



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

The U.S. Department of the Interior Needs To Improve Support for Price Reasonableness Determinations and Justifications for Sole-Source Awards

This is a revised version of the report prepared for public release.



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Memorandum

To: Megan Olsen
Director, Office of Acquisition and Property Management

SEP 30 2021

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From: Chris Stubbs *Chris Stubbs*
Director, Office of Financial and Contract Audits

Subject: Final Audit Report – *The U.S. Department of the Interior Needs To Improve Support for Price Reasonableness Determinations and Justifications for Sole-Source Awards*
Report No. 2020-FIN-008

This report presents the results of our audit of U.S. Department of the Interior (DOI) sole-source contract awards. We audited 80 sole-source contracts, with a total value of \$170,363,072, awarded by four DOI bureaus in fiscal year 2019 to determine whether contracting officers (1) adequately supported their price reasonableness determinations, (2) obtained certified cost or pricing data when required, and (3) adequately justified their decisions to award the contracts on a sole-source basis. Additionally, for contracts awarded as sole-source small business set-asides, we determined whether they complied with FAR § 52.219-14, “Limitations on Subcontracting.”

We offer a total of seven recommendations to help the DOI improve price reasonableness determinations and sole-source justifications: four to the Office of Acquisition and Property Management, one jointly to the Bureau of Indian Affairs (BIA) and the Bureau of Land Management (BLM), one to the BIA, and one to the BLM. Based on the responses to our draft report, we consider Recommendations 1, 2, 5, and 7 resolved but not implemented, and Recommendations 3 and 6 unresolved. For Recommendation 4, the status is split: it is resolved and implemented for the BIA and resolved but not implemented for the BLM.

We will refer Recommendations 1 – 7 to the Office of Policy, Management and Budget for resolution and implementation tracking and to report to us on their status. In addition, we will notify Congress about our findings, and we will report semiannually, as required by law, on actions you have taken to implement the recommendations and on recommendations that have not been implemented. We will also post a public version of this report on our website.

If you have any questions, please contact me at 202-208-5745.

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Results in Brief

What We Audited

We audited 80 sole-source contracts, with a total value of \$170,363,072, awarded by four U.S. Department of the Interior (DOI) bureaus in fiscal year 2019 to determine whether contracting officers (1) adequately supported their price reasonableness determinations, (2) obtained certified cost or pricing data when required, and (3) adequately justified their decisions to award the contracts on a sole-source basis. Additionally, for contracts awarded as sole-source small business set-asides, we determined whether the contracts complied with FAR § 52.219-14, “Limitations on Subcontracting.” We selected the awarding bureaus—the U.S. Geological Survey (USGS), Bureau of Indian Affairs (BIA), National Park Service (NPS), and Bureau of Land Management (BLM)—based on their high quantity of sole-source contracts and the contracts’ associated dollar values.

What We Found

We found that contracting officers at all four bureaus did not prepare adequate price reasonableness determinations for 42 contracts in our sample, valued at \$112,205,125. We also found two contracts, cumulatively valued at \$41,844,042, awarded by USGS and NPS contracting officers without obtaining certified cost or pricing data from the contractors, as required. In addition, while contracting officers generally prepared adequate sole-source justifications, improvements are needed to prevent mistakes. Contracting officers at the BIA and the BLM did not adequately support their sole-source justifications for 11 contracts, valued at \$8,371,857.

Contracting officers also need to improve oversight of contracts awarded as small business set-asides. Of the 33 contracts that were small business set-asides, contracting officers at the BIA, NPS, and BLM did not ensure 6 contracts, valued at \$8,248,233, complied with the governing “Limitations on Subcontracting” clause in the Federal Acquisition Regulation.

Why This Matters

A sole-source contract can be awarded more quickly than a typical competitive contract and has lower administrative costs. Despite their benefits, sole-source contracts limit competition and can prevent the U.S. Government from obtaining the best products and services to meet its requirements. Sole-source contracts can also cause the Government to pay unreasonably high prices due to the lack of price competition. The Government can mitigate these risks by justifying the use of sole-source contracts in writing and by conducting thorough price analysis.

As a result of the deficiencies we found, the DOI has a higher risk of not receiving the best products and services, as well as a higher risk of overpaying for products and services. Because of the inadequate documentation we found, contracting officers on future contracts will not be able to effectively use these contract files for price analysis.

What We Recommend

We offer seven recommendations to help the DOI improve price reasonableness determinations and sole-source justifications. Based on the responses to our draft report, we consider Recommendations 1, 2, 5, and 7 resolved but not implemented, and Recommendations 3 and 6 unresolved. For Recommendation 4, the status is split: it is resolved and implemented for the BIA and resolved but not implemented for the BLM. We will refer Recommendations 1 – 7 to the Office of Policy, Management and Budget for resolution and implementation tracking.

Introduction

Objectives

We audited 80 sole-source contracts awarded by four U.S. Department of the Interior (DOI) bureaus in fiscal year (FY) 2019 to determine whether contracting officers:

- Adequately supported their price reasonableness determinations
- Obtained certified cost or pricing data when required
- Adequately justified their decisions to award the contracts on a sole-source basis

Additionally, for contracts awarded as sole-source small business set-asides, we determined whether the contracts complied with Federal Acquisition Regulation (FAR) § 52.219-14, “Limitations on Subcontracting.”

Our audit scope and methodology are detailed in Appendix 1.

Background

In FY 2019, the total value of all DOI contracts awarded was \$3,933,235,498. Of this amount, the DOI awarded \$761,395,798 (or 19 percent) via noncompetitive sole-source contracts.¹ The majority of the DOI’s sole-source contracts were awarded by four bureaus—the U.S. Geological Survey (USGS), Bureau of Indian Affairs (BIA), National Park Service (NPS), and Bureau of Land Management (BLM), which together awarded \$445,348,189 (58 percent) of the sole-source contracts. To build our sample for this audit, we selected 20 contracts from each of these bureaus based on dollar value.

A sole-source contract can be awarded more quickly than a typical competitive contract and has lower administrative costs. FAR § 6.3 establishes limited situations in which contracting officers may award contracts on a sole-source basis. For example, a sole-source contract may be permissible when the vendor is the only one available at the specific time to provide the needed goods or services. The contracting officer must justify the use of the sole-source contract in writing and obtain the required level of approval.

Despite their benefits, sole-source contracts limit competition and can prevent the U.S. Government from obtaining the best products and services to meet its requirements. Sole-source contracts also put the Government at risk of paying unnecessarily high prices because full and open competition is typically the best way to ensure that a contract price is reasonable. Without competition, contracting officers must rely on other price analysis techniques to analyze proposed contract prices.

¹ Governmentwide, from 2013 to 2017, one-third of all contract obligations were made via sole-source contracts, according to the U.S. Government Accountability Office.

During the process for awarding sole-source contracts, contracting officers must adhere to the FAR, which governs the acquisition process for executive branch agencies, as well as the DOI Acquisition, Assistance, and Asset Policy (DOI-AAAP).

Findings

We selected and reviewed a sample of 80 sole-source contract files from the USGS, BIA, NPS, and BLM. We found deficiencies in the documentation of price reasonableness determinations and sole-source justifications. These deficiencies cause vulnerabilities in the procurement process that may result in the Government not receiving the best products and services or paying unreasonably high prices for products and services.

