U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

December 14, 1999

MEMORANDUM FOR M/OP, Rodney W. Johnson

FROM: IG/A/ITSA, Theodore P. Alves

SUBJECT: Audit of the Effectiveness of USAID's Contractor Performance Evaluation Program (Audit Report No. A-000-00-001-P)

The Federal Acquisition Streamlining Act of 1994 (FASA) requires Federal agency officials to consider the past performance of contractors as one factor when evaluating proposals for most competitively negotiated new contracts. FASA requires agencies, including USAID to evaluate contractors' performance, make the evaluations available to officials responsible for awarding new contracts, and use the evaluations as one factor when determining whether to award new contracts to that contractor.

This report finds that the Management Bureau's Office of Procurement (M/OP) has not implemented an effective program to evaluate contractor performance as required by FASA. Less than ten percent of the evaluations that should have been completed were completed and many were not completed in a timely manner. Evaluations were also not readily available to officials responsible for awarding new contracts. Although M/OP does consider past performance when awarding new contracts,[1] the limited information available leads to a lack of assurance that it obtains the best value when awarding new contracts. These deficiencies exist because M/OP has not implemented an adequate system of management controls and has not clearly assigned responsibility and authority to ensure that evaluations are completed.

This report contains four recommendations. We considered management comments on a draft of this report and included the comments in Appendix II. Management generally concurred with the report's findings and agreed to implement Recommendation Nos. 1, 3, and 4. Regarding Recommendation No. 2—to assign a single manager responsibility to ensure that the evaluation process operates effectively—management agreed to clarify responsibilities, but prefers to assign responsibility throughout M/OP. Because it is unclear to us whether this approach would correct the problem, we do not believe a management decision has been made for Recommendation No. 2. We plan to discuss this recommendation further with M/OP officials and hope to agree on a final management decision on Recommendation No. 2 within 30 days of the date of this report.

Thank you for the cooperation and assistance provided to our auditors during this audit.

[1] USAID obtains limited past performance information by talking to officials responsible for administering prior contracts identified by the contractor in the proposal. Because the contractor chooses the contracts to identify, this information may not be representative of the contractor's overall performance.

Background

In 1974, Congress passed "The Office of Federal Procurement Policy Act", or Public Law 93-400, which created the Office of Federal Procurement Policy (OFPP) and placed it in the Office of Management and Budget (OMB). OFPP was created, among other things, to provide Government-wide procurement policies to be followed by all Executive agencies. In October 1994, the President signed into law the Federal Acquisition Streamlining Act, or Public Law 103-355, to revise and streamline the acquisition laws and implemented extensive changes to Federal acquisition processes. The Congress determined that past contractor performance is a relevant consideration when awarding contracts because past performance is an indicator of how a contractor will perform on a subsequent contract. As a result, the Act directed the OFPP's Administrator to establish guidance for executive agencies considering a contractor's past performance. The OFPP Administrator has established a requirement for agencies to evaluate contractor performance and use past performance information in the contractor selection process by issuing Policy Letter No. 92-5 in December 1992. The OFPP's Administrator issued guidance that included (1) standards for evaluating past performance, (2) policies for collecting and maintaining information on past performance, and (3) policies for ensuring the consideration of the offerors' past performance in the selection of contractors.

By May 1995, OFPP had also revised the FAR, and issued a guide describing best practices for considering contractor past performance.[2] The revised FAR, subpart 42.15, established policies and procedures agencies are required to follow to implement the past performance evaluation system required by FASA. Among other requirements, these revisions called for each agency to establish, by July 1, 1995, a past performance reporting system for most competitively negotiated contracts in excess of $1 million. By the same date, each agency was to begin using past performance as a source selection factor for all competitively negotiated solicitations exceeding $1 million unless waived by the contracting officer. Beginning in January 1998, agencies were required to evaluate performance, as well as consider contractor performance for all negotiated contracts exceeding $100,000.

At USAID, M/OP is responsible for implementing the contractor performance evaluation process. The process, as described in M/OP's Contract Information Bulletin (CIB) 97-28 requires annual and final evaluations of past performance for all competitively negotiated contracts exceeding $100,000. The bulletin states that both the Contracting Officer (CO) and the Contracting Officer's Technical Representative, referred to as the Cognizant Technical Officer at USAID (CTO) share responsibilities for completing contractor evaluation reports. In addition, the evaluation report form calls for input from both the CO and CTO. Overall, each CO is responsible for ensuring that evaluation reports are completed for contracts under their authority and for forwarding completed evaluation reports to the M/OP past performance database manager.

