



January 29, 2003

## MEMORANDUM

**TO:** M/OP, Timothy T. Beans

**FROM:** IG/A/ITSA, Melinda G. Dempsey

**SUBJECT:** Follow-up of Recommendation No. 2 of Audit Report No. A-000-00-001-P, "Audit of the Effectiveness of USAID's Contractor Performance Evaluation Program," Issued on December 14, 1999  
(Report No. A-000-03-001-S)

This memorandum is our interim report on a follow-up of the December 1999 report recommendation. Although this is not an audit report, this report contains suggestions for your consideration. I appreciate the cooperation and courtesy extended to my staff during the recommendation follow-up.

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### Background

Our December 1999 audit report of the contractor performance evaluation program determined that USAID's program for evaluating contractor performance was not effective and required significant improvements in order to ensure compliance with federal law and guidance. In addition, USAID had no assurance that superior contractors were selected or that poor contractors were avoided. USAID lacked an effective contractor performance evaluation program because:

- Few evaluation reports were completed.
- Evaluation reports were not completed in a timely manner.
- Evaluation reports were not readily available to contracting officials.
- Evaluation reports were not used in awarding new contracts.

In addition, the Office of Procurement had not updated its formal policies and procedures, nor established clear lines of authority, to guide the contractor performance evaluation program.

To address these problems, the audit report issued four recommendations including Recommendation No. 2 as follows.

“Assign an Office of Procurement manager clear responsibility and line authority for ensuring that the contractor past performance evaluation process is operating effectively. The assigned manager should ensure that required evaluation reports are completed in a timely manner and that reports are made available to and used by source selection teams.”

In response to the recommendation, the Office of Procurement assigned its Deputy Director for Operations responsibility and authority for ensuring that the contractor performance evaluation process was operating effectively. Specifically, the Office noted in December 2000 that the Deputy Director “will exercise his line authority over the ten branches in the three M/OP (Office of Procurement) operating divisions and will coordinate with the Mission contracting activities to promote effective, efficient functioning of the reporting requirements and use of the reports in source selection actions.”

In accordance with Office of Management and Budget Circular No. A-50 and Office of Inspector General audit policy, we selected Recommendation No. 2 for follow-up because it specifically dealt with the effectiveness of the contractor performance evaluation program. The purpose of our recommendation follow-up was to ensure that continuing management actions have corrected or are correcting the deficiencies identified in the December 1999 audit report.

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## Discussion

USAID has undertaken several management actions that have reduced the problems identified in the December 1999 audit report. However, the Office of Procurement needs to further address two areas for the contractor performance evaluation program to perform as intended.

### **Management Actions Have Improved the Contractor Performance Evaluation Program**

The USAID Office of Procurement has initiated several efforts to improve the contractor performance evaluation program.<sup>1</sup> In addition to assigning the Deputy Director for Operations clear responsibility and line authority, the Office has initiated the following efforts.

- In September 1998, USAID subscribed to the National Institute of Health’s (NIH) Contractor Performance System (CPS), which captures contractor evaluation reports for USAID and other federal agencies.

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<sup>1</sup> Given resource limitations, we did not directly test whether the contractor performance evaluation system is currently effective, i.e. whether USAID has assurance that superior contractors are selected or that poor contractors are avoided. Our limited work identified problems already addressed by USAID management and those problems remaining.

- The number of completed evaluation reports in the contractor performance system had increased substantially from 199, as of December 1998, to 593<sup>2</sup> as of March 2002.
- The current reporting system (NIH CPS) provides for more routine and comprehensive compiling and collecting of evaluation reports and also makes these reports more readily available to contracting personnel worldwide.
- USAID contracting officers responsible for source selections can obtain “real-time” access through the Internet to approximately 5,000 contractor performance evaluation reports completed by USAID and 16 other federal agencies.
- The Office of Procurement has adopted formal procedures for using the NIH CPS during source selections as described by Agency Directives System (ADS) Chapter 302.5.
- The Office of Procurement Evaluation Division examines the use of the NIH CPS during their reviews of USAID contracting offices. Although the Office of Procurement does not maintain summary statistics to quantify the extent of the system’s use, the Chief of the Evaluation Division told us that the NIH CPS is used extensively.
- In May 2002, given the importance of contractor past performance during source selection, the Office of Procurement reemphasized to contracting officers worldwide the importance of using the NIH CPS to document contractor past performance.

In spite of these improvements, two problem areas require further management attention by the Office of Procurement—(1) the NIH CPS database accommodating USAID requirements and (2) cognizant technical officers fulfilling requirements to timely complete contractor performance evaluations.

### **Contractor Performance Database System Needs to be Further Refined to Accommodate USAID Requirements**

USAID operates in an international environment and has institutional arrangements that are unique to its mission of providing worldwide development assistance. The NIH CPS database was adapted to accommodate USAID’s unique access requirements for contracting staffs overseas as well as in the United States. Although USAID requirements have been accommodated, we concur with USAID worldwide system users, the Office of Procurement system manager, and the NIH system administrator who have identified several remaining problems, as follows, which require additional system refinements.