We found that contracting officers at all four bureaus did not consistently prepare adequate price reasonableness determinations for 42 of the sole-source contracts, valued at \$112,205,125. Specifically, we found 11 contracts with incomplete or erroneous price analysis, 29 contracts with inadequate comparisons to other contract prices, 16 contracts with inadequate independent Government cost estimates (IGCEs), 6 contracts with inadequate comparisons to price lists, 1 contract with \$16,089 in funds that could have been put to better use, and 1 contract that was overfunded by \$5,000.² See Appendix 2 for a summary of monetary impact of the questioned costs, which total \$21,089.

We also found two contracts, cumulatively valued at \$41,844,042, awarded by USGS and NPS contracting officers without obtaining certified cost or pricing data from the contractors, as required.³

In addition, while contracting officers generally prepared adequate sole-source justifications, improvements are needed to prevent mistakes. Contracting officers at the BIA and the BLM did not adequately support their sole-source justifications for 11 contracts, valued at \$8,371,857. Specifically, we found five contracts with inadequate sole-source justifications, three contracts without required approval for sole-source justifications, one poorly planned follow-on contract that required a short-term “bridge” award to avoid a gap in service, and two contracts with unsupported use of the Good Neighbor Authority (16 U.S.C. § 2113a), which is a contracting tool allowing partnerships with State governments.

Finally, contracting officers also need to improve oversight of contracts awarded as small business set-asides. Of the 33 contracts that were small business set-asides, contracting officers at the BIA, NPS, and BLM did not ensure 6 contracts, valued at \$8,248,233, complied with the governing “Limitations on Subcontracting” clause in the FAR.

For a master list of the deficiencies we identified in the sampled contracts, see Appendix 3.

² For some contracts, contracting officers used more than one price analysis technique, so the total across findings adds up to more than 42.

³ One of these contracts, awarded by the USGS and valued at \$40 million, was also one of the 42 contracts with inadequate price reasonableness determinations.

Contracting Officers Prepared Inadequate Price Reasonableness Determinations

We found that contracting officers from all four bureaus did not adequately document price reasonableness determinations for 42 contracts in our sample, valued at \$112,205,125. Figure 1 shows the breakdown by bureau. This deficiency may prevent the DOI from obtaining the best prices and goods or services on these and future contracts.

Figure 1: Contracts With Inadequate Price Reasonableness Determinations

Bureau	No. of Contracts	Value (\$)
BIA	16	12,701,129
USGS	13	77,712,995
BLM	10	7,297,827
NPS	3	14,493,224
Total	42	\$112,205,125

FAR § 15.402(a) requires contracting officers to purchase supplies and services from responsible sources at fair and reasonable prices. Because sole-source contracts do not have price competition, contracting officers must use other price analysis techniques to determine price reasonableness. FAR § 15.404-1(b)(2) establishes several price analysis methods that contracting officers can use to determine whether a contractor’s proposed price is fair and reasonable, such as comparing proposed prices to historical prices paid and to competitive published price lists or public market prices.

Comparison to prior contracts is a commonly used price analysis technique for the basis of a contracting officer’s price reasonableness determination. If contracting officers do not document their price analysis, they are unable to appropriately use this technique on future contracts. DOI contracting officers used this technique for 38 of the 80 contracts we reviewed.

DOI-AAAP-0024, “Enhancing Competition,” addresses price reasonableness determinations for contracts for which only one offer is received. It requires “thorough and detailed price and/or cost analysis” to be documented in the contract file and states, “At a minimum, this analysis must include comparison of the offered price to market pricing.” We found that contracting officers were not providing adequate price reasonableness determinations consistent with this guidance.

Overall, because contracting officers did not prioritize documenting their price analysis, they created a higher risk of the DOI overpaying for products and services.

In addition, out of the 42 contracts that we determined had inadequate price reasonableness determinations, we believe that for 18 contracts, valued at \$53,907,332, contracting officers may be able to amend the price reasonableness determinations with additional information that may be useful for future contracting officers (see Appendix 3 for more detail). This, in turn, may

enable future contracting officers to conduct better price analysis and pay lower prices on future contracts.

Below we detail the specific deficiencies we found: 11 contracts with incomplete or erroneous price analysis, 29 contracts with inadequate comparisons to other contract prices, 16 contracts with inadequate IGCEs, 6 contracts with inadequate comparisons to price lists, 1 contract with funds that could have been put to better use, totaling \$16,089, and 1 contract that was overfunded by \$5,000. (Some contracts are included in more than one example, so the total across examples adds up to more than 42.)

11 Contracts With Incomplete or Erroneous Price Analysis

Eleven contracts in our sample had incomplete or erroneous price analyses. We provide several examples below.

In one example, the USGS awarded a 5-year indefinite delivery/indefinite quantity (IDIQ) contract for \$40 million for earth science systems support services.⁴ The contractor proposed 26 potential labor categories for the contract. (A labor category is a job title with an associated pay rate.) The contracting officer's price reasonableness determination did not provide a clearly documented rationale for why the proposed labor rates were fair and reasonable. Specifically, the contracting officer did not document specific price analysis for 22 of the 26 labor categories. The price analysis for the remaining four labor categories was unclear. For three of these, the price reasonableness determination stated that the contract specialist "did an internet comparison with random labor categories to compare them to the offeror's proposal." Although comparison to other companies' labor rates is an acceptable approach, the document did not state what internet sites provided the labor rates used for the comparisons, which companies used those rates, and why they were relevant. For the remaining labor category, the contracting officer compared the contractor's proposed labor rate to the Government's estimated labor rate, but the contractor's rate was 9 percent higher. Due to the inadequate price analysis, the contracting officer did not obtain assurance that the contract price was fair and reasonable.

Additionally, the NPS awarded a 5-year IDIQ contract for \$13.5 million for architect and engineering services. The contracting officer did not adequately analyze the price elements established in the contract. For example, the contracting officer compared the proposed prime contractor's direct labor rates to the labor rates of other contracts, but four of the proposed labor categories were not included in the other contracts. Therefore, the price analysis was incomplete.

Also, the BLM awarded a contract for \$200,000 for coordinated response to abandoned-mine hazards on public lands. The price included a lump-sum cost of \$100,000 for reclamation efforts including planning, site stabilization, seeding, and revegetation, but the contracting officer did not provide an explanation for why this \$100,000 lump sum was a reasonable cost. The remaining \$100,000 of the contract price was for characterization and remediation of physical safety hazards. The price reasonableness determination stated that this cost was based on

⁴ An IDIQ contract does not specify the exact time or quantity of services or supplies (other than a minimum or maximum quantity) but does provide the rate for those services or supplies and other terms and conditions the contractor must meet. The awarding agency issues task orders during the performance period for specific requirements.

50 physical safety hazards at a unit price of \$2,000 per hazard. However, the number of safety hazards and the price per hazard were based on errors in the proposal; the correct quantity was 80 and the correct unit price was \$1,250. Although the amounts total \$100,000, the incorrect details in the price reasonableness determination would mislead contracting officers who use this contract file for price analysis on future contracts.

29 Contracts With Inadequate Comparisons to Other Contract Prices

Twenty-nine contracts in our sample had inadequate comparisons to other contract prices. We provide several examples below.

In one example, the BIA awarded a delivery order for \$675,000 from a blanket purchase agreement (BPA) for food service at Bureau of Indian Education (BIE) schools. The contracting officer's price reasonableness determination stated that the BPA prices were fair and reasonable because they were "consistent with the established prices on other blanket purchase agreements awarded through the Bureau of Indian Education." Additionally, the determination stated that the prices were consistent with other BIE BPAs for food service "at the State level" but did not provide any further definition or detail. The contracting officer did not identify the other BPAs that were used for the price comparison. Therefore, a future contracting officer would not be able to review the price reasonableness determination and independently verify that the prices were fair and reasonable.

