



OFFICE OF INSPECTOR GENERAL

REVIEW OF THE MILLENNIUM CHALLENGE CORPORATION'S PROCUREMENT PROCESS FOR SELECTED COUNTRY PROGRAMS

REVIEW REPORT NO. M-000-15-006-S
AUGUST 12, 2015

WASHINGTON, D.C.



Office of Inspector General

August 12, 2015

Mr. Kamran Khan
Vice President, Department of Compact Operations
Millennium Challenge Corporation
875 15th Street, NW
Washington, DC 20005

This letter transmits our final report on the *Review of the Millennium Challenge Corporation's Procurement Process for Selected Country Programs*. In finalizing the review report, we considered your comments on the draft and included them in their entirety in Appendix II.

The review report contains three recommendations to assist the Millennium Challenge Corporation (MCC) in improving the procurement process by issuing guidance on performing market outreach and developing terms of reference, and by implementing measures to ensure the consistent use of contractor past performance information. After reviewing information provided in response to the draft report, we acknowledge MCC's management decisions on all three recommendations. Please provide evidence of final action on the recommendations to my office.

Thank you and your staff for the cooperation and assistance extended to us during the review.

Sincerely,

/s/

Mark S. Norman
Acting Deputy Assistant Inspector General for Audit
for the Millennium Challenge Corporation

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REVIEW RESULTS

As of September 30, 2014, the Millennium Challenge Corporation (MCC) had entered into large, 5-year grants or compacts. In all, the compacts committed more than \$8.4 billion in support for programs determined by the countries.

Countries with signed compacts set up their own accountable entities, called Millennium Challenge Accounts (MCAs), to manage and oversee all aspects of compact implementation. MCAs solicit, award, and administer procurements for goods, works, and services for the programs in their compacts.

MCAs and their procurement agents also follow MCC's *Program Procurement Guidelines* (PPG) and are responsible for ensuring that all procurements comply with four PPG principles:

1. "Open, fair, and competitive procedures used in a transparent manner to solicit, award, and administer contracts to procure goods, works, and non-consultant services.
2. Solicitations for goods, works, and non-consultant services . . . based on a clear and accurate description of the goods, works, or non-consultant services to be acquired.
3. Contracts shall be awarded only to qualified and capable suppliers and contractors that have the capability and willingness to perform contracts in accordance with the terms and conditions of the applicable contracts and on a cost-effective and timely basis.
4. No more than a commercially reasonable price . . . shall be paid to procure goods, works, and non-consultant services."

OIG conducted this review to (1) identify risks and related internal controls in the MCC procurement process and (2) determine whether selected internal controls identified during the risk assessment were functioning as intended.

Regarding the first objective, OIG identified risks in the procurement process and the controls MCC designed to mitigate them (Appendix III). Examples of risks and controls appear below by principle.

Open, Fair, and Competitive Awards. The risks include procurements that are not widely advertised, limiting potential bidders; procurements tailored to a specific contractor, reducing competition; and contracts awarded to parties that submitted bids after the bid deadline, putting other bidders at a disadvantage. To mitigate these risks:

- MCC requires MCAs to develop a procurement plan that details the title of the procurement, estimated contract cost, and the procurement method to be used. MCAs must submit procurement plans 6 months in advance for approval before beginning procurement actions.
- For procurements above \$100,000, MCC requires MCAs to advertise the procurements in local newspapers, on the MCA Web site, the Development Gateway Market Web site (the world's largest portal for tenders by governments and development agencies), and the United Nations' Development Business Web site.

- MCC discourages overspecification—i.e., requiring more than the standards needed to complete the intended task. MCA procurement agents must verify the specifications and question any suspected overspecification. Recognizing that extraordinary circumstances may require specifications above minimum requirements, MCC requires MCAs to document justification and obtain MCC's approval.
- MCC limits noncompetitive bidding to specific circumstances and dollar thresholds and requires MCA justification and MCC approval.
- MCC requires MCCs to open bids on the same day they are due, or promptly thereafter, to help ensure the integrity of the bidding process. Any bids submitted after the deadline should be disqualified and returned to the bidder.

