

GAO

Fact Sheet for the Chairman,
Subcommittee on Oversight and
Investigation, Committee on Energy and
Commerce, House of Representatives

January 1987

CONTRACTS

Status of EPA's Contract Management Improvement Program



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United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-217137

January 12, 1987

The Honorable John D. Dingell
Chairman, Subcommittee on Oversight
and Investigations
Committee on Energy and Commerce
House of Representatives

Dear Mr. Chairman:

You have raised continuing concerns about the Environmental Protection Agency's (EPA) ability to properly manage its contract activities. On January 4, 1985, we issued a report to you that concluded that EPA's management of its cost-reimbursable contracts did not ensure EPA received quality work at a reasonable price.¹ As a result of your concerns and our recommendations, EPA initiated a Contract Management Improvement Program in March 1985 to improve the quality of its contract management.

In a letter dated December 3, 1985, you stated that although you are generally pleased with EPA's actions to address problems identified in our 1985 report, you remain concerned with EPA's ability to properly manage its contracts. You requested us to determine whether EPA has established the proper controls to ensure that high quality, cost-efficient and timely work is done under contract. You also asked us to identify EPA's efforts to improve its contracting and the results of those efforts. As a result of subsequent discussions and correspondence with your office we determined that we could best contribute to your oversight of EPA by (1) issuing this fact sheet on the status of EPA's Contract Management Improvement Program and (2) separately conducting a detailed review of EPA's management of Superfund remedial response contracts, which is in process.

¹The Environmental Protection Agency Should Better Manage Its Use of Contractors (GAO/RCED-85-12, Jan. 4, 1985).

In summary, EPA has partially completed all four initiatives of its Contract Management Improvement Program: (1) increasing resources for contract management, (2) strengthening the project officer system, (3) improving and simplifying the contract management process, and (4) providing for additional technical guidance and assessments. We found that of 40 tasks EPA outlined under the initiatives, 27 are complete, 9 remain in process, and 4 were revised or merged with others. We have highlighted below some of the tasks completed and in process for each of the four initiatives.

1. EPA has increased resources for contract management. Since April 1985, EPA has hired 33 people and converted 22 existing positions to support contract management. Although EPA has generally strengthened requirements, training and certification of contracting officers remains in process. As of September 30, 1986, EPA had fully certified 24 out of 164 major procurement contracting officers. Because of funding constraints for training and the expected addition of new contracting officers to handle the expansion of the Superfund program, the completion date for fully certifying all contracting officers is uncertain, according to EPA officials. (See section 1.)
2. EPA has strengthened its project officer system, but project officer training remains in process. In June 1985 EPA established training, experience, and work load requirements to be met prior to project officer appointment to a contract. As of September 30, 1986, about 564 out of about 5,200 project officers had completed all training requirements. According to the project officer system coordinator, the completion date for training all project officers is uncertain because EPA is revising the training requirements for project officers to eliminate overlap among courses and to address participants' suggestions for improvements. (See section 2.)
3. EPA has completed several tasks that improve and simplify it's contract management process. A two-person EPA study team issued a final report on EPA's contract administration process on September 30, 1986. The report recommended (1) establishing a contract administration organization in the Procurement and Contracts Management Division to serve as a focal point for EPA contracts administration, (2) upgrading contract administrators' functions, performance, and training, and (3) establishing a workgroup to reevaluate and reconstruct

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the roles of project and contracting officers. The Acting Director, Procurement and Contracts Management Division, is reviewing the report's findings and recommendations. (See section 3.)

4. EPA has provided additional technical guidance and assessments by issuing instructions and policy statements on contract award and administration. In 1985 EPA set up a structure to assess internal compliance with contracting policies and procedures and sound contract management. EPA is in the process of reviewing active contracts to determine compliance with contract regulations, policies, and procedures. Reviews to date have identified several deficiencies in post-award contract administration, such as improper file documentation, that have required some type of action on the part of project and contracting officers. (See section 4.)

We discussed the information in this fact sheet with EPA officials and incorporated their comments where appropriate. Although the Acting Director, Procurement and Contracts Management Division, believes that EPA has generally improved its contracts administration, he believes it may not realize results from some of the program tasks for several years because of the time required to implement the new policies and train staff members. In addition, he believes some of the tasks were overly ambitious, and he may revise some of the them, such as project officer training requirements, after assessing the effectiveness of the program.