Additionally, the BIA awarded a 1-year contract for special education services for \$499,000. The contracting officer determined that this price was reasonable by comparing it to the prices of two other contracts: one with a price of \$207,236 and a 1-year period of performance and another with a price of \$105,640 and a 5-month period of performance. The prices of the prior contracts suggest that the price for 1 year of these services would be about half of the \$499,000 amount the contractor proposed. Thus, comparing these two contracts did not show that the \$499,000 contract price was reasonable. The contracting officer did not document any additional information explaining the price reasonableness determination.

Also, the BLM awarded a 5-year contract for realty and leasing support for \$2,011,451. The entire contract price represented labor costs for three individuals. The labor category for one individual was "Realty Specialist," and the labor category for the other two individuals was "Lease Administrator." The price reasonableness determination stated that the labor rates were fair and reasonable because they were lower than the rates for these labor categories in two General Services Administration (GSA) Federal supply schedules. However, we reviewed the two GSA schedules and found that they did not actually include the labor categories of "Realty Specialist" or "Lease Administrator." The contracting officer explained to us that ■ used comparable labor categories from the GSA schedules to make the price comparisons, but ■ did not document in the price analysis that ■ was using different labor categories than those the contractor proposed. Without an explanation of the comparison, another contracting officer who reviewed the price reasonableness determination would have mistakenly believed that the GSA schedules included the same labor categories that the contractor proposed.

16 Contracts With Inadequate Independent Government Cost Estimates

Sixteen contracts in our sample had inadequate IGCEs, which are estimates of the contract price that the Government prepares independently prior to receiving the contractor's proposal. Contracting officers then use the IGCEs to evaluate the reasonableness of the contractor's proposed price. We provide two examples of inadequate IGCEs below.

In one example, the USGS awarded a contract for \$277,318 for stabilization of an embankment along the shoreline of a reservoir. The contracting officer determined that the price was fair and reasonable by comparing it to the IGCE for the project of \$322,860. The primary cost element of the IGCE was a steel sheet pile wall, which was estimated to cost \$267,120. However, the contractor's proposal stated that the contractor intended to reinforce the slope of the embankment with riprap (rocks), not steel. Because the IGCE represented a different solution than what the contractor proposed, the IGCE was not an adequate basis for price analysis.

Additionally, the BIA awarded a contract for \$1,421,989 for the relocation of a portable kitchen/cafeteria building from a BIE school in Coolidge, AZ, to another BIE school in Sells, AZ. The contracting officer determined that the proposed price of \$1,421,989 was fair and reasonable because it was less than the IGCE of \$1,542,791. However, the IGCE consisted of several lump-sum costs without an explanation for how those costs were calculated. For example, the IGCE included a \$500,000 lump-sum cost estimate for "Three Phase Electrical line X15 miles," and a \$250,000 lump-sum cost for a walk-in freezer. Without an explanation of how the IGCE costs were developed, it is unclear whether the IGCE represented a reasonable price.

Six Contracts With Inadequate Comparisons to Price Lists

Six contracts in our sample had inadequate comparisons to price lists such that it was not possible to determine whether those comparisons were appropriate. We provide one example below.

The USGS awarded a 5-year IDIQ contract for \$15 million for seismic equipment for earthquake and volcano monitoring. The contract included prices for 70 equipment items. The price reasonableness determination stated that the prices were reasonable by comparing them to the contractor's published price list. A published price list would support a price reasonableness determination because the prices would have been established as market prices. However, the contractor gave the contracting officer the contractor's internal price list and requested that the contracting officer treat the price list as confidential. Because the price list the contracting officer used was not publicly available, it did not prove that the proposed prices were reasonable.

One Contract With \$16,089 in Funds That Could Have Been Put To Better Use

We identified one instance at the BLM of funds that could be put to better use, totaling \$16,089.

The BLM awarded a contract for \$426,376 that included labor costs for six labor categories. The contractor proposed labor rates for these categories that exceeded the contractor's own GSA schedule rates. Had the contractor charged its GSA rates, the BLM would have saved \$16,089.

The contracting officer told us that in the future, [REDACTED] will request additional price reductions if a contractor's open market rates exceed its GSA rates.

One Contract Overfunded by \$5,000

We identified one BLM contract that was overfunded. Specifically, the BLM awarded a contract for \$495,000, after the contractor proposed a price of \$490,000. The contracting officer accidentally overfunded the contract by \$5,000 because \$495,000 was the amount on the purchase request document. In response to our audit, the contracting officer prepared a document for the contract file stating that the contractor would refund the \$5,000 upon completion of the contract, which expires on December 31, 2021.

Recommendations

We recommend that the DOI:

1. Review the documentation for the 18 contracts we identified as potentially improvable (see last column of table in Appendix 3) to determine whether the price reasonableness determinations can be strengthened and do so where possible.
2. Develop and implement a policy instructing contracting officers to document price reasonableness determinations for sole-source contracts with sufficient detail to ensure that contracting officers on future contracts can use the contract file for price analysis. The policy should clarify that generic statements that the price was fair and reasonable are not useful to future contracting officers.

Contracting Officers Did Not Obtain Certified Cost or Pricing Data

We found that contracting officers at the USGS and the NPS awarded two contracts, valued at \$41,844,042, without obtaining certified cost or pricing data from the contractors as required by FAR § 15.403 and 10 U.S.C. § 2306a (the Truth in Negotiations Act). The contracting officers for these two contracts stated that they misinterpreted the regulations and did not realize that certified cost or pricing data were required.

Per FAR § 15.403 and 10 U.S.C. § 2306a, contracting officers must obtain certified cost or pricing data from the vendor for sole-source contracts unless an exception applies. The threshold for obtaining certified cost or pricing data for all contracts in our sample was \$2 million, based on 10 U.S.C. § 2306a.

Certified cost or pricing data are a vital part of contract pricing transparency and accountability. Obtaining certified cost or pricing data from the contractor provides assurance the DOI will pay a fair and reasonable price as well as greater visibility into the proposed price because the contractor must provide a detailed description of all cost elements and give the basis for proposed

costs. The contractor must certify the data are current, accurate, and complete, and the Government accordingly has protection and remedies if data are found to be outdated, inaccurate, or incomplete.

The USGS awarded a \$40 million IDIQ contract. The contracting officer mistakenly believed that certified cost or pricing data were not required because the contract did not include certain FAR clauses; this was a misinterpretation of FAR requirements. During discussions with us, the contracting officer acknowledged that it was a mistake not to obtain certified cost or pricing data.

Similarly, the contracting officer for the NPS contract that was missing certified cost or pricing data mistakenly believed that the data were not required because the initial contract award price of \$1,844,042 was less than the \$2 million threshold. The officer was aware at the time, however, that the total anticipated price of the contract was \$2,190,404, which exceeded the threshold. The contracting officer did not have sufficient funding available at the time of the award to fund all of the contract tasks. Therefore, the contracting officer included one task as an unfunded optional task with a price of \$346,362. The contracting officer in fact exercised the option a few months after he awarded the contract, which raised the total price over \$2 million.

Recommendation
<p>We recommend that the DOI:</p> <ol style="list-style-type: none">3. Develop and implement a policy instructing contracting officers to obtain certified cost or pricing data for contracts expected to exceed \$2 million, unless one of the exceptions under FAR § 15.403-1 applies.