Clear and Accurate Solicitations. The risks include solicitations that do not clearly and fully describe the work to be done, reducing the number of interested bidders; are not issued in a common international business language, preventing understanding by potential bidders; and are issued in a nonstandard format, complicating bidder response. To mitigate these risks:

- MCC requires that bidding documents¹ be worded to permit and encourage international competition and to set forth clearly and precisely the work to be carried out, the location of the work, the goods to be supplied, the place of delivery or installation, the schedule for delivery or completion, minimum performance requirements, and the warranty and maintenance requirements.
- MCC requires that all advertisements for contracts and notices of contract awards valued at or above \$100,000 be posted in English.
- MCC requires MCAs to use MCC's standard bidding documents for consistency and clarity when establishing contractor requirements.
- In the PPG MCC provides MCAs with guidance on writing the terms of reference.
- MCC requires that all prospective bidders be provided the same information on a timely basis.
- MCC requires that the deadline and location for the opening of submitted bids be specified in the invitation to bid.

Capable and Qualified Contractors. The risks include awards to prohibited parties, selection of contractors by unqualified evaluation panel members, and poor oversight of the contract award process. To mitigate these risks:

¹ Bidding documents include invitations to bid and contract forms with general and specific conditions.

- MCC requires MCAs to conduct reference checks on potential contractors and to check the names of firms and key personnel against suspension and debarment lists.
- MCC requires the procurement agent to verify that members of technical evaluation panels are qualified to evaluate bids.
- MCC must approve all prospective members of the bid review panel for procurements above a threshold amount, depending on the type of procurement.
- MCC must approve bid review reports written by the evaluation panels along with proposed awards for procurements above a certain amount, depending on the type of procurement.

Reasonable Prices. The risks include MCAs paying more than market price for goods and services. To mitigate this risk, MCC requires procurement agents and MCAs to analyze the prices proposed by a contractor, supplier, or consultant to ensure they are fair to both parties.

Regarding the second objective, OIG found:

- MCA procurement controls tested were functioning as intended (page 5). Still, MCC could strengthen some to better meet the four principles. For example, although MCAs complied with requirements for analyzing the reasonableness of prices, MCC could strengthen policies in the areas below.
- Although many U.S. Government agencies have robust plans for market outreach—informing potential bidders of future procurement opportunities—MCC did not have written requirements (page 6). As a result, several MCA procurements had low numbers of qualified bids or failed procurements.²
- MCA terms of reference were not always clear and accurate (page 6). For example, approximately one-third³ of failed procurements in the Philippines occurred because of inaccuracies in the terms of reference, requiring the procurements to be relaunched. Further, an OIG survey of MCA procurement officials for all compacts found MCA respondents had trouble developing terms of reference and wanted additional guidance and training.
- MCAs did not consistently use contractor past performance information (page 7). Not using it increases the risk of selecting a firm with a history of poor performance or delays.

To mitigate the above procurement risks, OIG recommends that MCC:

1. Issue guidance for MCC and MCA entities on market outreach, including planning and documentary requirements (page 6).
2. Issue guidance on the process, roles, and responsibilities of all MCC and MCA officials involved in developing MCA terms of reference (page 7).

² A failed procurement results in the inability to award a contract.

³ Represents less than 1 percent of the total amount of the total procurements conducted as of August 2014 by MCA-Philippines.

3. Implement measures to enforce MCAs' use of MCC's internal Contractor Past Performance Reporting System (page 8).

Detailed findings appear in the following section. Our evaluation of management comments is included on page 9. Appendix I describes the review's scope and methodology. MCC's written comments are included in their entirety in Appendix II.

REVIEW FINDINGS

Controls Tested Were Functioning as Intended

The PPG establishes the principles, rules, and procedures that govern the MCAs' conduct and administration of procurements—purchases of goods, works, and services needed to implement the projects funded by MCC compacts.⁴ MCAs are required to comply with the five PPG controls shown below.

1. Using an approved procurement method. Examples of approved procurement methods are shopping, competitive contracting, quality- and cost-based selection, and direct contracting.
2. Advertising procurements greater than \$100,000 in at least one newspaper of national circulation in the country of the MCA, on the Development Gateway Market Web site, and on the United Nations' Development Business Web site.
3. Verifying that members of technical evaluation panels are qualified to evaluate bids.
4. Verifying that contractors are not on suspension and debarment lists.
5. Conducting a price reasonableness analysis.