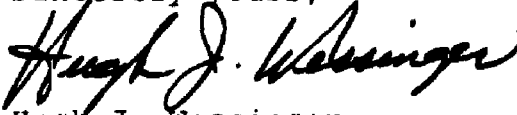
The following sections present information on the status of each program initiative. We have adapted the format in each section from a March 15, 1985, memorandum from the Administrator, EPA, to assistant administrators and regional managers, which outlined the implementation plan for the program. To determine the program's status, we (1) interviewed EPA officials in its Procurement and Contracts Management Division and Cincinnati, Ohio, and Durham, North Carolina, procurement centers who are responsible for implementing the program and (2) reviewed EPA progress reports, task force reports, budget and planning documents, and other related EPA files and studies. Our report addresses only the status of the program's implementation. We have not evaluated the adequacy of the program to address prior concerns with EPA's contracts administration or the results of the program.

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As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this fact sheet until 30 days after the date of this letter. At that time, we will send copies to the Administrator, EPA, and other interested parties and will make it available to others upon request. If you would like further information on this fact sheet, please call me on (202) 275-5489.

Major contributors to this fact sheet are listed in appendix I.

Sincerely yours,

A handwritten signature in black ink, reading "Hugh J. Wessinger". The signature is written in a cursive style with a large, prominent initial "H".

Hugh J. Wessinger
Senior Associate Director

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ABBREVIATIONS

EPA	Environmental Protection Agency
GAO	General Accounting Office
PCMD	Procurement and Contracts Management Division, EPA

SECTION 1

INCREASING RESOURCES FOR CONTRACT MANAGEMENT

A1.0 Objective: Achieve better balance between pressures of contract placement and sound contract administration.

A1.1 Task: Review and approve new position descriptions by April 1985 for contract administrators whose primary function will be managing contracts and initiate actions to convert/hire new personnel as contract administrators.

STATUS: Complete. Position descriptions for contract administrators were completed in March 1985. Hiring and converting actions complete. (See task A2.2.)

A1.2 Task: Review and modify current performance standards of contracting officers by May 1985 to stress contract administration functions.¹

STATUS: Complete. Model standards were put in place in October 1985.

A2.0 Objective: Establish special unit of trained contract specialists to oversee contract management and stress contract administration. Strengthen training programs for contracting officer certification programs to provide appropriate tools for contract management.

A2.1 Task: Review and approve structure of organization by May 1985 to provide oversight of project officers and support contract management efforts.²

STATUS: Complete. On August 20, 1985, EPA reorganized its Procurement and Contracts Management Division (PCMD) to focus responsibilities in contract

¹Contracting officers are agency officials authorized to commit the government to a contract and to modify contract terms. They provide contract management.

²Project officers are agency program officials who initiate procurement actions for other than small purchases, evaluate contractor proposals, and act as technical representatives of the contracting officer for monitoring contract performance after award.

administration functions. Effective October 1, 1985, EPA created a contracts management section in its headquarters procurement operations branch to oversee, support, and supplement the contract management efforts of individual contracting officers. The chief of the contracts management section estimates that the section administers about 60 percent of the active contracts in the headquarters procurement operations branch. Contract specialists manage the other 40 percent. EPA also created a closeout unit in the contracts and management support branch and created a contract administration unit in the Superfund procurement branch for managing solid waste contracts. In March 1986 the chief of the Superfund procurement branch disbanded the unit and placed contract administrators with contracting officers to award and administer contracts as a team. EPA's Cincinnati procurement operations added a contract administration unit and assigns a contracting officer and contract administrator to each contract. EPA's Durham procurement operations assigns two contract administrators to each of its three procurement branches.

A2.2 Task: Transfer current/hire new personnel by June 1985 to perform the contract management oversight.

STATUS: Complete. EPA hired 33 people and converted 22 existing positions to strengthen contract management. Since April 1985 headquarters procurement operations has hired 24 new personnel--9 contract administrators, 12 contract specialists, and 3 procurement analysts, and converted 18 contract specialists and 2 secretaries to contract administrators. EPA's Cincinnati procurement operations added six people to improve contract administration. The Durham procurement operations added three people dedicated to contract administration and converted two existing positions to full-time contract administrators.

