

# USAID

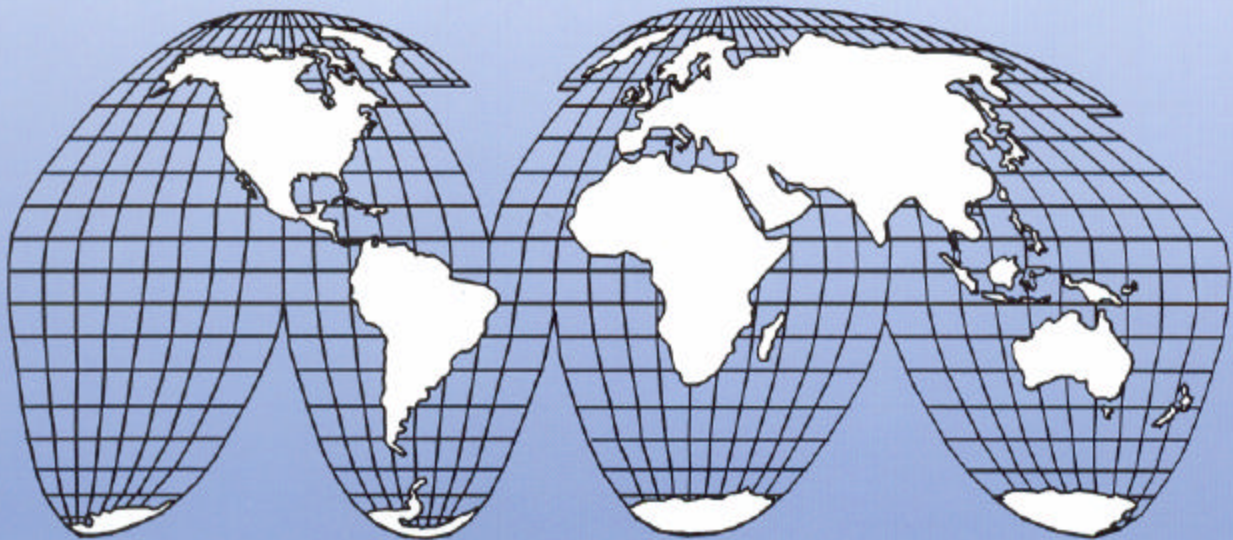
## OFFICE OF INSPECTOR GENERAL

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### **Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Basic Education Phase II Contract**

**Audit Report No. A-000-04-004-P**

**September 23, 2004**



**Washington, D.C.**





September 23, 2004

**MEMORANDUM**

**FOR:** Acting M/OAA/OD, Jeffery D. Bell

**FROM:** AIG/A, Bruce N. Crandlemire /s/

**SUBJECT:** Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Basic Education Phase II Contract (Report No. A-000-04-004-P)

This memorandum transmits our final report on the subject audit. The report contains no recommendations.

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

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**Table of Contents**

Summary of Results ..... 5

Background ..... 5

Audit Objective ..... 6

Audit Findings ..... 6

    Did USAID comply with federal regulations in awarding the Iraq  
    Basic Education Phase II Contract? ..... 6

Evaluation of Management Comments.....7

Appendix I – Scope and Methodology .....9

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## Summary of Results

The Information Technology and Special Audits Division (ITSA) of the Office of Inspector General has completed an audit to determine whether the U.S. Agency for International Development (USAID) complied with federal regulations in awarding the Iraq Basic Education Phase II Contract.<sup>1</sup> (See page 9.)

For the areas reviewed, ITSA determined that USAID complied with applicable federal regulations in the awarding of this contract. (See page 6.)

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## Background

In response to the emergency situation in Iraq, USAID awarded \$1.5 billion in contracts to carry out the initial phase of reconstruction work within the country. Among these contracts was a \$62.6 million contract awarded to Creative Associates International, Inc. (CAII) to provide technical and other assistance to facilitate rapid school enrollment and retention in primary and secondary schools. This contract was awarded on April 11, 2003 as a cost-plus-fixed-fee level of effort term contract (EDG-C-00-03-00011-00) using other than full and open competition as authorized under a blanket approval granted by the USAID Administrator for activities and programs initiated in response to the crisis in the Near East.<sup>2</sup> The duration of the contract was twelve months (base period) with two option years.

In an effort to conform with Congressional wishes and to promote full and open competition, USAID decided not to extend the Phase I contract for the second option year, but to award a new contract instead, as part of the second phase of contracts awarded for work in Iraq.

On June 30, 2004, USAID completed its procurement process and awarded a \$56.5 million (base period cost) cost-plus-fixed-fee term contract to CAII.<sup>3</sup> The contract's purpose is to support the Iraqi Ministry of Education (MOE) in its efforts to improve the quality of Iraqi education in the areas of procurement and distribution of educational materials, community education grants, teacher training, early childhood development, model schools, and the development and establishment of a modern decentralized education system. This contract covers a

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<sup>1</sup> The official title of this contract is "Support to Iraqi Basic Education (Education II).

<sup>2</sup> On January 16, 2003, the Office of the USAID Administrator authorized expedited acquisition and assistance procedures for activities and programs in response to the crisis in the Near East. This authority allowed USAID to award these contracts using other than full and open competition requirements in accordance with 40 USC 474. This statutory authority requires the awarded contracts to be supported by written justifications and approvals as described in the FAR.

<sup>3</sup> Contract No. EPP-C-00-04-00004-00

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five year period, including a 24-month base period plus three one-year option periods. The total value of the contract is \$191.4 million.

