually, during the **November Program Implementation Reviews (PIRs)**, technical offices will be required to **report on the status** of CPRs that are the responsibility of their respective offices.
- By March 31, 2006, OAA personnel will coordinate and oversee the completion of all CPRs that are currently past the required evaluation dates (as of December 31, 2005).

The summary above constitutes the Mission’s plan with milestones to complete past due performance evaluations. The Mission requests that this recommendation be closed upon issuance of the final report.

Recommendation #5: We recommend that USAID/South Africa establish procedures to ensure that past performance information is used for source selection criteria, and documented, as required by USAID policies and procedures.

The Mission does not concur with this recommendation for the following reason. In 10 out of 10 contracts reviewed, there was evidence that past performance information (PPI) was used in source selection, and in eight out of 10 cases, documentation was retained in the contract file. We feel that this is evidence that procedures are currently in place to facilitate the use of PPI in source selection, and are being followed the overwhelming majority of the time. Nevertheless, procedures will be reissued per the attached standard operating procedure (Attachment XI) to further ensure that past performance information is used in source selection criteria, and documented, as required by USAID polices and procedures.

Based upon the above comments and findings, the Mission requests that this recommendation be closed upon issuance of the final report.

Drafted by: _____ S. Reed-Allen, OAA/Sr. Closeout Specialist

Clearance: _____ Charles Signer, OAA/Acting Contracting
Officer

_____ Brian Conklin, OFM/Acting Controller

_____ Denise Rollins, DIR/Deputy Mission Director

**USAID/South Africa Open Awards Expired Over 36 Months with Undisbursed Balances
(as of August 31, 2005)**

No. of Awards	Commitment Doc No.	Earmark Control No.	End Date	Undisbursed Amount
1	674-0302-A-00-6055-04	C890007	09/30/89	\$12,929.07
2	674-0309-A-00-0039-00	B900191	12/31/99	2,785.85
3	674-0510-G-SS-8029-00	B880078	12/31/89	36,701.24
4	AAI-674-P-00-99-00031	C990034	05/14/99	4,081.00
5	CA-674-0312-A-98-00045	C960604	03/30/02	9,634.00
6(a)	CO-674-0315-C-00-5143	C980227	08/31/00	35,956.00
6(b)	CO-674-0315-C-00-5143	C970018	08/31/00	21,011.96
7	CO-674-0318-C-00-5155	B950400	07/31/96	13,638.72
8	CO-674-0318-G-CI-5037	C980004	03/31/01	0.34
9	CO-DPE-5832-Z-OO-9032	C940261	09/28/94	1,324.79
10(a)	CO-DPE-5836-Q-02-1043	C940426	09/29/96	14,420.86
10(b)	CO-DPE-5836-Q-02-1043	C940427	09/29/96	8,276.21
11	CON-HNE-0000-I-04-2100	B950014	06/24/95	4,898.17
12	GA-674-0230-G-SS-9039	C920073	06/01/96	8,000.00
13	GA-674-0301-G-SS-4017	C940014	11/30/94	10,860.58
14	GA-674-0301-G-SS-4156	C960047	04/30/97	11.00
15	GA-674-0302-G-SS-3108	C930133	08/31/95	0.01
16	GA-674-0302-G-SS-3114	C930137	08/31/96	51,820.37
17	GA-674-0302-G-SS-4024	C950090	09/24/96	18,427.98
18	GA-674-0302-G-SS-4100	C950213	09/30/96	22,530.94

19	GA-674-0309-G-SS-2057	C920105	09/30/95	5,543.17
20	GA-674-0309-G-SS-3118	C930155	03/31/96	17,413.03
21	GA-674-0309-G-SS-3132	C940333	10/31/97	16.94
22	GA-674-0309-G-SS-5025	C950178	08/31/98	49,999.99
23(a)	GA-674-0314-G-SS-3090	C970130	02/28/99	4,522.98
23(b)	GA-674-0314-G-SS-3090	C930132	02/28/99	1,568.77
24	GA-674-0314-G-SS-4109	C940291	11/30/97	17,617.49
25	GA-674-0510-G-SS-2106	B920394	12/31/93	65,813.96
26	GA-674-A-00-98-00054	C950514	11/30/99	2,451.14
27	GA-674-G-00-01-00061	B100186	09/30/01	186.30
28	GR-611-004-G-80-00001	C000325	08/31/02	108,360.00
29	IQC-674-I-00-00-00005	C980437	07/26/02	13,323.45
30	IQC-AEP-5470-I-00-5034	B950426	12/31/96	30,799.16
31	IQC-PCE-I-00-98-00016	C990171	10/31/01	41,041.09
32	IQC-PCE-I-00-98-00017	C990153	10/12/99	4,437.98
33	IQC-PCE-OO-00-00009	C990107	06/20/00	40,654.98
34	IQC-PDC-5832-I-00-0082	C930228	12/01/93	3,911.26
35	LAG-A-00-99-00020-00	B990142	09/06/01	15,815.45
36	LAG-I-00-99-00008-00	C990124	06/30/01	13,881.47
37	OUT-PCE-0-810-93-00031	C970078	01/30/98	19,856.78
38	PO-674-0318-O-99-00032	C990036	09/30/02	54.83

39	PO-674-0323-O-99-00039	C970313	06/30/99	66.39
40	PO-674-O-00-01-00009	C000203	02/15/01	4,357.66
41(a)	PSC-674-0318-S-00-0026	C990058	05/30/00	608.24
41(b)	PSC-674-0318-S-00-0026	C980030	05/30/01	1.03
42(a)	PO-674-O-00-02-00001	C960155	09/30/02	295.00
42(b)	PO-674-O-00-02-00001	C100152	09/30/02	14.88
43	GA-674-0301-G-SS-2065	C920076	06/30/94	22,573.23
44	674-G-00-00-00072-00	C000162	10/15/01	17,274.37
45	GA-674-0301-G-SS-1010	C930065	10/30/95	1,097.96
46	CO-674-0303-C-00-6088	C000034	05/31/02	39,797.40
47	GA-674-0302-G-SS-4090	C950122	06/30/96	9,710.49
48	GA-674-0303-G-SS-4110	C960161	03/30/98	17,117.83
49	CA-674-0315-A-00-7035	C960292	07/06/01	4,790.32
50	PSC-674-S-00-00-00011	C000067	05/01/02	2,391.25
51(a)	CO-674-0318-C-00-6091	C980151	09/30/01	42,498.00
51(b)	CO-674-0318-C-00-6091	C100096	09/30/01	19,005.91
51(c)	CO-674-0318-C-00-6091	C990106	01/31/00	3,463.00
51(d)	CO-674-0318-C-00-6091	C990091	09/30/01	131.02
51(e)	CO-674-0318-C-00-6091	C970347	02/07/00	0.90
51(f)	CO-674-0318-C-00-6091	C980173	12/31/98	0.76
52	GA-674-0301-G-SS-3016	C950255	05/31/97	2,248.22

53	GA-674-0303-G-SS-5027	C950206	06/30/96	18,717.25
54	GA-674-0305-G-SS-2095	B920370	02/28/95	7,728.10
55	IAA-674-0321-P-00-7019	C000172	09/30/00	19,449.00
56	CO-674-0303-C-00-6093	C970131	12/31/99	450.00
Total				\$968,367.52

Source: USAID/South Africa's Mission Accounting and Control System

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