In addition, EPA plans to hire up to 100 new contracting officers for Superfund procurement activities beginning in fiscal year 1987, some of which will be contract administrators, according to the chief of the quality assurance section, PCMD.

A2.3 Task: Identify additional training requirements necessary by May 1985 to train contracting officers.

STATUS: Complete. Although EPA's contracting officer certification program was effective April 1, 1984, the program was not fully operational until it became part of the Contract Management Improvement Program in 1985, according to the chief of the quality assurance section. Chapter 8 of EPA's Contracts Management Manual, issued April 1, 1985, sets forth EPA's contracting officer warrant program. (A warrant of contracting officer authority is the authority to bind the government contractually.) The purpose of the program is to establish minimum certification requirements--training and experience--for contracting officers. EPA has three main levels of contracting authority and certification standards. EPA may grant interim certification for up to 2 years if a contracting officer has not completed the required training or attained the required level of experience.

In addition, EPA plans to revise the training requirements for contracting officers in fiscal year 1987 to eliminate unneeded courses and address participants' suggestions for improvements.

A2.4 Task: Identify and request training funds for contracting officers starting in May 1985.

STATUS: Complete. EPA obligated \$58,000 and \$96,768 in fiscal years 1985 and 1986, respectively, and plans to obligate \$75,000 and \$100,000 in fiscal years 1987 and 1988, respectively, for contracting officer training courses.

A2.5 Task: Identify appropriate training sources and make necessary arrangements between April and December 1985.

STATUS: Complete. On May 1, 1985, EPA awarded a 6-month contract with options to extend for 3 years to Management Concepts, Inc., to conduct contracting officer training courses at each of EPA's procurement operations.

A2.6 Task: Establish and maintain a monitoring system by November 1985 to track compliance with contracting officer training requirements.

STATUS: In process. EPA has developed the Automated Information System for Career Management to assist and assess individual contracting officers' career development progress. According to the system's former administrator, as of October 1, 1986, about 95 percent of the individual development plan data have been entered into the system, but because of funding constraints, EPA has been unable to modify the program to build in the necessary security measures to allow EPA personnel direct access to the program as originally planned.

As of September 30, 1986, EPA had fully certified 24 out of 164 major procurement contracting officers. The remaining officers have been granted interim certification. EPA had planned to fully certify all contracting officers by April 1986, but because of limitations in training funds and the expected increase in contracting officers for Superfund procurement beginning in fiscal year 1987, the estimated completion date for fully certifying all contracting officers is uncertain.

A3.0 Objective: Complement procurement resources by upgrading and formally structuring the project officer system to ensure accountability for contract management.

A3.1 Task: Review and modify current project officer delegated responsibilities and authorities between June and December 1985 to ensure proper coverage of contract administration functions.

STATUS: Merged. Actions to address this task are covered in objectives B1.0, B3.0, and B4.0.

A3.2 Task: Beginning in June 1985, tighten existing delegation system with formal appointments of project officers by PCMD to ensure proper training and expertise for all appointed project officers.

STATUS: Merged. Actions to address this task are covered in objectives B1.0 and B2.0.

SECTION 2

STRENGTHENING THE PROJECT OFFICER SYSTEM

B1.0 Objective: Provide formal appointments of project officers to ensure proper qualifications for contract management function.

B1.1 Task: Establish training, experience, and work load requirements to be met prior to project officer appointment. Issue procedural instruction on appointment process by June 1985.

STATUS: Complete. Chapter 7 of EPA's Contracts Management Manual, issued June 14, 1985, establishes the policies and procedures effective in January 1986 for a phased-in project officer certification program. In order to serve on an EPA contract, a project officer must successfully complete required training courses, be designated by their program office, and be appointed by the Director, PCMD. According to the manual, all project officers, work assignment managers, and delivery order officers must complete a basic project officer training course and a contracts administration course by April 1988.¹ In addition, the Contracts Management Manual sets forth experience and work load limitations. For each level of experience, there is a limitation on the size of an individual contract as well as a limitation on the total value of all contracts that may be monitored at any one time.