The past performance database manager is responsible for making copies of the completed evaluation reports available to procurement officials during the source selection process. With

[2] Guide to Best Practices for Past Performance, Interim Edition, Office of Federal Procurement Policy, May 1995.

this information, the CO's and source selection teams[3] are to consider contractor past performance as a non-cost factor when evaluating the quality of the product or service for negotiated competitive acquisitions over $100,000.[4] Specifically, the source selection team is to use the evaluation reports as (1) an indication of the contractor's ability to perform the contract successfully, and (2) a basis for making meaningful comparisons among competing proposals.

Audit Objective

- **Has USAID implemented an effective contractor performance evaluation program as required by the Federal Acquisition Streamlining Act of 1994?**

To answer the objective, we designed the audit to evaluate whether USAID collected the appropriate performance information, processed it promptly into a past performance database, and used it to evaluate prospective contractors for new work. The audit was conducted in accordance with generally accepted government auditing standards. A full description of the scope and methodology is contained in Appendix I.

Audit Findings

USAID Lacks an Effective Contractor Performance Evaluation Program

This report concludes that M/OP has not implemented three fundamental requirements of an effective contractor performance evaluation program. First, only about nine percent of the evaluation reports that should have been completed actually were completed. Second, many of the reports were not completed in a timely manner. Third, the completed evaluation reports were not readily available to officials responsible for awarding new contracts. Because M/OP has not implemented this legislative requirement, USAID lacks assurance that it is obtaining the best value when M/OP awards new contracts.

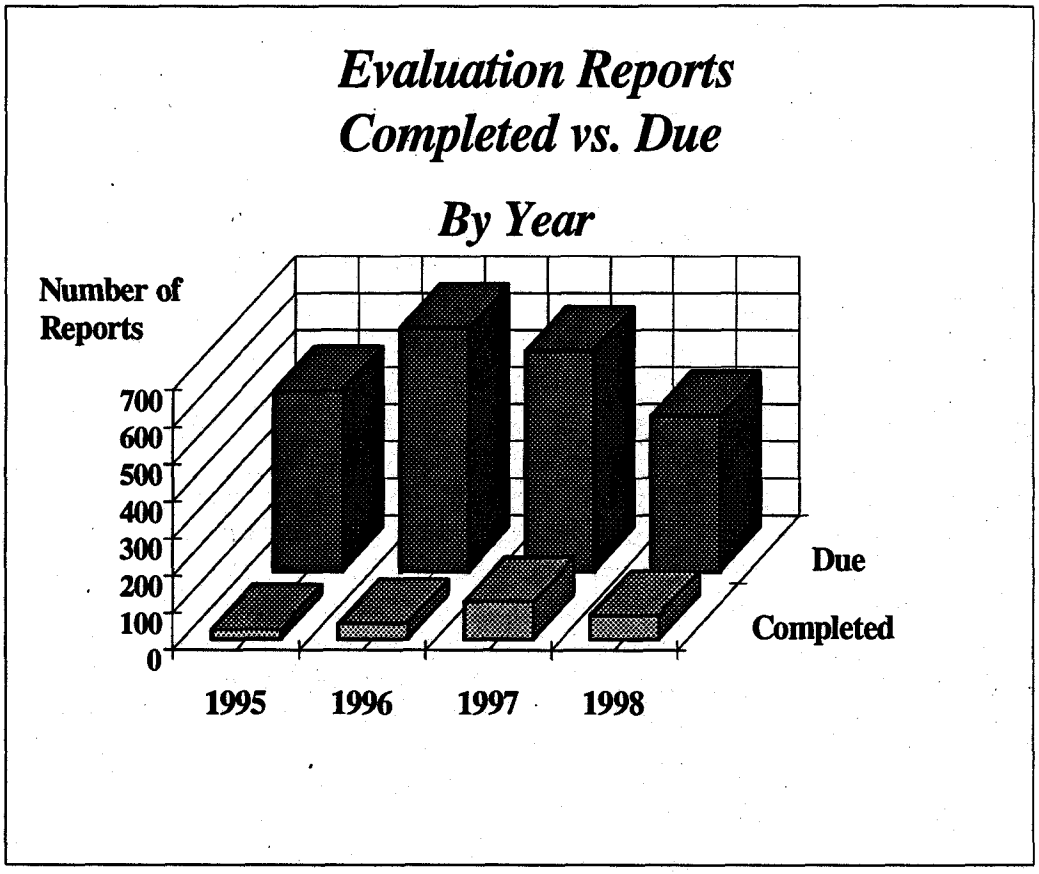
[3] Source selection teams consist of the contracting officer, the contracting officer's technical specialist(s), and the contract specialist.