Contracting Officers Generally Prepared Adequate Sole-Source Justifications, But Improvements Are Needed

For the 80 contracts we reviewed, contracting officers generally prepared adequate sole-source justifications. The sole-source justifications for all contracts awarded by the USGS and the NPS were adequate because contracting officers sufficiently explained the need to award the contracts on a sole-source basis in accordance with FAR requirements. For the BIA and the BLM, however, we identified 11 contracts, valued at \$8,371,857, with deficiencies in their sole-source justifications' preparation or approval. As a result, contracting officers created a higher risk of the BIA and the BLM not receiving the best products and services. Improvements are needed to prevent these problems from recurring.

FAR § 6.303-1 states that a contracting officer should not award a sole-source contract unless the contracting officer justifies the use of the contract in writing and obtains the required level of management approval.

Below we detail the specific deficiencies we found: five contracts with inadequate sole-source justifications, three contracts without required approval for sole-source justifications, one poorly

planned follow-on contract, and two contracts with unsupported use of the Good Neighbor Authority (16 U.S.C. § 2113a).

Five Contracts With Inadequate Sole-Source Justifications

Five contracts in our sample had inadequate sole-source justifications. We provide two examples below.

In one example, the BIA awarded a contract for special education services at a BIE high school for \$633,640. The contracting officer cited “urgency” as the reason for awarding the contract without competition but did not provide any details to explain what was meant. The contracting officer also stated that the high school had conducted a market survey that identified the contractor, but the contracting officer did not obtain a copy of the market survey.

Additionally, the BLM awarded a construction contract for building stabilization services. The contracting officer decided to award the contract as a woman-owned small business (WOSB) set-aside.⁵ FAR § 19.1506(b)(2) states that a WOSB set-aside may be awarded on a sole-source basis if the contracting officer does not have a reasonable expectation that offers would be received from two or more WOSBs. The contracting officer documented in the market research memorandum that three potential WOSBs had been identified in the area where the work would be performed. The contracting officer then awarded the contract to one of the three WOSBs on a sole-source basis. The contract file did not include any documentation explaining why the other two WOSBs were not allowed to compete. The contracting officer explained to us that he determined that the other two WOSBs would not have been capable of performing the work, but this determination should have been documented in the contract file.

Three Contracts Without Required Approval for Sole-Source Justifications

Three contracts in our sample had sole-source justifications without the required level of approval.

FAR § 6.304(a)(2) states that for contracts valued between \$700,000 and \$13.5 million, the sole-source justification must be approved by the contracting office’s competition advocate.⁶ The BIA awarded three sole-source contracts in this price range without written approval from the competition advocate.

During FY 2020, the BIA conducted an internal review that identified sole-source justification approval as a weakness. As a result, the BIA implemented training and procedural changes to prevent missing approvals from occurring in the future. Currently all BIA sole-source awards over the micropurchase threshold are reviewed by the competition advocate. Because the BIA has taken corrective action, we are not making any recommendations for this finding.

⁵ A small business set-aside is a contract for which only small businesses are allowed to compete. A small business set-aside may also be awarded on a sole-source basis under certain circumstances.

⁶ A contracting office’s competition advocate promotes full and open competition and has several related responsibilities defined in FAR § 6.502.

One Poorly Planned Follow-On Contract

We identified one sole-source contract that had to be awarded without competition due to poor planning.

Poor planning for a follow-on contract to continue support services for the Native American Student Information System resulted in the BIA Central Office awarding a sole-source “bridge” contract to the original contractor, valued at \$409,810, in FY 2019, to avoid a gap in services. A communication breakdown between contracting offices did not leave enough time to award a competitive follow-on contract.

The predecessor contract had been awarded competitively during FY 2013 by the BIA Southwest Regional Office. It expired on December 31, 2018, but the follow-on contract was not assigned to the Central Office until November 6, 2018, which did not leave the Central Office sufficient time to award a competitive contract. Instead, the Central Office awarded a 3-month sole-source bridge contract to ensure that the services continued until it could award a competitive contract.

Two Contracts With Unsupported Use of Good Neighbor Authority

Two contracts in our sample were awarded under the Good Neighbor Authority without adequate support.

The BLM awarded two sole-source contracts, one to Colorado State University and one to Utah State University, by citing 16 U.S.C. § 2113a, “Good Neighbor Authority.” Under this authority, a contracting officer may award a sole-source contract to a State governor for authorized restoration services (certain forest, rangeland, and watershed restoration services). The Good Neighbor Authority defines “governor” as “the Governor or any other appropriate executive official of an affected State or Indian tribe or the Commonwealth of Puerto Rico.”

For both contracts, the contracting officer did not verify that the two State universities had been delegated authority by their respective governors to enter contracts under the Good Neighbor Authority. As a result, the contracting officer did not ensure that the contracts were eligible for this type of sole-source award.

The BLM has a policy document titled *Good Neighbor Authority Guidance* that provides guidance for preparing and implementing Good Neighbor projects that meet the requirements of law. The policy document does not, however, specifically instruct contracting officers to verify that the State governor has delegated Good Neighbor Authority to the entity receiving the contract.

Recommendations

We recommend that the BIA and the BLM:

4. Provide refresher training to contracting officers on justification of sole-source contracts, emphasizing that the justification should include enough information that a future contracting officer can review it and understand why only one contractor was capable of performing the work.

We recommend that the BIA:

5. Develop and implement a policy for transferring requirements between contracting offices to ensure they are transferred with sufficient time to conduct a competitive procurement.

We recommend that the BLM:

6. Update bureau guidance to instruct contracting officers to ensure that recipients of Good Neighbor Authority contracts have been delegated Good Neighbor Authority by their State governors.

For Small Business Set-Asides, Contracting Officers Need To Perform Better Oversight of the “Limitations on Subcontracting” Clause

Of the 80 contracts we reviewed, 33 were awarded as sole-source small business set-aside contracts pursuant to FAR part 19. Their total value was \$46,293,019. Contracts awarded as small business set-asides have fewer competition requirements than standard contracts but must include FAR § 52.219-14, “Limitations on Subcontracting,” which requires that the small business prime contractor perform a certain percentage of the work. Thus, a contractor must be able to comply with the “Limitations on Subcontracting” clause to receive a sole-source small business set-aside contract.

For standard services contracts, the clause requires the prime contractor to incur at least 50 percent of the contract’s personnel costs. For construction contracts, the clause requires the prime contractor to incur at least 15 percent of the contract’s costs, not including the cost of materials. For purposes of determining whether a contractor has stayed within the limit on subcontracting, subcontracts with “similarly situated” entities (i.e., entities categorized as the same type of small business) would not count as subcontracts. For example, if a contractor received a contract as an 8(a) set-aside, then a subcontract with another 8(a) contractor would be considered prime contractor work.

We found that contracting officers at the BIA, NPS, and BLM did not ensure that six of the contracts awarded as small business set-asides (total value \$8,248,233) complied with the “Limitations on Subcontracting” clause. All six contracts were awarded as 8(a) small business or

HUBZone small business set-asides.⁷ The contracting officers who awarded these six contracts did not prioritize enforcement of the clause. We provide three examples below.

In one example, the BLM awarded an 8-month services contract for \$874,923 as a sole-source 8(a) set-aside. The contractor's proposal stated that the contractor intended to subcontract \$654,957. This was almost 75 percent of the contract price, which exceeded the 50 percent limitation for services contracts. The contracting officer told us that [REDACTED] confused this 50 percent limitation with the 15 percent limitation for construction contracts at the time the contract was awarded. The subcontractors were also not certified 8(a) contractors, so they were not similarly situated to the prime contractor within the meaning of relevant regulations.