The Director, PCMD, may waive certification requirements and experience and work load limitations when unusual or compelling circumstances exist. As of November 12, 1986, the director had granted six waivers. For example, on October 24, 1986, the director waived

¹A delivery order officer is an agency program official with a warrant of contracting officer authority to issue orders to contractors under fixed price indefinite quantity/indefinite delivery or fixed rate indefinite quantity/indefinite delivery contracts. A delivery order officer monitors the performance of a delivery order after its issuance. A work assignment manager is an agency program official who prepares written directions to contractors under cost-reimbursable, level-of-effort contracts. A work assignment manager monitors contractor performance of the directive and works under the direction and control of a project officer.

the work load limitations for 28 work assignment managers in region I working on Superfund remedial response contracts because their work load exceeded the established standards.

In addition, PCMD is revising the new certification and training requirements for project officers, work assignment managers, and delivery order officers. (See tasks B4.1 and B4.2.)

B2.0 Objective: Ensure the continuity of project officer assignments to contracts so that contract management is consistent and judicious.

B2.1 Task: Between June and December 1985, establish and implement instructions requiring PCMD notification and approval prior to reassignment of a project officer.

STATUS: Complete. As part of the project officer certification program, effective January 1986, project officers must submit a separate notification form with each acquisition package certifying that they meet the training requirements and experience and work load limitations. Certifications must be signed by the project officer's division director. Any change in the designation of individuals on a particular contract requires resubmission of the form to the appropriate contracting officer for concurrence.

B2.2 Task: Develop a program by June 1985 to monitor program office compliance with requirements for gaining approval prior to reassignment.

STATUS: Complete. Chapter 7 of EPA's Contracts Management Manual provides for PCMD reviews of program office compliance with project officer certification requirements, including reassignment notification, which became effective in January 1986. PCMD conducts such reviews as part of its contract administration reviews. (See task D5.1.) According to the chief of the quality assurance section, program offices are complying, for the most part, with the project officer certification requirements.

B3.0 Objective: Establish criteria for position descriptions and performance standards for project officers responsible for major procurements to ensure that

program offices place proper emphasis on contract management.

B3.1 Task: Establish and approve criteria by June 1985 for position descriptions and performance standards for all project officers, which require that major emphasis be placed on contract administration.

STATUS: Complete. The model position descriptions and performance standards, which were approved June 14, 1985, as part of chapter seven of EPA's Contracts Management Manual, address contract administration duties. According to the manual, project officers must certify that they have incorporated contract management criteria in their position descriptions and performance standards when appointed to a contract.

B3.2 Task: Have all position descriptions and performance standards in place for all EPA project officers by January 1986.

STATUS: Complete. The EPA Contracts Management Manual required position descriptions and performance standards for current project officers to be in place by January 1, 1986; the standards for newly appointed project officers are to be in place within 30 days after appointment. According to PCMD officials, program offices have put position descriptions and performance standards in place for project officers. On March 17, 1986, the director of personnel issued personnel management memorandum 511-58 directing program offices to include contract project officer duties in position descriptions and performance standards.

B3.3 Task: Develop a program by June 30, 1985, to monitor project office compliance with position description and performance standard requirements.

STATUS: In process. According to the PCMD coordinator of the project officer certification program, PCMD relies chiefly on project officers' self-certifications to monitor program office compliance with implementing position descriptions and performance standards. PCMD reviews project officer certification forms when conducting contract administration reviews. (See task D5.1.) However, Personnel Management Division officials say they have been unable to

monitor program office implementation of memorandum 511-58 because PCMD has not provided a complete list of all EPA officials subject to the certification requirements.

B4.0 Objective: Strengthen training programs for project officer certification program to provide the appropriate tools for contract management.

B4.1 Task: Identify additional training requirements necessary by May 1985 to train project officers.

STATUS: Complete. To provide appropriate contract administration emphasis and additional training to project officers, PCMD revised its project officer certification program on June 14, 1985, to require a 3-day contract administration course in addition to a 5-day basic project officer course, and extended certification requirements to work assignment managers and delivery order officers. PCMD also has a 1-day contract administration supervisory course for supervisory project officers and a 1-day ordering officer course for work assignment managers and delivery order officers to provide instructions on preparing, issuing, and monitoring work assignments and delivery orders.