[4] At the beginning if our audit, the OFFP Letter 92-5 required agencies to prepare evaluations of contractor performance for contracts in excess of $1 million. However, this threshold dropped to $100,000 beginning in January 1998.

Few Evaluations Completed

As of December 31, 1998, CO's had completed less than ten percent of the contractor past performance evaluation reports that should have been completed for contracts covered by FASA and the FAR. USAID had at least 921 active contracts, valued at $1 million or more, during the period from July 1995 through December 1998. Based on FASA requirements and FAR Subpart 42.15, M/OP should have prepared 2,156 interim or final evaluation reports for those active contracts. However, only 199 of the 2,156 required reports—about nine percent—had been completed and entered into USAID's past performance system.[5]

The following chart below compares completed evaluation reports to the total number of reports for contracts valued at $1 million or more due by year.



[5] Our estimate that about nine percent of the required evaluation reports were completed is conservative. The actual percent completed is less than nine percent. This is because our calculation of the number of evaluations that should have been completed only considered contracts that exceeded $1 million, which was the requirement at the beginning of the audit. However, the number of evaluation reports contained in the database as of December 31, 1998, includes some evaluations of contracts valued between $100,000 and $1 million.

Evaluations Not Completed in a Timely Manner

USAID's standard for completing contractor performance evaluation reports and entering them into its agency-wide past performance system is 70 days from the end the evaluation period. However, M/OP actually took 245 days, on average, to complete the reports. One report required as many as 950 days to complete. Some other reports took more than 730 days to complete. Using a less stringent standard of 90 days from start to finish, we found that only about 25 percent (49 of the 199) of the reports we analyzed met USAID's standard. Our analysis of M/OP's timeliness in completing evaluation reports and entering them into the system identified three key phases in the process where excessive time was required.

- The number of elapsed days from the end of the evaluation period until the evaluation report was signed by the CO averaged about 183 days, with one report requiring as many as 935 days to be signed.

- Excessive delays were encountered between the time the COs signed off the reports and the date the report was entered into the office's past performance system. The elapsed time averaged about 95 days. One report took as long as 811 days to be entered into the system.

- On average, the amount of time most contractors were allowed to review and respond to evaluation reports was 34 days or slightly more than the standard time allowed of 30 days. However, one contractor was allowed 329 days to review and comment on an evaluation report.

Some of M/OP's timeliness issues are attributable to the office's lack of sufficient guidance regarding differing opinions between the contracting officer and bureau officials, final review authority, and closeout requirements. For example, one bureau had a large number of evaluation reports being processed that were not finalized and entered into the system because of unresolved issues resulting from differing opinions. Because M/OP's guidance does not adequately address the resolution of differences of opinion within specified timeframes, many of these reports have gone back and forth between M/OP and the bureau.

USAID Lacked System to Organize and Report Evaluation Results

The completed evaluation reports were also not readily available to officials responsible for awarding new contracts. This is because M/OP has not established an information system that makes the reports accessible to source selection teams. M/OP stores the reports in a Word Processing system. The word processing program is designed to prepare and store individual documents and is not well suited to manipulate large data sets or files or producing management reports expeditiously. However, because word processing systems are not designed to make data available to large numbers of people, source selection teams have limited access to the information. M/OP has taken steps to implement an alternative system to make this information available, but at the conclusion of our audit, the system had not yet been fully utilized.