OIG tested these internal controls at MCA-Philippines and MCA-Senegal and found that the controls were working as intended. For 48 procurement files reviewed, OIG found that:

- The MCAs were using one of the approved procurement methods listed in the PPG in each of them.
- All 22 procurements above \$100,000 complied with MCC's advertisement requirements.
- Technical evaluation panels were required for 35 procurements, and each file contained resumes of panel members indicating they possessed appropriate qualifications.
- All the files reviewed contained documentation showing MCA confirmed that the names of the contractors and senior managers did not appear on the suspension and debarment lists.
- Of 27 files reviewed for price reasonableness analysis, all contained documents showing the analysis had been performed.

Both MCAs had procurement agent managers who were experienced working with MCAs and MCC to implement the PPG. For example, the procurement agent manager at MCA-Philippines had previously served as the procurement agent manager for MCA-Nicaragua. In Senegal, the procurement agent manager had also served as the procurement agent manager in El

⁴ MCC procurements follow the Federal Acquisition Regulation.

Salvador. That experience helped both MCA-Senegal and MCA-Philippines fulfill MCC's procurement principles.

MCC Did Not Have Written Requirements for Market Outreach

A February 2, 2011, memorandum issued by the Office of Management and Budget stated that market outreach is important to ensure that the government can award a contract at a reasonable price. The memorandum encouraged agencies to develop a plan to facilitate communication between acquisition staff and vendors—i.e., a market outreach plan.

MCC did not require MCAs to have a planned, recorded approach for conducting market outreach, nor did MCC impose any documentation requirements to track outreach efforts. MCC procurement officials acknowledged that they did not know how MCAs planned or kept records of their outreach activities, except that MCA procurement agents were primarily responsible.

The same officials also acknowledged that MCA market outreach efforts were not always sufficient to attract quality bidders. The officials explained that MCC's procurement, technical, and public affairs staff based in Washington, D.C., had tried to organize outreach events highlighting MCA procurements locally and internationally, but they had no official mandate to do so and MCC had limited public affairs resources, so it scaled back their efforts.

Although MCC recognizes the importance of fostering competition during the MCA procurement process, MCC does not have any written requirements or guidance on market outreach.

Without written guidance and requirements on MCA market outreach, MCAs could have inadequate plans, resulting in low numbers of qualified bids or failed procurements. Moreover, MCC does not have a clear understanding of the time or money MCAs spend on these efforts, nor is it able to capture lessons from these efforts to inform current and future MCA procurements.

To address these concerns and strengthen controls over market outreach, OIG makes the following recommendation.

***Recommendation 1.** We recommend that the Millennium Challenge Corporation's Vice President, Department of Compact Operations, issue guidance for the Millennium Challenge Corporation and Millennium Challenge Account entities on market outreach, including planning and documentary requirements.*

Terms of Reference Were Not Always Clear and Accurate

According to the PPG, "solicitations for goods, works, and non-consultant services shall be based on a clear and accurate description of the goods, works, or non-consultant services to be acquired." These guidelines further state that terms of reference should state the objective or purpose of the procurement, provide a clear description of the background and context, clearly describe deliverables and required resources, and provide special guidance for the procurement of monitoring and evaluation services, if warranted.

MCC reported that 75 procurements from ten MCAs had failed. Of 16 procurements in the Philippines, OIG found that 6 had failed because of inaccuracies in the terms of reference.

The procurements failed for a variety of reasons, chief among them terms of reference that lacked clarity and focus. An MCC procurement official said that, in fact, “haphazard, inadequate TORs [Terms of Reference] are the strongest and most frequent reasons for failed procurements.”

Several factors contributed to poorly written MCA terms of reference. The process to develop and finalize MCA terms of reference was informal and without clear timelines. This issue surfaced in MCA procurement officials’ responses to a July 2014 OIG written questionnaire to all active MCAs: respondents said they had trouble developing terms of reference in a timely manner and would like additional guidance and training on it. MCA technical staff and their MCC technical counterparts were primarily responsible for developing terms of reference. MCC and MCA procurement staff provided varying levels of support to their respective technical counterparts.