In addition, PCMD is revising the training requirements for project officer certification. Beginning in fiscal year 1987, work assignment managers and delivery order officers will no longer be required to take the basic project officer training course, although PCMD still encourages these individuals to take the course because portions of it are applicable to their duties. In addition, PCMD is reducing the project officer course from 5 days to 3.5 days to focus mostly on pre-award activities. According to the Acting Director, PCMD, EPA is revising project officer training and certification requirements to eliminate overlap of courses and address participants' suggestions for improvements.

B4.2 Task: Beginning in May 1985, identify and request training funds for project officers.

STATUS: Complete. EPA obligated \$56,456 and \$126,733 in fiscal years 1985 and 1986, respectively, for the project officer training course. EPA personnel conduct the contracts administration courses

in-house, according to EPA officials. Beginning in fiscal year 1987, the Office of Administration and Resource Management, of which PCMD is a part, will stop contributing to the financing of the project officer training course. PCMD has requested \$80,000 from the program offices to finance the project officer training course in fiscal year 1987.

B4.3 Task: Identify appropriate training sources and make necessary arrangements between April and December 1985.

STATUS: Complete. On January 15, 1986, EPA awarded a 9-month contract with options to extend for 2 years to Management Concepts, Inc., to conduct the project officer training course at designated EPA locations. EPA exercised option one on September 12, 1986. EPA personnel started teaching the contracts administration course in December 1985 and the supervisory course in March 1986.

B4.4 Task: Establish and maintain a monitoring system for all project officer training requirements by November 1985 to ensure that all requisite training is taken.

STATUS: In process. In December 1985 PCMD initiated a project officer record system to automatically track project officer progress in meeting training requirements. EPA has been entering current data but has a backlog of data to enter. PCMD hopes to have all the backlogged data entered by April 1987.

Although the exact numbers are uncertain, PCMD officials estimate that EPA has about 2,000 project officers and about 3,200 work assignment managers and delivery order officers. Through the end of fiscal year 1986, about 3,048 of these approximately 5,200 staff members have taken the project officer training course, about 935 have taken the contracts administration course, and about 120 have taken the contracts administration supervisory course. In addition, about 532 staff members have taken the ordering officer course. According to the project officer system coordinator, about 564 staff members have taken both the project officer and contracts administration training courses as of September 30, 1986. EPA is planning to offer 27

project officer classes for 700 staff members and
32 contracts administration classes for 1,000
staff members in both fiscal years 1987 and 1988.

SECTION 3

IMPROVING AND SIMPLIFYING THE CONTRACT MANAGEMENT PROCESS

C1.0 Objective: Conduct a comprehensive review of EPA's contract management process to strengthen, simplify, and streamline it.

C1.1 Task: Develop a statement of work and procurement request by April 1985 for comprehensive review.

STATUS: Revised. In June 1985 EPA decided not to contract for a study because of funding constraints. Beginning in March 1986, two EPA staff members from outside PCMD were temporarily detailed full-time to conduct a review of EPA's contract administration process.

C1.2 Task: Award a competitive contract by October 1985 for the comprehensive review by a recognized authority.

STATUS: Revised. (See task C1.1.)

C1.3 Task: Complete the review and study recommendations by February 1986 for improving the contract management process.

STATUS: Complete. Final report issued September 30, 1986. On the basis of confidential interviews with contract specialists, contract administrators, and project officers in EPA's three main procurement operations (headquarters, Durham, and Cincinnati), the analysts found several weaknesses in EPA's contracts administration organization and functions. Among other things, the analysts concluded that contract administration activities lack focus, standardization, and incentives; management of government property under contracts is inadequate; little attention is given to vouchers; and project officers are responsible for certain contract administration management functions, such as cost monitoring, that they are unlikely to perform because they are mostly responsible for the technical progress of a project. The analysts recommended (1) establishing a contract administration organization in PCMD to serve as the focal point for EPA contracts administration, (2) upgrading contract administrator's functions, performance, and training, and (3) establishing a workgroup to

reevaluate and reconstruct the roles of project and contracting officers.

C1.4 Task: Initiate implementation of improvements by March 1986.

