REPORT BY THE U.S.

General Accounting Office

Need To Improve AID's Project Management And Contracting Practices And Procedures

Questionable practices and procedures identified in the Agency for International Development's contracting activities to less developed countries were in

- planning the procurement,
- negotiating and awarding the contract, and
- monitoring the contract implementation.

AID should continue to strengthen its procurement process by (1) ensuring that corrective actions are taken, (2) establishing criteria which would define the conditions under which certain exceptions to noncompetitive procurement can be used, and (3) taking necessary actions to eliminate weaknesses discussed in this report.

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MARCH 14, 1978

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

B-132961

The Honorable John J. Gilligan
Administrator, Agency for International
Development
Department of State

Dear Mr. Gilligan:

During 1976 we issued four reports which noted procurement weaknesses in AID's contracts and grants with universities, private voluntary agencies, and experts and consultants. 1/ This report identifies additional contracts and grants with procurement weaknesses and shows that deficiencies in AID's procurement process continue.

We examined selected contract and grant awards to evaluate (1) the adequacy of the planning involved in establishing the requirements for the technical assistance projects, (2) the effort made to ensure that contracts were negotiated and awarded in compliance with Federal procurement regulations and generally accepted procurement practices, and (3) AID's monitoring and control to ensure that contracts and grants were implemented properly and their goals and objectives achieved. We reviewed only direct contracts and grants for technical services awarded by AID's Washington offices.

We examined the selected contract and grant files in the Office of Contract Management and the applicable project files in the responsible geographic bureaus and technical offices. We discussed the contracts and grants with the offices responsible for planning, negotiating, awarding, and monitoring the selected procurement actions. Because of time constraints we did not visit overseas locations to review the

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1/"Agency for International Development Relationships with Airlie Foundation and George Washington University's Department of Medical and Public Affairs" (ID-76-56, Apr. 29, 1976); "Strengthening and Using Universities as a Resource for Developing Countries" (ID-76-57, May 5, 1976); "Channeling Foreign Aid Through Private and Voluntary Organizations" (ID-76-58, May 5, 1976); and "Improvements and New Legislation Needed in AID's Contracting For Consultants and Advisors" (ID-76-82, Dec. 27, 1976).

extent that contract and grant activities were benefiting recipients. Our review results are highlighted in the following paragraphs and are more thoroughly discussed in appendixes I through X.

Poor or questionable practices and procedures were identified in each of the three procurement-related functions evaluated--planning the procurement, negotiating and awarding the contract, and monitoring contract implementation and achievement.

PLANNING OF PROCUREMENT REQUIREMENTS

The development of requirements for proposed procurements has not been given sufficient attention. AID has circumvented the normal and prescribed planning process in its haste to award contracts. For instance, AID did not fully recognize nor consider the impact that legal restrictions imposed by recipient countries would have on a commercial contraceptive distribution project. Neither did it obtain prior approval of the host country before awarding contracts for development of contraceptive distribution systems. Consequently, contractors experienced excessive delays in implementing contracts, scopes of the contracts had to be modified, and contract costs were unnecessarily increased.

NEGOTIATION AND AWARD OF CONTRACTS AND GRANTS

AID used inappropriate or questionable contracting practices in the negotiation and award phase of the procurement process. For example:

--AID questioned a grantee's ability to perform under a grant; nevertheless, a grant was awarded although a contract would have been the more appropriate award instrument.

--The budget available was disclosed to a contractor during negotiations.

--Technical office involvement in the procurement process infringed upon contract office responsibility in selecting contract sources and negotiating with potential contractors, particularly in contracts that were noncompetitively awarded.

--Noncompetitive contracting exceptions--predominant capability and impairment of foreign assistance objectives--were misused.

AID's objective, as in all Government procurement, is to obtain the quality and quantity of services needed at a fair and reasonable price. In keeping with this policy, its procurements should be made by formal advertising whenever possible; however, when formal advertising is not practical, a contract may be negotiated. Contractor selection is based on technical competence, ability to perform the particular project, and reasonableness of price. Offering all qualified sources the opportunity to compete--whether by formal advertising or by competitive negotiations--helps to minimize favoritism and collusion and provides greater assurance that acceptable services are obtained at the lowest cost.