Additionally, the NPS awarded a 1-year contract for construction services for \$2,998,934 as a sole-source 8(a) set-aside. The contracting officer monitored the contractor's compliance with the "Limitations on Subcontracting" clause by reviewing contractor invoices. The most recent invoice stated that the prime contractor's incurred costs accounted for 22 percent of total costs and that subcontractor costs accounted for 78 percent of total costs. This would suggest that the prime contractor met the requirement to perform at least 15 percent of the contract itself. However, this calculation included costs for materials, and the "Limitations on Subcontracting" clause specifically excludes the cost of materials from the cost percentage calculation.⁸

Also, the BIA awarded a 4-year food services contract for \$3,266,412 as a sole-source 8(a) set-aside. The contractor could not meet the 50 percent subcontracting limitation for the base year of the contract, so the contracting officer waived the requirement for that year. The contracting officer could not cite any criteria that allowed the requirement to be waived.

DOI-AAAP-0067, "Monitor Contracts for Limitations on Subcontracting," provides guidance on enforcing FAR clauses related to limitations on subcontracting, but it does not require the contracting officer to review the price proposal for potential noncompliance with the clause. In our opinion this is a deficiency in the policy, because the best time for a contracting officer to uncover noncompliance with the clause is before the work is performed, not after.

Further, DOI-AAAP-0067 does not state that contracting officers need to eliminate the cost of materials when determining whether the contractor self-performed 15 percent of the work on construction contracts. Additionally, the "Limitation on Subcontracting Report Template" referenced in the policy does not include any line item for a deduction of materials costs.

⁷ These are two small business categories in the U.S. Small Business Administration's contracting assistance program.

⁸ The invoices did not include the cost breakdown necessary to perform the calculation excluding materials and check whether it met the 15 percent requirement.

Recommendation

We recommend that the DOI:

7. Develop and implement policy instructing contracting officers to review price proposals for potential noncompliance with FAR § 52.219-14, "Limitations on Subcontracting," and to eliminate the cost of materials when determining whether the contractor self-performed 15 percent of the work on construction contracts.

Conclusion and Recommendations

Conclusion

The DOI needs to improve price reasonableness determinations on sole-source contracts. The DOI would benefit from adopting a standard that price reasonableness determinations should be documented to an extent that a contracting officer who awards a future follow-on contract can review the contract file and fully understand the information that supports the determination that the price was fair and reasonable. The DOI would also benefit from clearer guidance on when contracting officers should obtain certified cost or pricing data.

In addition, although we found that the DOI generally justified its use of sole-source contracts, improvements can be made to sole-source justifications and approvals, use of Good Neighbor Authority, and the transfer of contracting requirements between contracting offices. Improvements can also be made to oversight of the “Limitations on Subcontracting” clause governing small business set-aside contracts.

If the DOI implements our recommendations, it will have additional assurance that it will obtain best value on sole-source contract awards. Moreover, contracting officers who award future follow-on contracts will have additional information available to them, to help them decide when to award sole-source contracts and conduct better price analysis.

Recommendations Summary

We issued a draft version of this report for review and response to the Office of Acquisition and Property Management (PAM), the BIA, and the BLM. Based on the responses received, we consider Recommendations 1, 2, 5, and 7 resolved but not implemented, and Recommendations 3 and 6 unresolved. For Recommendation 4, the status is split: it is resolved and implemented for the BIA and resolved but not implemented for the BLM. See Appendix 4 for the full text of the responses received from PAM, the BIA, and the BLM, and see Appendix 5 for the status of recommendations.

We offer seven recommendations to help the DOI improve price reasonableness determinations and sole-source justifications.

We recommend that the DOI:

1. Review the documentation for the 18 contracts we identified as potentially improvable (see last column of table in Appendix 3) to determine whether the price reasonableness determinations can be strengthened and do so where possible.

PAM Response: PAM partially concurred with our recommendation. PAM stated that the DOI is implementing several tools that will strengthen documentation of price reasonableness and that PAM “will continue to implement and improve adoption of these tools.” Specifically, PAM stated that the DOI is “developing standard, DOI-wide

templates to assist the acquisition workforce, including a Market Research template and a standard format” for IGCEs. PAM stated that it “does not believe it would be appropriate to retroactively change or revise the documentation that was previously developed” for the 18 contracts identified in our report. PAM stated, however, that it “will ensure that the Contracting Officers for these 18 contracts are aware of the findings in the report, and ask that they consider whether supplemental documentation would strengthen the contract file documentation.” PAM provided a target completion date of January 28, 2022.

OIG Comment: Making contracting officers aware of our findings on these 18 contracts and ensuring that they consider whether supplemental documentation would strengthen the contract file documentation satisfies the intent of our recommendation. Based on PAM’s response, we consider Recommendation 1 resolved but not implemented.

2. Develop and implement a policy instructing contracting officers to document price reasonableness determinations for sole-source contracts with sufficient detail to ensure that contracting officers on future contracts can use the contract file for price analysis. The policy should clarify that generic statements that the price was fair and reasonable are not useful to future contracting officers.

PAM Response: PAM concurred with our recommendation. PAM stated that it will review DOI-AAAP-0024, “Enhancing Competition,” to see whether and where it can better address the need for “thorough, detailed, and non-generic analysis in support of a price reasonableness determination” and will make revisions accordingly. PAM provided a target completion date of January 28, 2022.

OIG Comment: Based on PAM’s response, we consider Recommendation 2 resolved but not implemented.

3. Develop and implement a policy instructing contracting officers to obtain certified cost or pricing data for contracts expected to exceed \$2 million, unless one of the exceptions under FAR § 15.403-1 applies.

PAM Response: PAM partially concurred with our recommendation. PAM stated that the FAR specifies when certified cost or pricing data are required and that “there is no additional benefit in developing and implementing a policy that restates the FAR.” To address the finding, PAM will communicate to the DOI acquisition workforce the FAR requirements regarding certified cost or pricing data requirements and exceptions. PAM provided a target completion date of October 29, 2021.

OIG Comment: We agree that PAM should communicate to the DOI acquisition workforce the FAR requirements regarding certified cost or pricing data requirements and exceptions. However, PAM did not state how this would be communicated or, for example, provide any associated communication plan. Accordingly, based on PAM’s response, we consider Recommendation 3 unresolved. Upon receipt of additional information from PAM, we will assess whether the proposal meets the intent of the recommendation.

We recommend that the BIA and the BLM:

4. Provide refresher training to contracting officers on justification of sole-source contracts, emphasizing that the justification should include enough information that a future contracting officer can review it and understand why only one contractor was capable of performing the work.

BIA Response: The BIA’s response did not state whether it concurred, partially concurred, or did not concur with our recommendation. Instead, in its response, it described actions it had taken in FY 2019 and FY 2020 to address related issues. In particular, it stated that an FY 2019 internal review of contract files found the BIA was approximately 13.1 percent below the DOI’s targeted competition goal of 75 percent. The BIA stated that it therefore established a goal to increase the overall competition rate by 15 percent in FY 2020. The BIA explained that as part of the effort to meet this goal, it implemented a new control log and process guide for sole-source justification and approval on April 8, 2020; it also stated that the control log was intended to improve the overall quality of the sole-source contracts being executed. With respect to training, the BIA stated that, in May 2020, the Indian Affairs Head of the Contracting Activity mandated training on preparing a justification for other than full and open competition (known as a JOFOC) for all contracting officers and contract specialists. The BIA stated that the “goal of the training was to provide contracting staff with a better understanding of JOFOCs and the information needed to justify and document requirements.” Additionally, the BIA stated that it developed templates for each type of sole-source situation and a reference guide. The BIA also represented that it conducted training on price analysis and price reasonableness determinations in November 2020.

