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**TO:** Terry L. Cline, Ph.D.  
Administrator  
Substance Abuse and Mental Health  
Services Administration

**FROM:** Daniel R. Levinson *Daniel R. Levinson*  
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**SUBJECT:** Emergency Response to Hurricanes Katrina and Rita: Audit of Substance Abuse and Mental Health Services Administration's Award Process for a Modification to Contract 270-03-0103 With ORC Macro (A-03-06-00539)

This report provides the results of our audit of the Substance Abuse and Mental Health Services Administration's (SAMHSA) award process for a contract with ORC Macro of Calverton, Maryland. The audit is one of several reviews of procurements by SAMHSA and other components of the Department of Health and Human Services (HHS) in response to Hurricanes Katrina and Rita in 2005.

## BACKGROUND

### Hurricane Relief Efforts

Following Hurricanes Katrina and Rita, SAMHSA identified an increased demand for general mental health information and disaster-related publications for people affected by the hurricanes. As part of the HHS relief operations, SAMHSA executed a modification to an existing cost-plus-award-fee contract with ORC Macro. The existing contract, which was effective March 11, 2005, obligated ORC Macro to produce and disseminate mental health information. The modification obligated ORC Macro to provide additional reproduction services to fulfill the increased demand for the previously contracted materials. The modification, effective September 27, 2005, provided \$250,000 for this purpose.

SAMHSA's Division of Contracts Management was responsible for soliciting, negotiating, awarding, and administering the contract modification.

### Federal Acquisition Regulations

The Federal Acquisition Regulation (FAR) defines a contract as a mutually binding legal relationship obligating the seller to furnish the supplies or services and the buyer to pay for them.

It includes all types of commitments that obligate a Government expenditure of appropriated funds, including awards, job orders, letter contracts, orders, and bilateral contract modifications (FAR 2.101).

The FAR establishes the basic requirements for acquisitions by Federal agencies. The Health and Human Services Acquisition Regulation (HHSAR) implements and supplements the FAR and provides requirements that specifically govern the HHS contract process.

The FAR and the HHSAR provide, among other things, that HHS agencies award each contract to a responsible party (FAR 9.103(a)) and document compliance with requirements for full and open competition and the determination that the price was fair and reasonable (FAR 6.101(b) and 15.402(a)). With respect to full and open competition, FAR 6.001(c) specifies that contract modifications that are within the scope of the contract are exempt from the requirements. Agencies also must develop a statement or description of the goods or services being requested (FAR 16.504(a)(4)(iii)).

Letter contracts may be used only for urgent needs. Unpriced orders, which must contain price ceilings, may be used only when it is impractical to obtain pricing. In addition, agencies must consider the appropriate contract type pursuant to guidance in FAR part 16. In certain situations, consideration must be given to small and minority businesses and local firms.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

The objective of our audit was to determine whether SAMHSA complied with FAR and HHSAR requirements during the award process involving ORC Macro.

### **Scope**

We limited our audit to the award process for SAMHSA's modification 3, effective September 27, 2005, to contract 270-03-0103 with ORC Macro. We did not assess SAMHSA's overall internal control environment. We also did not review contract performance or the acceptance and inspection of goods and services received.

We performed fieldwork at SAMHSA's Division of Contracts Management in Rockville, Maryland, in February and March 2006.

### **Methodology**

To accomplish our objective, we:

- reviewed FAR and HHSAR requirements,
- met with SAMHSA officials to ensure an adequate understanding of SAMHSA's actions during the award process and the basis for those actions, and

- examined the records of negotiation and other documentation related to the award of the contract modification to determine whether SAMHSA followed FAR and HHSAR requirements.

We performed our audit in accordance with generally accepted government auditing standards.

## **RESULTS OF AUDIT**

SAMHSA complied with FAR and HHSAR requirements during the award process for modification 3 to contract 270-03-0103 with ORC Macro. Modification 3 was within the scope of the existing contract, which was based on full and open competition. Pursuant to FAR 6.001(c), the contract modification therefore was exempt from requirements for full and open competition.

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This audit was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

If you have any questions about this report, please do not hesitate to call me, or your staff may contact Joseph J. Green, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through e-mail at [Joe.Green@oig.hhs.gov](mailto:Joe.Green@oig.hhs.gov). Please refer to report number A-03-06-00539.