STATUS: In process. As of November 25, 1986, the Acting Director, PCMD, is reviewing the contract administration process report. He plans to meet with EPA procurement directors in December 1986 to discuss the report's recommendations and set up workgroups to further examine certain issues. According to the acting director, one of the report's authors will be transferring to PCMD to coordinate implementation of the report's recommendations.

C2.0 Objective: Strengthen role of competition advocate.

C2.1 Task: Assign agency competition advocate by December 1984 to monitor the EPA program to increase competition, attain more definitive statements of work, and provide for more break-out opportunities.

STATUS: Complete. In accordance with the Competition in Contracting Act of 1984, EPA appointed an agency competition advocate in December 1984. The advocate is responsible for challenging barriers to competition and promoting full and open competition. EPA's advocate reviews all program acquisition plans (prior to development of solicitation) over \$5 million and conducts annual functional reviews of EPA's three major contract operations to ensure compliance with the act. The advocate also conducts reviews to ensure that contracting operations comply with federal acquisition regulations for subcontractor selection. The advocate must approve any justification for other than full and open competition between \$100,001 and \$1 million, while EPA's senior procurement executive must approve all justifications over \$1 million. In fiscal year 1986, EPA awarded 95 percent of its contract dollars for contracts exceeding \$25,000 through full and open competition, according to EPA's advocate. EPA's advocate has been working on breaking apart large acquisition requirements into smaller procurements to help remove barriers to competition.

C2.2 Task: Assign competition advocate coordinators in the programs by April 1985 to assist the competition advocate.

STATUS: Complete. By July 5, 1985, EPA assigned 5 associate competition advocates from its 3 major procurement operations and 11 program competition coordinators from its major programs to assist the agency competition advocate, in addition to their usual duties, in removing barriers to competition.

C2.3 Task: Develop and implement performance standards for program coordinators by May 1985 to enhance their responsibilities and make them accountable for improving contract management.

STATUS: Complete. Model standards were developed in March 1985. According to the agency competition advocate, these standards were implemented in July 1985.

C3.0 Objective: Complete steps to install a fast-track contract closeout system to enable the agency to streamline the closeout process.

C3.1 Task: Identify the steps in the closeout process to be streamlined by May 1985.

STATUS: In process. The Director, PCMD, appointed a task force on EPA contracts closeout on June 6, 1985, to identify ways to streamline the contract closeout process. The task force, which issued its final report on August 5, 1985, found, among other things, that

-- 2,100 contracts were in the closeout phase as of July 12, 1985, 706 of which expired prior to September 30, 1981;

-- 30 contractors who had more than 10 contracts in the closeout phase accounted for 753 of the 2,100 contracts (36 percent); and

-- the backlog of expired contracts resulted from the lack of sufficient resources in prior years to do final audits.

The task force recommended, among other things, that EPA devote new resources to address the closeout backlog and centralize the closeout of contracts held by the major EPA contractors.

On March 15, 1986, the Director, PCMD, established new procedures for a one-time project to centralize the closeout of the 753 expired contracts held by the 30 major contractors by December 31, 1986. However, because of funding constraints, EPA has been unable to finance the necessary contract closeout audits by the Defense Contract Audit Agency and has postponed this project. EPA's Office of the Inspector General is identifying additional funding sources for fiscal year 1987 and requesting an increased budget for fiscal year 1988 to fully fund audit needs.

C3.2 Task: Establish and implement the fast-track contract closeout system (quick-closeout procedures) between August and November 1985.

STATUS: Complete. On May 13, 1986, the Director, PCMD, implemented a recommendation from the contract closeout task force report and raised the dollar threshold under which EPA can use quick-closeout procedures to settle indirect costs on cost-reimbursable contracts. Under federal acquisition regulations, a contract administrator may close a contract file prior to obtaining a final audit if a cost-reimbursable contract meets certain conditions set forth in the regulations. The director estimated that a significant number of the 2,100 EPA contracts in the closeout backlog could be closed out under quick-closeout procedures with this revision. As of October 28, 1986, EPA had 2,029 contracts valued at \$1.9 billion in the closeout backlog.