The contractor past performance review database manager is responsible for maintaining the evaluation reports and making them available to source selection teams when they are evaluating contractor proposals. When evaluation reports are completed, they are forwarded to the database manager by E-Mail. The database manager then stores the reports in a word processing system subdirectory or folder. The table of contents for the subdirectory is available to source selection officials on the USAID Intranet. Source selection officials are supposed to identify relevant evaluation reports by reviewing the table of contents and then request the database manager to forward a copy of the evaluation report.

However, this filing system provides little information to identify evaluation reports for specific contractors. Contracting officials wishing to access evaluation reports must first "decode" the file name for the evaluation reports contained in the database. After decoding the file name, contracting officials can obtain information such as the contract number, the year the evaluation was completed, and whether the report is an interim or final evaluation. However, other critical information, including the name of the contractor, the evaluation period covered by the report, the contract amount, the nature of work evaluated, and the evaluation results, is not available from the table of contents. Even the database administrator has limited access to important information. For example, to identify all evaluation reports for an individual contractor, the database manager would have to open every evaluation report and read the contents. Because source selection officials also cannot identify individual contractors from table of content information, they are only able to identify reports for past contracts that have been cited in the contractors' current proposal.

The excerpt on the next page, taken from an image on USAID's Intranet web page, illustrates the difficulty facing individuals wishing to identify evaluation reports for specific contractors.

PAST PERFORMANCE INFORMATION
Contractor Evaluation Reports in the Past Performance Database

Sample of Files in Past Performance Database

18105202.f97	18105205.f96	18106333.i97	26300032.i96	26303057.f97
26303063.f97	26303064.f97	26304016.i96	26305016.i97	26305061.no2
26305105.i96	26306050.i97	26309096.i97	27806544.i97	aot02178.i97
4925089.i97	51904082.i97	60806007.i97	64107254.i98	dhr01078.i95

NOTE: The file name for the evaluation reports contained in the Past Performance Database are formed by taking the first three digits of the contract number plus "0," adding one digit for the fiscal year the contract was awarded, and the last three digits of the sequence number. For contracts, the three-digit extension to the file name includes an "i" for interim or an "f" for final plus the fiscal year in which the evaluation was performed. For task or delivery orders, the extension includes a "t" or a "d" plus the number of the order.

Using a spreadsheet we developed during this audit to perform some data analyses, M/OP officials were able to perform limited analyses of its portfolio of completed evaluation reports. M/OP officials told us they also posted the spreadsheet on the Intranet so source selection officials can now identify specific contractors with completed evaluations. Although this spreadsheet application is an improvement over the existing word processing-based system and offers more analytical capability, it is still not suitable for this type of application because the past performance report data is extremely vulnerable to instant destruction with a single keystroke.

During this audit, USAID took additional steps to implement an effective information system by subscribing to the National Institute of Health's (NIH) Contractor Performance System. The Internet-based system is expected to provide procurement officials with easy and secure access to contractor past performance information, as well as past performance information from eight other government agencies that also use the system. Since November 1998, NIH data entry specialists have transcribed the USAID database of about 300 contractor evaluation reports from the word processing files to the NIH system. In addition, NIH computer specialists have conducted training on the use of the system for many of M/OP personnel.

Although the NIH system is an improvement over the word processing system that USAID has used in the past, it is unlikely that M/OP will significantly increase its use of the newer system. As of September 1999, although about 90 percent of the authorized users within M/OP had been trained on the new system, only a few of USAID's program and mission personnel had been either trained to use it or were actually using the system to record past performance data. The

database manager continues to receive evaluation reports in the word processing system format and must forward the reports to NIH to be transcribed into the new system. Until all of USAID's contracting personnel at M/OP, the bureaus, and the missions receive training and are required to use the new system, it is unlikely that USAID will be able to strengthen its performance evaluation program significantly. Because many bureau and mission personnel have not been trained to use the new system but are responsible for evaluating contractors for new awards, those personnel may not have full access to past performance information when awarding new contracts.

Evaluation Reports Not Used in Awarding New Contracts

Because only about nine percent of the evaluation reports were completed and because completed reports were not readily available to officials evaluating contractors for new awards, few evaluation reports are used in making new awards. M/OP officials agreed that evaluation reports are not generally used in awarding new contracts. However, they pointed out that because procurement officials talk to other government officials who are familiar with the contractor's past performance, USAID does still consider past performance when awarding new contracts. Our review of a limited number of contract files, confirmed that, for the files reviewed, M/OP officials stated they had considered past performance when evaluating proposals.