MCC’s lack of a well-defined process for developing terms of reference led to unnecessary project delays and the inefficient use of MCA and MCC staff time and funds, as MCA procurements had to be relaunched.

***Recommendation 2.** We recommend that the Millennium Challenge Corporation’s Vice President, Department of Compact Operations, issue guidance on the process, roles, and responsibilities of all Millennium Challenge Corporation and Millennium Challenge Account officials involved in developing Millennium Challenge Account terms of reference.*

Country Officials Did Not Consistently Use Contractor Past Performance Information

According to MCC’s PPG, MCAs are required to seek relevant information about potential contractors and consultants during the procurement review and evaluation process. To assist them, MCC’s Contractor Past Performance Reporting System contains information on past and current contractors and suppliers from all MCC countries. It is designed to mitigate the risk of selecting poorly performing firms.

MCA officials were not always using the system, however. In Senegal, only 2 of 13 tested procurement files documented that staff used system information when selecting a contractor. Officials were not consistently using the system because, according to an MCA procurement official, it was too cumbersome and delayed the procurement cycle. To obtain information, an MCA procurement director must send an e-mail to an MCC procurement director with the name of the firm and the names of any key personnel. The MCC procurement director must then log into the system, enter the names, and send any reports to the MCA procurement director, who must then provide them to the technical review panel or technical evaluation panel for consideration during selection.

Consideration of contractors’ past performance information is critical to protecting MCAs from selecting a firm whose previous work was of poor quality or caused delays. By not reviewing that information, MCAs may miss clear warning signs and waste program resources.

Recommendation 3. *We recommend that the Millennium Challenge Corporation's Vice President, Department of Compact Operations, implement measures to enforce the use of the Contractor Past Performance Reporting System by Millennium Challenge Accounts.*

EVALUATION OF MANAGEMENT COMMENTS

MCC agreed with the three recommendations in the draft report and described actions planned or already taken to address them. MCC's comments are included in their entirety in Appendix II. Our evaluation of them follows.

Recommendation 1. MCC agreed with the recommendation and noted actions it had already taken to improve market outreach:

- Included Department of Congressional and Public Affairs staff on MCC compact country teams to support market outreach.
- Hired a director of communications for the Office of the Vice President, Department of Compact Operations, to support market outreach.
- Sought help from the U.S. Department of Commerce to reach out to the U.S. private sector.

MCC also noted actions that it planned to take by July 2016:

- Develop a written market outreach strategy.
- Train MCAs on implementing the market outreach strategy.

OIG acknowledges MCC's management decision.

Recommendation 2. MCC agreed with the recommendation and noted actions that it planned to complete by July 2016. MCC said that it would develop written guidance on preparing good terms of reference and train the MCAs on it.

OIG acknowledges MCC's management decision.

Recommendation 3. MCC agreed with the recommendation and said it would require MCC procurement directors, when they visit MCAs, to determine MCAs' compliance with using the Contract Past Performance Reporting System. The directors will be expected to document and follow up on their determinations.

OIG acknowledges MCC's management decision.

SCOPE AND METHODOLOGY

Scope

We conducted this review in accordance with the generally accepted government auditing standards in Chapter 3 of *Government Auditing Standards* and with the documentation, evidence, and finding development standards in Sections 6.56 through 6.82. They require us to obtain sufficient, appropriate evidence to provide a reasonable basis for our review objective. We believe that the evidence obtained provides that reasonable basis.

Although OIG's MCC Performance Audits Division and the External Financial Audits Division have previously reviewed and reported on MCA procurements as part of their work, this was the first holistic OIG review of MCC's program procurement framework to assess risks from the procurement planning phase through contract award.

The objectives of the review were to (1) identify the risks and related internal controls in the MCC procurement process and (2) determine whether the internal controls were working as intended.

The review covered MCC's 11 active compacts: Burkina Faso, Cabo Verde II, Georgia II, Indonesia, Jordan, Malawi, Moldova, Namibia, Philippines, Senegal, and Zambia.