SECTION 4

PROVIDING FOR ADDITIONAL TECHNICAL GUIDANCE AND ASSESSMENTS

D1.0 Objective: Strengthen existing policies/procedures on use of cost-reimbursable contracts to require the use of fixed price and completion form cost-reimbursable contracts whenever feasible.

D1.1 Task: Issue instructions on firm fixed price and completion form contracts by April 1985.

STATUS: In process. On May 10, 1985, the Director, PCMD, issued a memorandum requesting program offices to follow contract management guidelines. Among other things, the director requested project officers to define precisely, where feasible, the requirements to contract on a fixed price basis and call for delivery of end products rather than man-hours when using cost-reimbursable contracts. According to PCMD officials, EPA has had limited success converting cost-reimbursable contracts to fixed price contracts and no measurable success converting term form contracts to completion form contracts because of the nature of the work that is contracted.

On June 27, 1985, the Director, PCMD, appointed a task force to examine the appropriate types of contracts for procuring EPA supplies and services. The task force produced a draft report, but because of problems uncovered during internal review and subsequent personnel changes, the report was never finalized and the task force was dissolved. On November 7, 1986, PCMD officials informed us that the task force is reconvening and expects to issue a report in early 1987.

D1.2 Task: Provide project officer training to develop completion form statements of work by December 1985.

STATUS: In process. As part of the project officer training program, project officers are instructed that fixed price contracts are preferred over cost-reimbursable contracts and that completion form are preferred over term form contracts if conditions permit. See objective B4.0 for information on the status of project officer training.

D2.0 Objective: Strengthen existing policies/procedures on more definitive statement of work and subcontractor consent approval phase to enable more completion form contracts and better cost control of subcontract efforts.

D2.1 Task: Write new or modify current performance standards of project officers and contracting officers to emphasize this area by May 1985 for contracting officers and by January 1986 for project officers.

STATUS: Complete. By October 1985 PCMD revised performance standards in place for contracting officers that covered contract management functions relating to subcontracting. (See task A1.2.) Model performance standards for project officers, effective January 1, 1986, cover obtaining advance clearances for subcontracts. In addition, on June 11, 1985, the Director, PCMD, issued a memorandum to all agency division and laboratory directors on subcontracting guidelines under EPA contracts, stating that in no case may a project or contracting officer direct the prime contractor to use a specific subcontractor.

D2.2 Task: Develop a monitoring system by June 1985 to ensure prime contractor compliance on selection and monitoring of subcontractors.

STATUS: Complete. EPA has several efforts ongoing to monitor subcontractor selections:

- The competition advocate reviews the role of competition when prime contractors award subcontracts. (See task C2.1.)
- The contractor purchasing system review team reviews subcontractor selections. (See task D4.1.)
- The annual functional review team reviews subcontracting selections as part of EPA's internal control reviews required by the Federal Managers' Financial Integrity Act.
- The contract administration review team reviews subcontracting selections made by the prime contractor. (See task D5.1.)

According to the chief of the quality assurance section, although these reviews have found problems with adequacy of subcontract file documentation, they have not found many instances where agency personnel directed subcontractor selection.

D3.0 Objective: Issue cost analysis guide to contracting officers to assist in analysis and monitoring of contract costs during contract selection and performance.

D3.1 Task: Issue the guide by March 1985 to ensure consistency in the cost analysis approach throughout EPA.

STATUS: Complete. PCMD issued the Cost Analysis Guide in January 1985 to all contracting officers. This guide is a reference for contracting officers on contract pricing techniques and provides an understanding of the cost and price analysis function as it relates to the total acquisition process.

D3.2 Task: Investigate further need for contract administration addendum by April 1985.

STATUS: Complete. (See task D3.3.)

D3.3 Task: Develop and issue addendum, if required, by July 1985.

STATUS: Complete. In July 1985 PCMD issued an addendum to the Cost Analysis Guide that included a section on financial monitoring, which is an assessment of a contractor's ability to monitor and control costs incurred under a contract. The addendum outlines procedures for contracting officers to follow in conducting desk reviews of cost type contracts valued between \$1 million and \$5 million dollars. The Acting Director, PCMD, plans to reassess EPA's requirements for conducting these reviews because time constraints have precluded contracting officers from completing many of these reviews.