USAID requires that contracting officers consider past performance when awarding new competitive contracts valued at more than $1 million. Contractors are requested to identify five to ten completed or ongoing contracts that are similar in nature to the current proposal and to identify points of contact for those contracts. CO's evaluating proposals are required to contact these points of contact if no past performance evaluation reports are available.

To identify the extent to which past performance evaluation reports were used in awarding new contracts, we analyzed contract files for nine USAID/Washington contracts, valued $1 million or more, that were awarded between July 1, 1995 to December 31, 1997. The nine contracts accounted for about eight percent of USAID Washington contracts awarded during that time. The files did, however, confirm that contractor past performance was included as an evaluation factor in all nine solicitations. In addition, the negotiation memoranda, which documents the evaluation process and result, indicated that contractor past performance was considered in making final selections and awards. However, although the negotiation memoranda stated that past performance was considered, none of the nine contracts contained evidence that any evaluation reports were used as part of the evaluation process.

M/OP Officials Have Not Implemented Adequate Management Controls

M/OP has not implemented an effective program to collect, organize, and use information on the past performance of its contractors because it has not established formal policies and procedures that include an adequate system of management controls. Specifically, rather than maintaining an up to date agency directive, documenting USAID's formal system of management controls, M/OP has relied on less formal information bulletins and notices. In addition, USAID policies and procedures do not assign responsibility and authority or establish other controls that ensure (1) contracting officers complete the evaluation reports in a timely manner, and (2) the reports are made available to source selection teams.

USAID's formal acquisition and assistance policy and procedures are incorporated into the Automated Directives System (ADS), Chapter 302. However, USAID did not establish a formal Agency policy regarding contractor past performance until October 1998. Until then, M/OP provided interim guidelines in a series of bulletins and notices describing the process procurement officials should follow to evaluate and report contractor past performance. According to USAID policy, bulletins should be used to implement new procurement requirements prior to formal amendment of USAID's ADS. However, USAID did not incorporate past performance requirements into its ADS until three years after they were required. Federal regulations (FASA and FAR Subpart 42.15) required agencies to establish a process to evaluate contractor performance by July 1995. According to two procurement officials we spoke with, bulletins and notices are more informal and advisory in nature than the official ADS requirements. These officials believe the informal nature of the requirement was one reason COs and CTOs did not completed evaluation reports in a timely manner.

In addition, USAID did not establish clear lines of authority to ensure that evaluations are completed. According to GAO's standards for internal control in the federal government, agencies are required to establish controls—policies, procedures, and activities—to ensure that programs are carried out efficiently, effectively, and in compliance with laws and regulations and that funds are protected from loss and misuse. One internal control standard calls for management to establish an environment that is supportive of effective controls. This includes establishing clear lines of authority and responsibility to accomplish operating objectives. Another standard calls for establishment of control activities to ensure that management's directives are carried out. These control activities include a review of operations and a comparison of actual results to expected performance by management officials.

USAID, however, has not met these internal control requirements. To illustrate, USAID policies and procedures do not clearly delegate line authority and responsibility to a manager, or establish other control activities, to ensure that the past performance program is implemented effectively. The bulletins call for COs to complete evaluation reports for contracts for which they are responsible. It also makes the database manager responsible for entering completed evaluations into the past performance evaluation system and making them available to procurement officials on request. However, the bulletin does not designate a management official to be responsible for ensuring that contracting officers complete the evaluation reports or that the reports are made available to procurement officials considering new awards. Because no manager has been

assigned the authority and responsibility to review operations of the contractor performance evaluation program and to compare actual results to expected performance, M/OP management has not ensured that evaluations are completed and made available to source selection officials.

Conclusion

M/OP has not implemented an effective Contractor Performance Review Program. As a result, USAID is not in compliance with FASA or the FAR. In addition, USAID cannot be assured that M/OP selects superior contractors and avoids using poor performing contractors. Furthermore, because M/OP does not routinely evaluate contractor performance, USAID contractors have little incentive to strive for excellence.