In an email followup to its response, the BIA stated that it concurred with our recommendation. The BIA also provided us with documentation of the May 2020 JOFOC training and November 2020 price analysis training.

BLM Response: The BLM concurred with our recommendation. The BLM stated that it would provide refresher training to contracting officers on justifications for sole-source contracts, emphasizing that a justification should include enough information so that a future contracting officer can review it and understand why only one contractor was capable of performing the work. The BLM provided a target completion date of March 31, 2022.

OIG Comment: The BIA’s response satisfies the intent of our recommendation. The BIA has already conducted the training we recommended and developed templates for each type of sole-source situation. The BIA provided us with documentation of the May 2020 JOFOC training, and we determined that it adequately addressed our recommendation. The BLM’s response also satisfies the intent of our recommendation. We note that recurring training on this topic may be beneficial to ensure that updated information is provided consistently. Based on the responses received, we consider Recommendation 4 resolved and implemented for the BIA and resolved but not implemented for the BLM.

We recommend that the BIA:

5. Develop and implement a policy for transferring requirements between contracting offices to ensure they are transferred with sufficient time to conduct a competitive procurement.

BIA Response: The BIA’s response did not state whether it concurred, partially concurred, or did not concur with our recommendation. In its response, the BIA stated that Indian Affairs Acquisitions currently produces a report that lists contract period of performance and option period expirations. The BIA represented that the report is sent to all contracting officers and contract specialists on a monthly basis. The BIA also stated that supervisory contracting officers use the report to see what actions will expire within 3, 6, and 12 months, and they use this information to engage with customers concerning any follow-on requirements. The BIA stated that it holds monthly supervisory contracting officer meetings to discuss upcoming contracts, issues or concerns, and new policy guidance. Finally, the BIA stated that Indian Affairs Acquisitions is developing an internal policy related to the transferring of contracts between offices. The BIA provided a target completion date of September 1, 2021.

In a followup email, the BIA stated that it concurred with our recommendation.

OIG Comment: Based on the BIA’s response and subsequent email, we consider Recommendation 5 resolved but not implemented.

We recommend that the BLM:

6. Update bureau guidance to instruct contracting officers to ensure that recipients of Good Neighbor Authority contracts have been delegated Good Neighbor Authority by their State governors.

BLM Response: The BLM stated that it generally concurred with our recommendation. The BLM stated that to enter into a Good Neighbor Authority contract, an entity does not need to be delegated authority by a governor; the entity only needs to be an “appropriate executive official.” The BLM stated that “the language around the eligible entity has evolved since the original Good Neighbor pilot legislation.” Rather than implementing our recommendation as drafted, the BLM proposed instead to develop a process “where the contract or agreement signatory certifies that he or she meets the criteria under the law to be awarded a Good Neighbor Agreement.” The BLM provided a target completion date of March 31, 2022.

OIG Comment: The BLM’s response does not sufficiently satisfy the intent of our recommendation. In addition to the certification, the BLM should require the signatory to provide documentation explaining why the signatory meets the criteria to be awarded a Good Neighbor Agreement. Based on the BLM’s response, we consider Recommendation 6 unresolved.

We recommend that the DOI:

7. Develop and implement policy instructing contracting officers to review price proposals for potential noncompliance with FAR § 52.219-14, “Limitations on Subcontracting,” and to eliminate the cost of materials when determining whether the contractor self-performed 15 percent of the work on construction contracts.

PAM Response: PAM concurred with our recommendation. PAM stated that the Office of Small and Disadvantaged Business Utilization (OSDBU) agreed that reviewing pricing for noncompliance with FAR § 52.219-14 during source selection “would be desirable and enhance the fairness of the source selection process for contracts set-aside for small or socio-economic business concerns.” The OSDBU also agreed that DOI-AAAP-0067 should provide better instruction on excluding the cost of materials when calculating the limitation on subcontracting. The OSDBU stated that it will update DOI-AAAP-0067 to include a review of pricing for compliance with FAR § 52.219-14, update instructions on the calculation of limitations on subcontracting to exclude the cost of materials, and update its limitations on subcontracting report template. PAM provided a target completion date of October 29, 2021.

OIG Comment: Based on PAM’s response, we consider Recommendation 7 resolved but not implemented.

Appendix 1: Scope and Methodology

Scope

Our audit included 80 sole-source contract awards made by the U.S. Department of the Interior (DOI) during fiscal year 2019. We reviewed 20 contracts each from the U.S. Geological Survey (USGS), Bureau of Indian Affairs (BIA), National Park Service (NPS), and Bureau of Land Management (BLM). We reviewed the contract files to determine whether DOI contracting officers adequately supported their price reasonableness determinations and adequately justified their decisions to award the contracts on a sole-source basis in accordance with the Federal Acquisition Regulation (FAR).

Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We assessed whether internal control was significant to the audit objective. Based on our risk and fraud assessments, we determined that the following components and principles of Federal internal control standards were significant to the audit objectives:

- Control Activities: Principle 10, “Design Control Activities”
- Information and Communication: Principle 13, “Use Quality Information”

We tested the operation and reliability of internal controls over activities related to our audit objectives. Our tests and procedures included the following:

- Selected a sample of 80 sole-source procurements and tested them against requirements from the FAR, *Standards for Internal Control in the Federal Government*, and our fraud and risk assessment
- Obtained and reviewed evidence that supports contracting officer approval to award contracts
- Reviewed the FAR requirements for awarding sole-source contracts and preparing price reasonableness determinations
- Reviewed 10 U.S.C. § 2306a, “Cost or pricing data: truth in negotiations,” and 16 U.S.C. § 2113a, “Good neighbor authority”

- Reviewed DOI Acquisition, Assistance, and Asset Policy (DOI-AAAP) 0024, “Enhancing Competition,” and DOI-AAAP-0067, “Monitor Contracts for Limitations on Subcontracting”
- Reviewed the BLM’s *Good Neighbor Authority Guidance*
- Visited USGS and BIA offices in [REDACTED] and NPS and BLM offices in [REDACTED]
- Reviewed USGS, BIA, NPS, and BLM policies and procedures for maintaining contract files
- Reviewed USGS, BIA, NPS, and BLM internal controls for maintaining contract files
- Reviewed contract file documentation for all 80 contracts
- Interviewed USGS, BIA, NPS, and BLM contracting officers and other procurement officials

We did not test underlying information system controls. We asked USGS, BIA, NPS, and BLM officials to provide supporting documentation to demonstrate that the bureaus had followed the DOI’s sole-source award processes. The bureaus shared permanent files, which contain support for procurement actions, that had been held for recordkeeping purposes, as well as policies and procedures for the preaward process. Because the procurement files we reviewed were scanned hard copies, we did not rely on computer-generated data from the bureau information systems.

Appendix 2: Monetary Impact

Description	Funds To Be Put To Better Use (\$)
Labor rates exceeding GSA schedule rates	16,089
Overfunded contract	5,000
Total	\$21,089

Appendix 3: Deficiencies Identified in Contracts Reviewed

The following figure summarizes the deficiencies we identified in 49 of the 80 sole-source contracts in our sample. The total value of these contracts was \$121,258,097.02.