D4.0 Objective: Issue a guide on contractor purchasing system review and approval to assist in government oversight of prime contractor procurement procedures to ensure subcontractor competition and proper cost accounting systems.

D4.1 Task: Develop and issue the guide for contracting officers' use by May 1985.

STATUS: Complete. In June 1985 PCMD issued the guide for performing contractor purchasing system reviews. As required by Part 44.302 of the Federal Acquisition Regulations, EPA conducts contractor purchasing system reviews to evaluate the efficiency and effectiveness with which contractors spend government funds and comply with government policy when subcontracting. The regulation requires that the government perform a purchasing system review for each contractor whose negotiated sales to the government are expected to exceed \$10 million during a 12-month period. EPA approval of a contractor's purchasing system waives the requirement for a contractor to obtain EPA consent for certain subcontracts.

D4.2 Task: Develop a schedule by May 1985 to perform the reviews at the major EPA contractor facilities.

STATUS: In process. Out of 16 contractors subject to purchasing system reviews, EPA completed 9 reviews in fiscal year 1986 and plans to conduct 6 reviews in fiscal year 1987, but had not established a review schedule as of November 12, 1986. EPA has not yet approved any contractor purchasing systems because the nine contractors reviewed to date are in the process of implementing EPA's recommendations to improve their systems. EPA's purchasing system reviews have identified several deficiencies in contractors' systems. Among other things, EPA has recommended that contractors improve file documentation for subcontracts and other purchases.

D5.0 Objective: Develop structured assessments of contract management performance of project and contracting officers and results of the management function to ensure continuous feedback, identification of concerns, recommendations, and action plans to resolve issues.

D5.1 Task: Develop guide/checklist by June 1985 for monitoring project and contracting officers' contract management performance.

STATUS: Complete. Unit 14 of EPA's Acquisition Handbook, effective January 18, 1985, provides general

guidance on contract administration. The unit highlights contract administration activities and summarizes existing policies and procedures. Effective December 15, 1985, EPA amended unit 14 to require that every contract in excess of \$25,000 contain a checklist in the contract file to document contract administration activities and assist the contracting officer in tracking contractor's progress. The addendum provides a model checklist to follow.

In addition, unit 17 of EPA's Acquisition Handbook, effective November 15, 1985, establishes the reports required for contract management. The unit establishes 10 activities subject to reports, the responsible group for each report, and time frame and follow-up requirements. For example, the unit sets forth requirements for financial monitoring of contracts exceeding \$5 million. A special two-person unit within PCMD conducts financial monitoring reviews of contracts exceeding \$5 million to identify financial problems, assess progress, and ensure contract compliance. The special unit has conducted 49 reviews that have found, among other things, that the government has been invoiced before prime contractors have paid subcontractors. In addition, unit 17 contains a list of 80 contract administration functions and sets standards for satisfactory performance of contract administration duties by contracting and project officers.

D5.2 Task: Schedule assessments as part of internal control reviews currently performed by PCMD by June 1985.

STATUS: In process. On June 11, 1985, the Director, PCMD, issued a contract administration checklist guide for use by the quality assurance section of the procurement policy and quality assurance branch. Some members of this section, commonly referred to as the "Blue Team," conduct regular post-award reviews of all contracts exceeding \$1 million to promote quality contract administration and ensure that EPA receives quality contract products on time and at reasonable prices. The checklist sets forth the primary factors addressed during reviews of contract administration functions performed by contracting and project officers. In addition to these regular reviews, PCMD uses the Blue Team to

perform special reviews of contract management functions.

PCMD's tentative schedule for contract administration reviews indicated that the Blue Team would review 200 contracts by early fiscal year 1987. By the end of fiscal year 1986, the Blue Team had issued 108 reports on 54 of 62 contracts reviewed, one to each project and contracting officer responsible for managing a contract. Reports on eight contracts are in process. The team temporarily suspended activities in the last quarter of fiscal year 1986 to assist with pre-award reviews. Out of 189 remaining contracts subject to review, the team expects to review 100 contracts in fiscal year 1987.

The team has identified several deficiencies in post-award contract management that have required some type of corrective action on the part of project and contracting officers. The team has identified problems with cost and technical monitoring of contractor performance and property management, and adequacy of documentation for subcontractors, consultants, work assignments, and contract modifications.

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