USAID needs to ensure compliance with legislative and regulatory requirements concerning contractor past performance in order to enhance its ability to improve contractor performance and cost effectiveness. If USAID is to derive the maximum benefit from its contractor performance evaluation program, it must give the program priority by clearly communicating to all acquisition team members the importance of gathering and using past performance information, and by clarifying management's responsibility to oversee program activities.

Recommendations

To ensure that USAID implements an effective contractor past performance evaluation program, we recommend that the Director, Bureau for Management, Office of Procurement:

Recommendation No. 1: Incorporate up to date Federal Acquisition Streamlining Act (FASA) and Federal Acquisition Regulations (FAR) contractor performance evaluation requirements into USAID's Acquisition Regulations (AIDAR) and Automated Directives System (ADS) as policy and essential procedures.

Recommendation No. 2: Assign an Office of Procurement manager clear responsibility and line authority for ensuring that the contractor past performance evaluation process is operating effectively. The assigned manager should ensure that required evaluation reports are completed in a timely manner and that the reports are made available to and used by source selection teams.

Recommendation No. 3: Provide adequate training on the contractor evaluation process to responsible Agency personnel, including program, bureau, and mission personnel.

Recommendation No. 4: Consider identifying contractor past performance deficiencies as a material internal control weakness in the Office of Procurement's annual Federal Managers' Financial Integrity Act submission to the Assistant Administrator for Management.

Management Comments and Our Evaluation

In responding to a draft of this report, M/OP stated that it shares our concern about implementation of more effective contractor past performance reporting and improved usage in the contractor selection process. The response pointed out that our audit covered the years 1995 to 1998. Management stated that it has subsequently taken action to correct most of the deficiencies by adopting the NIH system and, until the system is fully implemented, adopting interim measures to cope with most of the deficiencies associated with the current system. M/OP also acknowledged that responsibilities need to be more clearly stated, citing the fact that the contracting officer is ultimately responsible for evaluating the contractors performance and resolving disagreements with program and contractor personnel.

This response does not accurately present the current situation or address several deficiencies described in our report that still exist. First, although USAID has adopted the NIH system, it is still not fully implemented. (See page 7 of this report.) Further, although our analysis of evaluation reports covered the period July 1, 1995 through December 31, 1998 (see page 4 of this report), we confirmed that the situation had not changed at the conclusion of our audit work. In fact, during a meeting on October 1, 1999 to discuss the findings, M/OP officials agreed that the problem still existed and that few of the required evaluations were being completed. The comments also do not address the fact that the evaluations have not been completed in a timely manner. (See page 5 of this report.)

Responding to Recommendation No. 1, which calls for M/OP to incorporate FASA and FAR requirements into USAID's regulations, management stated it agreed with the recommendation and plans to update the ADS and AIDAR by June 2000. Consequently, we believe that management has made a decision to implement this recommendation. Management also pointed out that our draft report did not recognize that a policy regarding the program had been issued in October 1998. We revised the report to reflect this fact.

Regarding Recommendation No. 2, to clarify responsibility and authority, management recognized the need to improve responsibility and authority for ensuring that the program operates effectively and agreed with the intent of the recommendation. However, management requested that we modify the recommendation to allow authority and responsibility to be spread throughout M/OP rather than with a single manager. Although we are encouraged that M/OP has agreed that responsibility and authority should be clarified, we are not sure that the problem can be corrected if responsibility is spread throughout the organization. Effective management requires clear lines of authority and responsibility, which seems inconsistent with M/OP's planned approach. Although we do not want to dictate the specific organizational structure selected, additional information is needed about management's plans before concluding that M/OP has made a decision to implement this recommendation.

Regarding Recommendation No. 3, to provide adequate training on the contractor evaluation process to responsible personnel, management agreed to implement the recommendation. Commenting on Recommendation No. 4, management agreed with the recommendation that M/OP consider reporting the program as a material FMFIA weakness.

Based on these comments, management has made final management decisions to implement Recommendation Nos. 1, 3, and 4. USAID's Office of Management Planning and Innovation (M/MPI) should be advised when final action is completed.

SCOPE AND METHODOLOGY

Scope

The scope of this audit included an examination of USAID's interim (annual) and final Contract Performance Reports, and the extent to which they were used in the source selection process. We conducted this audit from April 1998 through October 1999 in accordance with generally accepted government audit standards.