We conducted this review from July 14 to November 25, 2014, at MCC headquarters in Washington, D.C. We also conducted field visits to MCA-Philippines and MCA-Senegal from August 18 to 26, 2014, and from August 25 to September 4, 2014, respectively, to determine compliance with the PPG.

In planning and performing this review, we interviewed and surveyed MCC, MCA, and other in-country officials knowledgeable about MCC's program procurement. We also analyzed relevant MCC and MCA procurement documents to understand the processes and controls to ensure that contract awards were made in accordance with principles set forth in the PPG.

Methodology

To answer the review objective, we did the following:

- Reviewed relevant MCC program procurement policies, procedures, and guidance, including MCC's PPG, to understand the MCC program procurement principles and the MCA procurement cycle from planning to award phase, including identifying risks and related internal controls.
- Interviewed MCC procurement officials to understand MCC's program procurement processes and their inherent risks.
- Surveyed MCA procurement officials at 11 MCA entities to identify potential risks to MCC program procurements.
- Interviewed a procurement official from USAID to obtain information on its procurement practices.

- Conducted a gap analysis comparing PPG requirements to identified risks.
- Developed a risk assessment matrix for the four principles outlined in the objective of this review and the internal controls for each.
- Judgmentally selected two countries for field visits based on findings from prior OIG reports, information obtained from the OIG Hotline, OIG analysis of MCC procurement performance reports, and discussions with MCC officials. The results of testing cannot be projected to the intended population because of our judgmental selection.
- Reviewed the MCA procurement operations manuals for MCA-Philippines and MCA-Senegal to identify internal controls as well as discrepancies between policies and procedures outlined in the manuals and MCC's PPG.
- Developed a data collection instrument to field-test MCA procurement files.

During the field visits, we performed the following:

- Selected a stratified random sample of MCA procurement files from the following: (1) sole-source procurements, (2) the five highest-value procurements, (3) procurements requiring MCC review, and (4) procurements not requiring MCC review. We reviewed all sole-source procurements in each country because of their high risk for abuse. We also reviewed the five highest-value procurements in each country, given their importance for compact implementation. We divided the remaining procurements into those with and those without MCC review to determine whether MCC's involvement in procurement changed the level of compliance with MCC's guidelines. The results of testing cannot be projected to the intended population because the sample was judgmentally selected.
- Conducted field-testing of MCA procurement files to verify compliance with the MCC PPG. This involved collecting data from sample project files, such as the dates on which the bid was advertised, submitted, evaluated, and approved, along with a summary of the results. In MCA-Philippines, we tested 29 of 287 files (10 percent). In MCA-Senegal, we tested 19 of 145 files (13 percent). The results of testing cannot be projected to the intended population.
- We tested the quality of MCA procurement data by comparing them with information in MCC procurement performance reports.
- We analyzed documentation related to bid challenges and protests, failed procurements, and misprocurements.⁵
- We interviewed officials with MCC resident country missions and MCAs, including the procurement agent and fiscal agent, to identify MCA procurement challenges, assess risks and determine if improvements could be made to MCA procurement processes to mitigate them, and understand specific MCA procurement actions.

⁵ A misprocurement does not accord with the compact, PPG, or procurement plan.

MANAGEMENT COMMENTS



July 23, 2015

MEMORANDUM

To: Mark S. Norman
Acting Assistant Deputy General for Audit
For the Millennium Challenge Corporation

From: Kamran Khan /s/
Vice President, Department of Compact Operations

Subject: MCC's Response to OIG's Draft Audit Report on the "Review of Millennium Challenge Corporation's Procurement Process for Selected Country Programs"

The Millennium Challenge Corporation (MCC) appreciates the opportunity to respond to the Office of Inspector General's (OIG) draft audit report, "Review of Millennium Challenge Corporation's Procurement Process for Selected Country Programs." The following constitutes the management response.