Abbreviations used in this figure are as follows: USGS = U.S. Geological Survey, BIA = Bureau of Indian Affairs, NPS = National Park Service, and BLM = Bureau of Land Management.

Sample No.	Total Price (\$)	Inadequate Price Reasonableness Determination	Certified Cost or Pricing Data Not Obtained	Inadequate Sole-Source Justification	Sole Source Not Approved	Sole Source Not Planned	Good Neighbor Authority Not Supported	Inadequate Oversight of Subcontracting Limitations	Price Reasonableness Determination May Be Improved (see Rec 1)
USGS 1	40,000,000.00	x	x						x
USGS 2	15,000,000.00	x							
USGS 3	12,000,000.00	x							
USGS 4	6,800,000.00	x							
USGS 5	1,125,000.00	x							x
USGS 10	639,609.05	x							
USGS 11	572,335.88	x							
USGS 14	367,237.88	x							x
USGS 15	285,000.00	x							
USGS 16	277,318.01	x							
USGS 18	248,880.00	x							x
USGS 19	213,366.15	x							

Sample No.	Total Price (\$)	Inadequate Price Reasonableness Determination	Certified Cost or Pricing Data Not Obtained	Inadequate Sole-Source Justification	Sole Source Not Approved	Sole Source Not Planned	Good Neighbor Authority Not Supported	Inadequate Oversight of Subcontracting Limitations	Price Reasonableness Determination May Be Improved (see Rec 1)
USGS 20	184,198.00	X							X
BIA 21	3,266,412.00	X						X	X
BIA 22	2,504,000.00				X				
BIA 23	1,421,989.11	X							X
BIA 24	1,264,939.88	X			X				X
BIA 25	978,650.00	X			X				
BIA 26	675,000.00	X							X
BIA 27	633,640.00	X		X					
BIA 28	501,160.00	X							X
BIA 29	499,000.00	X							X
BIA 30	490,026.43	X							
BIA 32	468,000.00	X		X					
BIA 34	440,772.00	X		X					X
BIA 35	439,733.00	X							X
BIA 36	430,185.60	X							
BIA 37	421,481.00	X							
BIA 38	409,809.82	X				X			
BIA 40	360,330.00	X							X
NPS 41	13,500,000.00	X							
NPS 45	2,998,934.00							X	
NPS 48	1,844,042.00		X						
NPS 56	652,079.00	X							X

Sample No.	Total Price (\$)	Inadequate Price Reasonableness Determination	Certified Cost or Pricing Data Not Obtained	Inadequate Sole-Source Justification	Sole Source Not Approved	Sole Source Not Planned	Good Neighbor Authority Not Supported	Inadequate Oversight of Subcontracting Limitations	Price Reasonableness Determination May Be Improved (see Rec 1)
NPS 57	483,789.00							X	
NPS 60	341,145.60	X							
BLM 63	2,040,323.78	X							
BLM 64	2,011,451.20	X							X
BLM 65	874,923.20							X	
BLM 66	778,420.48	X		X					
BLM 67	495,000.00	X					X		
BLM 69	436,749.19	X							
BLM 71	426,376.18	X						X	
BLM 72	393,000.00	X							
BLM 73	267,356.00	X							
BLM 74	249,150.00	X		X					X
BLM 75	200,000.00	X							X
BLM 76	197,798.89							X	
BLM 80	149,474.69						X		
Total instances		42	2	5	3	1	2	6	18

Appendix 4: Responses to Draft Report

The Office of Acquisition and Property Management's response to our draft report follows on page 29.

The Bureau of Indian Affairs' response to our draft report follows on page 32.

The Bureau of Land Management's response to our draft report follows on page 34.



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

Jul 13, 2021

Memorandum

To: Chris Stubbs
Director, Office of Financial and Contract Audits

From: Megan Olsen
Director, Office of Acquisition and Property Management

Subject: Draft Audit Report – *The U.S. Department of the Interior Needs to Improve Support for Price Reasonableness Determinations and Justifications for Sole-Source Awards*
Report No. 2020-FIN-008

Thank you for providing us the opportunity to respond to the Office of Inspector General (OIG) Draft Audit Report – *The U.S. Department of the Interior Needs to Improve Support for Price Reasonableness Determinations and Justifications for Sole-Source Awards*, Report No. 2020-FIN-008. The Draft Audit Report communicates a total of seven recommendations: four to the Department of the Interior (DOI/Department) Office of Acquisition and Property Management (PAM), one jointly to the Bureau of Indian Affairs (BIA) and the Bureau of Land Management (BLM), one to the BIA, and one to the BLM. The DOI PAM and Office of Small and Disadvantaged Business Utilization (OSDBU) responses to their recommendations (#1, 2, 3 and 7) are outlined below.

Recommendation 1. Review the documentation for the 18 contracts we identified as potentially improvable (see last column of table in Appendix 3) to determine whether the price reasonableness determinations can be strengthened and do so where possible.

Response: Partially concur. The Department is implementing several tools that will strengthen documentation of price reasonableness determinations across DOI, and PAM will continue to implement and improve adoption of these tools. Specifically, under the Department of the Interior Acquisition, Arts, and Assets Policy (DOI-AAAP) 0166, *Department of the Interior Acquisition Templates*, DOI is developing standard, DOI-wide templates to assist the acquisition workforce, including a Market Research template and a standard format for Independent Government Estimates (IGE). These tools will standardize practices for developing and supporting price reasonableness determinations across DOI. However, PAM does not believe it would be appropriate to retroactively change or revise the documentation that was previously developed for the 18 contracts identified in this report. PAM will ensure that the Contracting Officers for these 18 awards are aware of the findings in the report, and ask that they consider whether supplemental documentation would strengthen the contract file documentation.

Responsible Official: Megan Olsen, Director, Office of Acquisition and Property Management and Senior Procurement Executive

Target Date: January 28, 2022

Recommendation 2. Develop and implement a policy instructing contracting officers to document price reasonableness determinations for sole-source contracts with sufficient detail to ensure that contracting officers on future contracts can use the contract file for price analysis. The policy should clarify that generic statements that the price was fair and reasonable are not useful to future contracting officers.

Response: Concur. PAM will review DOI-AAAP-0024, Enhancing Competition, to see if and where it may better address the need for thorough, detailed, and non-generic analysis in support of a price reasonableness determination, and make revisions accordingly.

Responsible Official: Megan Olsen, Director, Office of Acquisition and Property Management and Senior Procurement Executive

Target Date: January 28, 2022

Recommendation 3. Develop and implement a policy instructing contracting officers to obtain certified cost or pricing data for contracts expected to exceed \$2 million, unless one of the exceptions under FAR § 15.403-1 applies.

Response: Partially concur. The FAR directly outlines when certified cost or pricing data is required, including exceptions. There is no additional benefit in developing and implementing a policy that restates the FAR. To address the OIG finding, PAM will communicate to the DOI acquisition workforce the FAR requirements regarding certified cost or pricing data requirements and exceptions.

Responsible Official: Megan Olsen, Director, Office of Acquisition and Property Management and Senior Procurement Executive

Target Date: October 29, 2021

Recommendation 7. Develop and implement policy instructing contracting officers to review price proposals for potential noncompliance with FAR § 52.219-14, “Limitations on Subcontracting,” and to eliminate the cost of materials when determining whether the contractor self-performed 15 percent of the work on construction contracts.