In examining the interim and final evaluations, we reviewed contracts (except those related to personal services, construction and architect/engineering services) valued in excess of $1 million which were active during the period July 1, 1995 to December 31, 1998. We used this group of contracts to determine the extent to which interim and final past performance evaluation reports were prepared and the lapsed times for each phase to final processing

USAID records show that at least 921 contracts within the scope of this audit were active during the period July 1, 1995 to December 31, 1998. These contracts were valued at $9.2 billion. Although we did not verify the accuracy of these records, we did analyze the Office of Procurement's past performance system by comparing the completed interim and final past performance reports in the system to USAID's contracts valued at $1 million or more.

The original implementing regulations established a phase-in schedule in which the thresholds were lowered from $1 million to $500,000 in July 1996 and to $100,000 in 1998. However, this threshold was never fully implemented and on December 18, 1996, the Office of Federal Procurement Policy suspended this schedule temporarily to work out problems with timing and data collection. Finally, as of January 1, 1998, the threshold was fixed at $100,000. However, the audit uses the $1 million threshold because this threshold was the operative one during most of the period under audit.

Methodology

We examined the relevant laws, regulations, and implementing guidance to gain a general understanding of how the program should work and associated management controls. We also interviewed the USAID's Past Performance Database Manager and reviewed the applicable files. Based on information obtained, we selected the specific topics and developed an appropriate methodology for a detailed audit. The topics included whether USAID collected the appropriate performance information, processed it promptly into a past performance database, and used it to evaluate prospective contractors for new work.

In examining the past performance report process, we interviewed selected contracting officials in USAID's Office of Procurement and the Bureau for Europe and New Independent States and analyzed the content of the USAID Office of Procurement's past performance reporting system. We obtained a listing of contracts that fell within the scope of the audit, and determined how many interim and final Contract Performance Reports (past performance reports) should have been prepared. We compared the results of this test with those already included in the system and assessed how well USAID complied with reporting requirements. We then analyzed how promptly these reports were processed by comparing the actual processing times with USAID standards.

In examining the source selection process, we reviewed a representative judgmental sample of contracts, valued at $1 million or more, awarded by USAID Washington offices from July 1995 through December 1998. For the contracts selected, we analyzed the extent to which past performance reports were used for solicitations by determining whether: (1) solicitations indicated that past performance would be an evaluation factor, (2) negotiation memoranda described how contractor past performance was considered in making the final selection and award, and (3) the contract file contained evidence that past performance information used in making the award came from a past performance report.

U.S. AGENCY FOR
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NOV 19 1999

MEMORANDUM FOR IG/A/ITSA, Theodore P. Alves

FROM: M/OP/OD, Kathleen J. O'Hara

SUBJECT: Draft Audit of USAID's System for Collecting and Using Contractor Past Performance Information (Draft Audit Report No. A-000-00-001-P)

Thank you for the opportunity to comment on your draft audit report on USAID's contractor past performance reporting. We share your concern for the implementation of more effective past performance reporting and its improved usage in the agency's contractor selection processes. We want to thank the IG/A/ITSA audit team for its efforts, including the valuable informal suggestions and assistance that have helped us to improve this function to date.

The audit covers the period 1995 to 1998, when we were using an inadequate past performance system to store data. We recognized that shortcomings existed and adopted the NIH Contractor Performance System last year. The NIH system, to which we subscribed in October, 1998, is a state of the art system that makes Contractor Performance Reports from over a dozen Federal agencies immediately available to USAID contracting personnel world-wide, via a secure internet connection. This system is well on its way to becoming the Government standard for this function. It has been nominated for the Ford Foundation/Harvard University "Innovations in American Government" Award.

We are migrating from the predecessor system as rapidly as personnel can be trained on the new system, and in the meantime, we have adopted interim measures to cope with most of its deficiencies. Still, we recognize that timely compliance with the reporting requirements needs to be improved, and we acknowledge that we need to more clearly state responsibilities. For example, the contracting officer is ultimately responsible for the evaluation and rating of the contractor's performance, including resolution of disagreements with program and contractor personnel.

Our management decisions are conveyed below:

Recommendation 1: Incorporate FASA and FAR contractor performance evaluation requirements into USAID's regulations (AIDAR and ADS) as policy and essential procedures.