Noncompetitive negotiations are allowed by AID's supplement to the Federal Procurement Regulations. The supplement clearly specifies seven circumstances in which proposals may be solicited from a single source. We examined contracts awarded under two of these exceptions--predominant capability and the impairment of foreign assistance objectives--and found that, in recent years, AID had used the former rather extensively and the latter to a lesser extent to justify an increasing number of noncompetitive contracts. Of 34 contracts reviewed, 12 were awarded noncompetitively under the predominant capability exception and 3 under the impairment of foreign assistance objective exception. Justifications prepared by the responsible technical offices were seldom challenged by the contracting officers or other review levels of the agency.

Part of the reason for awarding these contracts noncompetitively seems to stem from desire of the technical offices and bureaus to have contracts awarded as quickly as possible to preselected contractors. We found that the functions and responsibilities for procurement actions by AID's technical offices and its contract office are clearly delineated but are not always observed. In several instances AID's technical offices appeared to have performed functions more appropriate for the contract office; as a result, contracts were awarded noncompetitively to preselected contractors.

In discussions of these matters, several AID contracting officers stated that the technical offices and bureaus had become overly involved in the procurement process. One expressed the opinion that, for 90 percent of the orders submitted to him, the technical offices had already contacted the prospective contractor. Another contracting officer believed that more competition could be obtained if the technical offices were not so deeply involved. A third

explained that the technical offices sometimes undertake serious negotiations with potential contractors. The contracting officers said they had objected to this practice in the past but to no avail.

In our opinion, the technical offices and the contract office should work as a team in awarding a procurement. For instance, the technical offices, knowing what has to be done, should identify the requirements that must be satisfied by contractors. Because the technical offices are frequently familiar with the capabilities of prospective contractors, we believe it would be appropriate for them to recommend prospective contractors from whom the contract office should solicit proposals. However, all contacts with the prospective contractor and all negotiation of costs should be conducted by the contract office. The technical office should be represented at the negotiations to deal with any problems of a technical nature which may arise. Designations of certain contractors by the technical offices should be viewed only as suggestions rather than as mandatory for negotiations. We believe that the contract officer should be able to formally request proposals from, or at least supplement the suggested contractors with, other prospective contractors that possess the capability to perform the service being procured.

MONITORING CONTRACTS AND GRANTS

AID's monitoring of the contract or grant implementation and the contractor efforts to satisfy goals and objectives was weak. Problems encountered were not quickly identified so that corrective action could be taken. As a result:

--A contractor failed to fulfill the contract objective.

--The scope of work under a contract changed, and the basic purpose of the contract was engulfed and never achieved.

--Contractors were allowed to continue work after contract expirations in anticipation of new AID direct contracts, thus incurring obligations without the authorizing documents.

--Contractor-incurred cost exceeded the amount authorized by a contract. The contract was amended after we brought this matter to the attention of the contracting office.

AID INTERNAL ACTIONS TO IMPROVE CONTRACTING PROCESS

We recognize that AID undertook its own intensive review of direct contracts and grants between May and July of 1977. It identified basically the same weaknesses our review revealed. For instance, a large number of contracts and grants were being noncompetitively awarded because of poor planning and timing on the part of the technical offices and bureaus. As a result of that review, on October 5, 1977, you issued a directive to assistant administrators and heads of offices apprising them of the findings and directing them to ensure that project approvals comply with project management guidelines, include realistic procurement plans and schedules, and do not limit competition or inhibit good procurement practices. (See app. XI.)

CONCLUSIONS

We believe the actions directed by you in October 1977, if properly implemented, should go far in improving and strengthening AID's procurement process and should alleviate many of the problems we identified in AID's contracting practices.

From our observation that the technical offices often become too involved in the contracting process, we conclude that some clarification is needed over the role and responsibility of contracting officers. We believe it is imperative that AID's technical offices and bureaus more thoroughly plan their requirements and better define the scope of work and contract needs in their project papers and implementation orders.

There are, at present, no criteria for AID's use of the impairment of foreign assistance objectives exception in the procurement process. As now constituted, its use requires only the written approval of the responsible assistant administrator. We recognize that the decision is political and is based on the security interests of the U.S. Government, and we acknowledge that the exception has not been extensively used. However, we did find instances where its use was subject to question. To avoid misuse or abuse of the exception, we believe that AID should define the circumstances and situations for guiding decisionmakers in which this exception to normal procurement procedures can be used.