1. Review Findings: MCC did not have written requirements for market outreach.

OIG Recommendation #1. *We recommend that Millennium Challenge Corporation's Vice President, Department of Compact Operations, develop and implement written guidance for Millennium Challenge Corporation and Millennium Challenge Account entities on market outreach, including planning and documentary requirements.*

MCC Management Response #1: MCC concurs with this recommendation. While market outreach is part of the statement of work for the procurement agents, their efforts have been uneven so far, primarily because of (a) absence of the written requirements and guidance from MCC, and (b) heavy workload of the procurement teams of the MCAs.

In recent months, MCC has focused its efforts on increasing market awareness of MCC's procurement opportunities. MCC has been directly engaging with the private sector community both in the U.S. and overseas and has been training and encouraging MCAs to do the same. Further, MCC has recently embedded staff from its Department of Congressional and Public Affairs department into the MCC compact country teams and has hired a Director of

Communications into the Office of the Vice President for Compact Operations to support market outreach efforts. MCC has started engaging with the US Department of Commerce, seeking their help in reaching out to the US private sector, and MCC procurement experts have started joining MCC Senior Management public media events to specifically discuss and respond to procurement inquiries. The first such event took place in Chicago on April 27, 2015, during the MCC Chief Executive Officer's visit there.

In response to OIG's recommendation and to complement ongoing efforts described above, MCC will develop a written market outreach strategy and train the MCAs in implementing this strategy and documenting its implementation by July 2016.

This constitutes MCC management decision for this recommendation.

2. Review Findings: Terms of Reference were not always clear and accurate.

OIG Recommendation #2. *We recommend that Millennium Challenge Corporation's Vice President, Department of Compact Operations, issue written guidance on process, roles, and responsibilities of all Millennium Challenge Corporation and Millennium Challenge Account officials involved in developing Millennium Challenge Account terms of reference.*

MCC Management Response #2: MCC concurs with this recommendation. The terms of reference (TORs) development is both an art and science, and is a complex undertaking by any agency or individual. However, this task gets vastly more complicated in the context of MCC's five year implementation timeline; in this context, a high-quality contractor is to be hired through open and fair international competition within a fairly short timeframe. In such environment, it is not surprising that TORs are often unclear and ambitious. MCC has been conducting training programs for MCAs on this topic through class-room methods as well as through hands-on support when reviewing their TORs. But this process takes a relatively long time, which is not available in MCC's implementation model.

In response to OIG's recommendation, MCC will further strengthen its training efforts. MCC will develop written guidance on preparing good TORs, and will roll out training for active MCAs. This Action will be completed by July 2016.

This constitutes MCC management decision for this recommendation.

3. Review Findings: Country Officers did not consistently use Contractor Past Performance Information.

OIG Recommendation #3. *We recommend that Millennium Challenge Corporation's Vice President, Department of Compact Operations, implement measures to enforce the use of Contractor Past Performance Reporting system by Millennium Challenge Accounts.*

MCC Management Response #3: MCC concurs with this recommendation. MCC maintains a Contractor Past Performance Reporting System (CPPRS) database where all MCAs are required to regularly submit their review of a contractor (frequency is as specified in the CPPRS

Guidance note). This database is well organized for searching a firm, but the data is not complete as it is dependent upon the MCAs providing the information to MCC.

MCC Program Policy Guidelines and Standard Bidding Documents make it mandatory for the MCAs to check the CPPRS database during an evaluation process. This mandatory requirement is by and large followed by the MCAs for all large contracts. MCC will incorporate enforcement of CPPRS compliance in each visit of the MCC Procurement Directors, which will be documented in trip reports and be followed up after each trip. This action will be completed by December 2015.

This constitutes MCC management decision for this recommendation.

Thank you again for the opportunity to share our comments on the draft report. If you have any questions or require any additional information, please contact Mr. Prabhat Garg, Program Procurement Practice Lead, at 202-521-3715.