Discussion: The draft report attributes some of the deficiencies in agency past performance reporting to our implementation of the system through the use of Contract Information Bulletins (CIBs) rather than the ADS. Historically, CIBs have been our established means for

implementing new procurement requirements prior to formal amendment of acquisition regulations (ref ADS 302.5.2). The draft audit report does not recognize that past performance reporting and its use in source selection were documented in ADS 302.5.9 and 5.10 on October 23, 1998. Also, additional revisions to ADS Chapter 302 and AIDAR 742.15, reflecting USAID's adoption of the NIH system, have been prepared and will be published in the next revisions to these directives early next year. Copies of this ADS Chapter 302 and AIDAR 742.15 coverage were furnished to IG/A/ITSA on September 24, 1999. The CIB coverage on the subject will be maintained concurrently with the ADS and AIDAR coverage for the foreseeable future to provide contracting personnel with the level of detail they need.

Management Decision: We agree with the recommendation. We will request closure when the next updates to ADS 302 and AIDAR 742.15 are published, containing all higher authority requirements, information on the new NIH system, improved responsibilities, and additional policies/procedures that will enhance timeliness of reporting and the effectiveness of the Contractor Performance Review Program. Our target completion date is June, 2000.

Recommendation 2: Assign clear responsibility and line authority to an OP manager for ensuring that the contractor past performance evaluation process is operating effectively. The assigned manager should ensure that all required evaluation reports are completed in a timely manner and that the reports are made available to and used by source selection teams. This manager should also ensure that USAID has the ability to monitor the effectiveness of the contractor past performance evaluation program.

Management Decision: While we recognize the need to improve authorities and responsibilities associated with the contractor performance program, we have not yet decided how to most effectively and efficiently accomplish this. We agree with the intent of the recommendation, but request that it be revised to provide us the flexibility we need to assign responsibilities and authorities for effective operation of the system throughout M/OP, rather than with a single manager. We will request closure of this recommendation when authorities and responsibilities are sufficiently developed. Our target completion date is June, 2000.

Recommendation 3: Provide adequate training on the contractor evaluation process to responsible Agency personnel including program, bureau, and mission personnel.

Discussion: USAID entered into agreement with NIH to participate in its Contractor Performance System effective October 1, 1998. Forty-nine users were instructed in its operation and given access through in-house individual tutorials and classes on the NIH campus between November 5, 1998, and February 22, 1999. Classes conducted in USAID training facilities (after completion of IRM's Windows 95 implementation) and in USAID missions from April 20, 1999, through November 18, 1999, trained an additional 121 USAID employees. The training schedule has been extended through May, 2000, with four sessions per month. Virtually all M/OP operational staff that routinely require access to the NIH system have been trained and given access to it. Program personnel, who have limited access to the NIH

system in their role in the process, will be trained as quickly possible. Until then, they will provide off-line ratings of contractor performance, using the January, 1999, edition of AID Form 1420-66. This form collects data in the same format as the NIH system, and will allow for prompt and easy transcription of their reports into the NIH system.

It was anticipated that training for mission contracting officers would be offered during our world-wide conference in the Spring of 1999, and they in turn would brief their staff upon return to post. However, we were unable to hold the conference. Instead, we offer the training to contracting officer personnel whenever they pass through Washington, and on a limited basis, by M/OP on TDYs in the field. Fourteen of 40 mission contracting officers and 11 of an estimated 120 PSC contracting office staffers have been trained and given access to the system. Those not yet trained have been instructed to continue use of the prior reporting system in the interim, utilizing the revised USAID form. We hope to train the remaining personnel and provide them access to the system at our contracting officers' conference next Spring.

We will take steps to incorporate the CTO's role in past performance evaluation under the NIH system into the agency's one-week CTO training course to provide ongoing training of these personnel.

Management Decision: We agree with the recommendation. We will request closure when training efforts are substantially complete, which should occur by June, 2000.

Recommendation 4: Consider identifying contractor past performance deficiencies as a material internal control weakness in M/OP's annual Federal Managers' Financial Integrity Act (FMFIA) submission to the Assistant Administrator for Management.

Management Decision: We agree with the recommendation. We will request closure following the FY2000 FMFIA process, which should occur by December, 2000.