

Acquisition Planning and Execution Strategy

(Report No. 04-043, September 29, 2004)

Summary

This report presents the results of the Federal Deposit Insurance Corporation (FDIC) Office of Inspector General's (OIG) audit of the FDIC's acquisition planning and execution strategy. The objective of this audit was to determine whether the FDIC's program offices and contracting officials adequately planned acquisitions. Specifically, we determined whether: (1) a requirements package was developed to define the requirements, schedule, funding parameters, and overall approach to the acquisition; (2) the appropriate type of contract had been selected to fulfill the FDIC's requirements; and (3) a Statement of Work (SOW) had been prepared containing an adequate definition of the scope, deliverables, and other requirements to fulfill the FDIC's needs and protect its interests.

We concluded that the FDIC's acquisition planning process did not always result in efficient, effective, economical, and timely procurements. Ineffective planning resulted in contract modifications and bridge contracts, which extended contract terms. Without improvements in these areas, the FDIC could experience procurement cost increases, schedule delays, inadequate contractor performance, and deliverables that do not meet the FDIC's needs. Additionally, for some procurements, contracting officers delegated contracting authority to program offices through the use of task assignments rather than using completed and detailed SOWs. Furthermore, the task assignments were signed by oversight managers who did not have warranted contracting authority. We also found that the use of certain contract terms and task assignments gave the appearance of oversight manager supervision and control over contractor personnel, which could result in the associated contracts being construed as prohibited personal services contracts.

Recommendations

We recommended that the Director, Division of Administration (DOA), revise the *Acquisition Policy Manual* to require:

- (1) Acquisition plans for each large (over \$100,000) or complex procurement. The plans should address all the technical, business, management, and other considerations that will control the acquisition, such as the specific need to be addressed, performance period and requirements, milestones for the acquisition process, cost, type of contracting vehicle to be employed, sources and source selection, and security.
- (2) Acquisition teams to be headed by the program office and composed of: a program office sponsor, project manager/oversight manager, procurement official and representatives from the Legal Division, Division of Finance, and facilities (when appropriate) to coordinate all aspects of the acquisition from commencement to contract award, including selecting the type of contract that will best ensure that the FDIC's requirements for goods and contractor performance are met.

- (3) Minimal use of contract modifications and bridge contracts to ensure adequate competition.

We also recommended that the Director, DOA:

- (4) Establish procedures for DOA's Acquisition Services Branch to document the resolution of Legal Division comments prior to issuing Requests for Proposal or awarding contracts for large (over \$100,000) or complex procurements.
- (5) Require contracting officers to review prior and pending contracts, task assignments, and task orders that are susceptible to being personal services contracts to determine whether there is contract language that may constitute a personal services contract.
- (6) Modify those contracts identified as personal services contracts to ensure that day-to-day supervision of the contractor and its employees is vested with the contractor.
- (7) Require contracting officers to periodically observe or interview FDIC and contractor personnel that are associated with labor hour contracts to ensure that contractor employees are not receiving daily supervision from FDIC personnel.

Management Response

On September 21, 2004, the Director, DOA, provided a written response to the draft report. DOA management has completed corrective action that adequately addresses recommendations 1 and 2. Therefore, we considered these two recommendations resolved, dispositioned, and closed. Management's planned corrective actions are responsive to recommendations 3 and 4, but they will remain undispositioned and open until we have determined that the agreed-to corrective actions have been taken and are effective.

DOA disagreed with our finding and associated recommendations 5 through 7 regarding prohibited personal services contracts. After receipt of management's response, we discussed our recommendations further with management. Management proposed alternative actions that address the intent of our recommendations. We consider recommendations 5 and 6 resolved, but they will remain undispositioned and open until we have determined that the agreed-to corrective actions have been taken and are effective. We consider recommendation 7 resolved, dispositioned and closed.

This report addresses issues associated with sensitive contractor information. Accordingly, we have not made, nor do we intend to make, public release of the specific contents of the report. However, we will release publicly a version of this report that has sensitive contractor information redacted.