RISK ASSESSMENT TABLES

Procurement Principle Evaluated	Risk Exposure
Open, Fair, and Competitive Awards	Low
Potential Impact	
<p>There may be collusion between buyer and vendor. Specifications may be tailored to a bidder, therefore reducing open and fair competition.</p>	
Procurement Risk	
<p>MCA's lack an overall procurement policy and guidance.</p> <p>MCA changes the procurement method after MCC's approval.</p> <p>MCA divides a contract into small packages to circumvent MCC approval.</p> <p>MCA does not widely advertise the specific procurement notice—for example, by posting the advertisement in a local rather than a national newspaper.</p> <p>The period between the advertisement and the bid submission deadlines is very short.</p> <p>The cost to obtain bidding documents is prohibitive.</p>	
MCC Risk Mitigation Measures	
<p>MCC has developed PPG and guidance documents for the MCAs.</p> <p>MCC must approve the procurement plan before procurements are launched.</p> <p>MCC requires MCAs to obtain prior approval from MCC before dividing contracts into smaller packages.</p> <p>MCC requires MCAs to advertise the procurements for a reasonable amount of time.</p> <p>MCC requires the MCAs to amend their procurement plans when MCAs make changes to planned procurements.</p> <p>MCC requires MCAs to advertise the procurements in local newspapers, on the MCA Web site, the Development Gateway Market, and the United Nations' Development Business Web site for procurements above \$100,000.</p>	

Procurement Principle Evaluated	Risk Exposure
Clear and Accurate Solicitations	Medium
Potential Impact	
Poorly written specifications may result in failed procurements.	
Procurement Risk	
<p>Specifications stipulate the use of a brand name without stating "or equivalent."</p> <p>Specifications are significantly narrower or broader than in similar previous procurement actions.</p> <p>Overspecification (i.e., specification that exceeds what is needed to complete the intended tasks) is not justified and documented.</p> <p>MCA's do not use standard bidding documents (i.e., use nonstandard documents that do not contain all the requirements).</p>	
MCC Risk Mitigation Measures	
<p>MCC requires that standards and technical specifications promote the broadest possible competition. The procurement agent is responsible for verifying the specifications and questioning any potential overspecification, recognizing that in extraordinary circumstances, specifications must exceed the minimum requirements.</p> <p>MCC requires MCAs to use the standard bidding documents. MCAs must seek approval from MCC when they make a material change to the standard bidding documents.</p> <p>MCC gives MCAs guidance on writing and reviewing the terms of reference.</p>	

Procurement Principle Evaluated	Risk Exposure
Capable and Qualified Contractors	Medium
Potential Impact	
MCAs may hire an unqualified and incapable contractor.	
Procurement Risk	
<p>The technical evaluation panel members do not have the knowledge and experience to evaluate the bids.</p> <p>No one vets the subcontractors that the potential bidders will use against the suspension and disbarment lists.</p> <p>The bidder who is awarded the contract appears on suspension and debarments lists or has past performance issues.</p> <p>The technical evaluation panel is too large or dominated by a single individual impeding sound decision making.</p> <p>Members of the technical evaluation panel are affiliated with the bidders.</p> <p>MCC or an MCA procurement director is involved in evaluating bids.</p> <p>Bidder submits false or forged audit reports.</p>	
MCC Risk Mitigation Measures	
<p>MCC requires that each panel member be technically qualified to evaluate the bidder; to that end, the procurement agent must approve the panel members. MCC requires that all panel members and observers sign a declaration of impartiality and confidentiality.</p> <p>MCC requires MCAs to verify that contractors do not appear on suspension and debarment lists.</p> <p>MCC requires MCAs to seek relevant information about potential contractors and consultants during the procurement review and evaluation process, and MCC gives MCAs guidance on how to do that.</p> <p>MCC must approve the bid review report along with the proposed award for procurements above a threshold, depending on the type of procurement.</p>	

Procurement Principle Evaluated	Risk Exposure
Reasonable Price Contract Awards	Medium
Potential Impact	
MCAs may pay higher prices than necessary when awarding a contract.	
Procurement Risk	
<p>Charges for goods, works, and services are inflated.</p> <p>The cost estimates or market research is out of date.</p> <p>MCAs do not complete a price reasonableness analysis of the winning bidder.</p> <p>Cost estimates do not reflect current market prices.</p> <p>The budget for procurement is not realistic.</p>	
MCC Risk Mitigation Measures	
<p>MCC provides MCAs guidance on how to conduct a price reasonableness analysis.</p> <p>MCC requires procurement agents and MCAs to perform a price reasonableness analysis of winning bids.</p>	

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