RECOMMENDATIONS

We are recommending that you:

1. Closely monitor the implementation of your October 1977 directive to ensure that corrective actions are taken.

2. Establish criteria defining the conditions when the impairment of foreign assistance objectives exception can be used.

3. Eliminate the weaknesses discussed in this report, particularly those relating to AID's monitoring of contracts and grants.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We did not submit a draft of this report to you for formal comment; however, its contents were discussed with officials in AID and State and their comments were considered in the report.

We are sending copies of this report to the Acting Director, Office of Management and Budget; the Chairmen, House Committees on Government Operations, International Relations, and Appropriations; the Chairmen, Senate Committees on Governmental Affairs, Foreign Relations; and the Chairman, Subcommittee on Foreign Operations, Senate Committee on Appropriations.

Sincerely yours,

J. K. Fasick

J. K. Fasick
Director

DEVELOPMENT OF COMMERCIAL CONTRACEPTIVE DISTRIBUTION SYSTEMS

AID awarded four contracts to design and implement commercial contraceptive distribution systems in Ghana, Nepal, Tunisia, and El Salvador. However, AID did not fully recognize the impact legal restrictions imposed by recipient countries would have on the project; nor did it obtain needed host country approvals of the project, contract document, or contractor before award of the contracts in some of the recipient countries. Consequently, the projects experienced excessive delays, the scope of the contracts had to be amended, and increased costs were incurred.

LEGAL OR ADMINISTRATIVE RESTRICTIONS WERE NOT CLEARED

In October 1973, AID/Washington approved a project paper to develop a commercial contraceptive marketing system in five less developed countries. The project paper provided that it was essential that countries selected for the program not have customs duties on AID-imported contraceptives nor have other legal or administrative constraints which could act as a serious barrier to the project's objective of expanding the commercial distribution of contraceptives.

The project paper envisioned that a specific contractor would design the systems, obtain necessary host government approval and relaxation of any restrictions to the projects' implementation, and submit to AID proposals to implement the systems in the countries selected.

The anticipated contractor obtained host country approval for a project in Bangladesh and submitted a proposal to AID. A contract was awarded in June 1974 based on that proposal and the contractor's predominant capability. The contractor continued working with other host countries to design commercial distribution systems.

In September and December 1975, AID received unsolicited proposals from the contractor for systems in two other countries. At this time, however, AID was internally debating whether awards should be made by soliciting competitive proposals for the systems or by determining the contractor to have predominant capability and contracting with him on a noncompetitive basis. In January 1976, the decision was made to solicit competitive proposals.

In February and March 1976, an AID contracting officer was authorized to procure necessary services for the design of systems for the commercial distribution of contraceptives, and to distribute AID-financed contraceptives through such systems, in Ghana, Haiti, Nepal, Tunisia, and El Salvador. The project paper approved in October 1973 provided the basis of these projects.

These countries were selected because they were generally receptive to a commercial distribution program, they had high population growth rates and large numbers of young people, and condoms and oral contraceptives were already available to a limited extent in all of these countries. Although most of the people did not have access to contraceptives or did not know how to use them, the market potential was judged to be excellent.

Proposals were received from prospective contractors for all five countries. However, only four contracts were ultimately awarded--for Nepal, Tunisia, Ghana, and El Salvador. A contract for Haiti was not awarded because none of the proposals received were considered technically adequate. None of these contracts were awarded to the contractor originally anticipated by the project paper.

At the time of award, three of the four countries had legal or administrative constraints that subsequently created contractual problems in the planned expansion of the commercial distribution of contraceptives.

--In Tunisia, contraceptives were available only at Government-controlled pharmacies and clinics. To obtain the "pill" legally required a doctor's prescription. As of August 1977, a year after the contract was awarded, the pill still required a prescription and was still legally available only from pharmacies and clinics. Likewise, the condom is still legally available only from pharmacies.

--In Ghana, the commercial distribution of oral contraceptives was illegal at the time of contract award; however, this restriction was finally removed about 9 months later.