Response: Concur. The OSDBU concurs that reviewing pricing for noncompliance with FAR 52.219-14 during source selection would be desirable and enhance the fairness of the source selection process for contracts set-aside for small or socio-economic business concerns. OSDBU concurs that DOI-AAAP-0067 should have better instruction on the exclusion of the cost of material when calculating the limitation on subcontracting. OSDBU will update DOI-AAAP-0067 to include a review of pricing for compliance with FAR 52.212-14, update instructions on the calculation of limitations on subcontracting to exclude the cost of materials and update the Limitation on Subcontracting Report Template.

Responsible Official: Colleen Finnegan, Director, Office of Small and Disadvantaged Business Utilization

Target Date: October 29, 2021

If you have questions or require additional information, please contact me at (202) 513-0692 or  [@ios.doi.gov](mailto:ios.doi.gov).

cc:

Andrea L. Brandon, Deputy Assistant Secretary, Budget, Finance, Grants and Acquisition

Tonya Johnson, Director, Office of Financial Management

Colleen Finnegan, Director, Office of Small and Disadvantaged Business Utilization

RESPONSE TO OIG AUDITS

Report No. 2020-FIN-008 recommendations 4 & 5 (BIA)

4. Provide refresher training to contracting officers on justification of sole-source contracts, emphasizing that the justification should include enough information that a future contracting officer can review it and understand why only one contractor was capable of performing the work. How many files were reviewed.

During the FY19 yearly internal Acquisition Management Review (AMR), contract files were reviewed for justifications of sole-source contracts and competition. The review revealed that IA was approximately 13.1% below the DOI's targeted competition goal of 75%. As a result, IA established a goal to increase the overall competition rate by 15% in FY 2020. To meet the goal the acquisition policy office held an all-hands acquisitions call to discuss findings of the review and implementation of the new Justification and Approval (J&A) Control Log and Process Guide on April 8, 2020. The J&A Control Log was implemented to increase competition and improve overall quality of the sole source contracts that were being executed. The intent was not to create another review and approval, but to provide early insight into what actions are not being competed as well as an opportunity to have a discussion with the Contracting Officer regarding the authority cited, the rationale and opinions for promoting greater competition and improving the quality of the justifications. During that period, the IA Head of the Contracting Activity (HCA) mandated Justification for Other than Full and Open Competition (JOFOC) Training for all Contracting Officers/Specialists on May 20, 2020. The goal of the training was to provide Contracting staff with a better understand of JOFOCs and needed information to justify and document requirements. As a result of the increase scrutiny and subsequent follow up meetings that emphasized competition, IA was able to increase the competition rate (reduce sole sourcing) from 62% to 80% in FY20.

Additional steps taken to increase competition and improve JOFOC documentation:

1. Developed Flow Chart for CO's and provide as part of the OCFO initiative to develop useful templates.
 - a. Templates were developed for each type of sole source situation
 - b. Reference guide was developed and shared along with the training that took place in May 2020
2. Fair and Reasonable Determinations / Basic Price Analysis Training conducted on November 17, 2020.

5. Develop and implement a policy for transferring requirements between contracting offices to ensure they are transferred with sufficient time to conduct a competitive procurement.

IA Acquisitions currently produces a report derived from PRISM that lists contract period of performance and option period expirations. This report is generated and sent directly to all Contracting Officers/Specialist monthly. Supervisory contracting officers use this report to see what actions are going to expire within 12, 6, and 3 months and use this information to engage with customers concerning any follow-on requirements. Additionally, IA HCA and CCO hold monthly Supervisory

Contracting Officer meeting to discussion upcoming contracts, issues/concerns, and advise on new policy guidance. IA Acquisitions is currently developing an internal policy related to the transferring of contracts between offices. We anticipate that to be developed and implemented by September 1, 2021.



Department of the Interior
BUREAU OF LAND MANAGEMENT
Grand Junction, CO 81506
<https://www.blm.gov>



In Reply Refer To:
1245/1510/5000 (750/720/220)

Memorandum

To: Chris Stubs
Director, Office of Financial and Contract Audits
Office of Inspector General

Through: Laura Daniel-Davis
Principal Deputy Assistant Secretary,
Land and Minerals Management

From: Nada Wolff Culver
Deputy Director, Policy and Programs

Subject: Office of Inspector General Draft Report, “The U.S. Department of the Interior Needs To Improve Support for Price Reasonableness Determination and Justifications for Sole-Source Awards” (2020-FIN-008)

Thank you for the opportunity to review and comment on the draft report titled “The U.S. Department of the Interior Needs To Improve Support for Price Reasonableness Determination and Justifications for Sole-Source Awards” (2020-FIN-008).

The Bureau of Land Management (BLM) appreciates the Office of Inspector General’s work in the planning and conducting of the audit of the sole-source contract awards. The BLM generally agrees with the audit findings and concurs with the recommendations. Below is a summary of the actions taken or planned to implement the recommendations.

Recommendation 4: We recommend that the BLM provide refresher training to contracting officers on justification of sole-source contracts, emphasizing that the justification should include enough information that a future contracting officer can review it and understand why only one contractor was capable of performing the work.

Response: The BLM will provide refresher training to Contracting Officers on justification of sole-source contracts, emphasizing that the justification should include enough information that a

future Contracting Officer can review it and understand why only one contractor is capable of performing the work.

Target Date: March 31, 2022

Responsible Official: Barbara L. Eggers, Assistant Director, Business Management and Administration

Recommendation 6: We recommend that the BLM update bureau guidance to instruct contracting officers to ensure that recipients of Good Neighbor Authority contracts have been delegated Good Neighbor Authority by their State governors.

Response: The entities eligible to enter into a Good Neighbor Agreement include a governor or any other appropriate executive official of an affected state or the Commonwealth of Puerto Rico, an Indian tribe, or an appropriate executive official of an affected county. The 16 U.S. Code § 2113a - Good neighbor authority statute does not require tribes or counties to have delegated authority by a governor. In addition, it is not clear that the statute requires “any other appropriate executive official” to have delegated authority from the governor. The language around the eligible entity has evolved since the original Good Neighbor pilot legislation, because different state agencies and organizations among the 50 states and Puerto Rico are organized differently and not all have authority delegated from the governor. The BLM proposes developing a process where the contract or agreement signatory certifies that he or she meets the criteria under the law to be awarded a Good Neighbor Agreement.

Target Date: March 31, 2022

Responsible Official: Barbara L. Eggers, Assistant Director, Business Management and Administration

If you should have any questions about this response, please contact Amy Hay, Chief, Division of Business, Engineering, and Evaluations, at [REDACTED]; or LaVanna Stevenson, Audit Liaison Officer, at [REDACTED].

cc:

ASLM (2) (6628 – MIB)

HQ-100 (Grand Junction)

HQ-200 (Grand Junction)

HQ-220 (Boise, ID)

HQ-700 (Grand Junction)

HQ-750 Official Copy (Lakewood)

HQ-750 rf/hold (Lakewood)

HQ-750:LStevenson:6/17/2021: DOC-ID:revised_BLM Transmittal Memo_BLM Comments on
OIG Sole-Source Awards Draft Report_2020-FIN-008

Appendix 5: Status of Recommendations

Recommendation	Status	Action Required
4–Bureau of Indian Affairs	Resolved and implemented	No action is required.
1, 2, 4–Bureau of Land Management, 5, 7	Resolved but not implemented	We will refer these recommendations to the Office of Policy, Management and Budget for implementation tracking.
3, 6	Unresolved	We will refer these recommendations to the Office of Policy, Management, and Budget for resolution.

Report Fraud, Waste, and Mismanagement



Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to departmental or Insular Area programs and operations. You can report allegations to us in several ways.



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