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<sup>2</sup> According to Office of Procurement officials, in March 2002, there were 593 final USAID evaluation reports in NIH CPS database. This figure does not include reports entered, but subsequently deleted, after contract files were retired.

- Users had difficulties accessing the NIH database because of unfamiliarity with its access procedures.
- The system database did not contain summary information by contractor. While the system database may contain as much as 50 detailed evaluation reports for a specific contractor, summary ratings for contractors were not available and could not be used for comparisons.
- The system database could not be easily queried to determine responsibility for delinquent reporting of overdue contractor performance evaluation reports. Therefore, management control was lessened because delinquent filers could not be easily monitored and reported. In addition, delinquency statistics by USAID operating units could not be easily obtained from the system.
- The system database did not identify the extent of its use for specific purposes, such as source selections. Therefore, management could not determine the extent of the use of the system's evaluation reports during source selections.

To resolve these problems, system changes are requested through interagency user group meetings, email, and/or telephone correspondence between the USAID system manager and the NIH system administrator. According to the Office of Procurement system manager, although it often takes longer than desirable, this mechanism is working reasonably well.

### **Contractor Performance Evaluations Need to be Completed More Timely by Cognizant Technical Officers**

The December 1999 audit report stated that contractor performance evaluations were not completed in a timely manner. For example, it took an average of 245 days to complete reports. The audit report noted that some timeliness issues were attributable to insufficient guidance to settle disputed contractor performance evaluations. USAID subsequently revised its ADS guidance in May 2000. This ADS Chapter 302 now provides clear timeframes and reporting requirements to settle disputes in a timely manner. Nevertheless, this has not eliminated the problem of contractor performance evaluations not completed in a timely manner.

Contractor performance evaluations still need to be prepared more timely. In March 2002, the Office of Procurement noted that many of the USAID-prepared evaluations within the NIH contractor performance system are incomplete and have remained in the same reporting stage for an average of 292<sup>3</sup> days. The Office of Procurement further stated that this situation resulted primarily from inaction by cognizant technical officers on the evaluations assigned to them by the contracting officers. According to Office of Procurement statistics as of

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<sup>3</sup>We relied on the Office of Procurement's attestation and did not independently verify these statistics.

March 2002, 334 contractor performance evaluations were in progress. 200 evaluation reports (60 percent) in progress were awaiting action by cognizant technical officers. In contrast, 101 reports (30 percent) were awaiting action by contracting officers and the remaining 33 reports (10 percent) were awaiting action by contractors.

In order to identify mechanisms to improve reporting by cognizant technical officers, we corresponded with ten<sup>4</sup> contracting officers who were identified by the Office of Procurement as having among the best reporting records for completing contractor performance evaluations. According to these contracting officers, their success in completing contractor performance evaluations was due to their persistence in ensuring that cognizant technical officers complete contractor performance evaluations in a timely manner. For example, these successful contracting officers noted that they employed a variety of personnel strategies including setting expectations, coaching, and persistent follow-up.

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## Conclusion

Based on the follow-up results, we conclude that USAID has initiated several efforts to improve the contractor performance evaluation program. For example, the integration of USAID's contractor performance evaluation process into the NIH CPS database has improved the availability of contractor performance evaluation reports to contracting officers worldwide.

In spite of these improvements, two problem areas require further management attention by the Office of Procurement—(1) the NIH CPS database accommodating USAID requirements and (2) cognizant technical officers fulfilling requirements to complete contractor performance evaluations in a timely manner.

In regard to the first problem area of accommodating USAID requirements into the NIH CPS database, we suggest that the Office of Procurement:

- Pursue improvements in the NIH CPS that will make access procedures more user friendly and the information contained in the system more usable to source selection officials. Specifically, the access procedures need to be simplified, and the NIH CPS database needs to provide summary ratings by contractor to facilitate ranking contractors during the source selection process.
- Pursue improvements in the NIH CPS to provide more effective monitoring tools for management control purposes. Specifically, the system should provide information that can identify: (1) USAID officials that are not reporting in a timely manner; (2) organizations, such as missions and bureaus, that are experiencing high delinquency rates; and (3) contracting officers that are not using available reports for source selection purposes.

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<sup>4</sup>The contracting officers are located in Africa, Asia, Central America, South America, East Europe, and Washington, D.C. Eight out of ten contracting officers responded to the survey.

- Initiate a reporting process that alerts high-level USAID operating officials to the importance of the contractor evaluation process and provides them with comparative delinquency reporting statistics to encourage assistance in getting reporting problems resolved.

Regarding the second problem area—cognizant technical officers not completing contractor performance evaluations in a timely manner—we have no suggestions for the Office of Procurement at this time. However, the Office of Inspector General is conducting an in-depth audit of cognizant technical officers' training, use, and accountability including responsibilities for completing contractor performance evaluations. This audit may contain recommendations for your action.

Although we did not request written management comments on this report, we did discuss its findings and conclusions with the Office of Procurement management. The Office of Procurement agreed with the report and its suggestions.