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**Audit Objective** This audit was conducted by the Office of Inspector General’s Information Technology and Special Audits Division in Washington, D.C. in response to a recent request from the U.S. House Appropriations Subcommittee for Foreign Operations to review all new USAID contracts over \$1 million and an earlier request by the USAID Administrator to review the procurement process for all Iraq reconstruction contracts. This audit was designed to answer the following audit objective:

**Did USAID comply with federal regulations in awarding the Iraq Basic Education Phase II Contract?**

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

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**Audit Findings** For the areas reviewed, we determined that USAID complied with applicable federal regulations in awarding the Iraq Basic Education Phase II Contract.

The federal regulations covering the contract award process are contained in the Federal Acquisition Regulation (FAR). Some of the key regulations under the FAR include requiring contracting officers, with certain limited exceptions, to provide for full and open competition through the use of the competitive procedure that is best suited to the circumstances of the contract action (FAR Part 6.100). Contracting officers must also publicize contract actions in order to increase competition, broaden industry participation and assist small or disadvantaged business concerns in obtaining contracts (FAR Part 5.000). In advertising the contract actions, the FAR specifies the procedures for preparing the Request for Proposals, as well as restrictions regarding the exchange of information with prospective contractors prior to receipt of the proposals (FAR Part 15.200). The FAR also requires contracting officers to obtain and document sufficient evidence to enable them to make a determination as to whether prospective contractors submitting proposals are qualified (FAR Part 9.100). In addition to the FAR, USAID’s acquisition regulations (AIDAR) specify prescribed procedures for evaluating proposals received from prospective contractors and require the results of these evaluations, including any discussions held with offerors, to be documented in the contract files.

We determined that USAID complied with the aforementioned regulations in awarding the Basic Education Phase II Contract to CAII. We found, for example, that USAID’s Bureau of Management, Office of Acquisition and Assistance (M/OAA) complied with FAR Parts 6 and 15 by selecting a competitive



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procedure to solicit offers and issuing a negotiated request for proposals, in an effort to provide for full and open competition.

In addition, we determined that M/OAA complied with FAR Parts 5 and 15 in publicizing this contract action and in preparing the request for proposal (RFP). On February 27, 2004, USAID issued the Request for Proposal for this contract on the Federal Business Opportunities website with an initial closing date of March 29, 2004. To increase competition, USAID issued an RFP amendment extending the closing date to April 8, 2004. Two firms submitted final proposals by the amended April 8, 2004 closing date. Documentation contained in the contract files showed that M/OAA made the required determination as to whether these two prospective contractors were qualified and responsible to perform the contract.

A technical evaluation panel reviewed the two proposals and determined that only one, CAII, was acceptable. As required under AIDAR 715, the contract files documented the results of this panel evaluation, including justification for its final selection, as well as the many exchanges between the panel, the contracting officer, and the prospective contractors.

Based on the above, we concluded that USAID had complied with federal regulations and awarded the Basic Education Phase II Contract to CAII under full and open competition.

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**Evaluation of  
Management  
Comments**

M/OAA stated that they agreed with the findings in the report.

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

The Information Technology and Special Audits Division of the Inspector General's Office conducted this audit in accordance with generally accepted government auditing standards. The purpose of the audit was to determine if USAID complied with federal regulations in awarding the Iraq Basic Education Phase II Contract.

Fieldwork for this audit was conducted at the offices of USAID/Washington from August 4, 2004 to September 16, 2004. The audit covered the awarding of a cost-plus-fixed-fee term contract entitled "Support to Iraqi Basic Education (Education II) (Contract No. EPP-C-00-04-00004-00) to Creative Associates International, Inc. (CAII) on June 30, 2004.

In carrying out this audit, we reviewed records and information contained in the contract files relating to the solicitation and awarding of the above contract. In addition to the contract files, we reviewed correspondence provided to us by the Bureau of Management, Office of Acquisition and Assistance (M/OAA) and the chairperson of the technical evaluation panel. The audit reviewed these records in order to determine whether USAID complied with key federal regulations, specified in the Federal Acquisition Regulation (FAR), as well as Agency regulations, contained in the USAID Acquisition Regulation (AIDAR), pertaining to the solicitation and awarding of the contract. Specifically, we reviewed USAID's compliance with key regulations contained in the FAR Parts 5, 6, 9 and 15 and AIDAR 715.3.

The scope of this audit also involved obtaining an understanding of USAID's process for soliciting and awarding contracts which included the following key management controls:

- Review of Request for Proposals.
- Determination of whether prospective contractors are qualified.
- Evaluation of proposals by technical evaluation panel.
- Documenting of assessments, discussions with prospective contractors evaluation results, and basis for final selection.

This audit did not involve an assessment of the overall effectiveness of the management controls at USAID/Iraq or M/OAA with regards to the solicitation and awarding of contracts. In addition, the audit did not assess the reasonableness of the contract price.

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## **Methodology**

To answer the audit objective, we examined supporting records and information contained in the contract files at USAID's Office of Acquisition and Assistance in Washington, D.C., as well as correspondence provided to us by the M/OAA and the chairperson of the technical evaluation panel. Some of the records and documents examined included the memorandum of negotiation, Request for Proposal, memorandum on the results of the technical evaluation panel review, contract and general correspondence. These documents were prepared by the procurement staff at the M/OAA in Washington, D.C.

A materiality threshold was not established for this audit given the nature of the audit objective which involved assessing procedural compliance with applicable federal regulations in the awarding of this Iraq Phase II contract.