--In El Salvador, even though it was illegal to sell the pill in private drug stores without a prescription, the Government approved AID's project to develop a distribution system. While it was being implemented, the Government ordered the project to be stopped in December 1976. Three months later the Government allowed the contractor to resume development of the

system. As of October 31, 1977, the Government had not lifted its restriction on distributing the "pill" without a prescription.

--In Nepal there were no legal or administrative restrictions or prohibitions against commercial distribution of contraceptives.

Awarding of the contracts despite these legal restrictions not only violated the criteria established by the project paper on the selection of countries but also made the successful completion of contracts doubtful, if not impossible. Because of these restrictions, delays were experienced by the contractors, the contract requirements had to be altered to reflect the actual conditions, and additional costs were incurred by AID.

HOST COUNTRY CONCURRENCE NOT OBTAINED BEFORE CONTRACT AWARD

The request for proposals and the contract provisions did not require host government approval of the project, the contract document, or the contractor before the award of the contract. The documents, however, did require host country approval before implementation. Further, before implementation the host country approval of instructional material was to be obtained, as well as relaxation of any regulations impeding distribution and sale of contraceptives. The contractors, not AID, were to obtain the host government's approval and relaxation of any legal or administrative restrictions hindering implementation. This procedure caused considerable problems in implementing the systems in Ghana and Nepal.

Host country approval was obtained from Ghana and Nepal only after months of delay.

--In Ghana, host country approval was not obtained for the project, contract document, and contractor until 9 months after the contract had been awarded. One hindrance to approval was that the contract permitted the contractor to carry out certain activities which were then not legal.

--In Nepal, host country approval was not obtained until 8 months after contract award. Until this approval was obtained, the contractor representative was not even allowed to work in Nepal.

We believe the wisdom of AID's planning for this contraceptive program is open to question. Too much reliance

was placed on the assumption that, up to the implementation phase, the host country would approve of the project. It was also assumed that the host country would approve the project, the contract document, and the contractor. These assumptions proved to be in error as (1) two of the four countries did not provide formal approval or agree to relax restrictions on contraceptives for a considerable time after contract award and (2) the two other countries have yet to remove the legal restrictions which would make a fully operational commercial program possible.

The inability to clear host country restrictions and the resulting delays in getting host country concurrences have delayed the marketing design phase and project implementation, which in turn have necessitated extensions of contract termination dates, additional costs, and changes in scope to fit the changed conditions.

--In Nepal, the contract has been modified to recognize additional costs incurred because of in-country delays in project implementation and commodity warehousing. The modification extended the contract 4 months and added about $116,000 to the contract.

--In El Salvador, the contract was extended 2 months because of delays. Contract costs of about $88,000 were added because of the delays.

--In Ghana, the contractor has requested a 10-month extension to the contract and an increase in contract value of about $105,000 for the delay experienced and the additional time needed to complete the contract objectives.

--In Tunisia, the contractor suggested that the scope of work be changed to incorporate household distribution of contraceptives because it was unlikely the planned distribution system could be implemented. AID approved a project implementation order to expand project requirements by adding a household distribution of contraceptives segment and a vending machine program.

NON-FORMAL EDUCATION PROJECT

IN PANAMA

An $828,000 grant would have been more appropriately awarded as a contract; as a result, serious problems developed between the grantee and a host country agency. Ultimately, the program was revised, and the host country agency assumed control of the grant.

In considering the grantee's unsolicited proposal, AID requested the Auditor General to make a preaward audit of the proposed grantee. The June 1975 audit report concluded that:

--The grantee would not be financially capable of fulfilling work objectives without an advance of funds.

--The accounting system and internal controls should be reviewed again after 3 to 6 months of operation.

--Grant performance should be carefully monitored because the grantee lacked management experience.

The report stated that, although some of the people involved in the program had extensive individual experience, the grantee management, as a whole, had no experience managing programs of the proposed magnitude--$828,000 in 3 years. Nevertheless, the award was made to fund a non-formal education project to help a largely illiterate Indian population in Panama.

Despite these observations and a warning of a fundamental lack of managerial experience, the grant officer justified the award on the bases that the grantee's accounting system was acceptable, its staff members had extensive management experience, and the project coordinator was extremely competent and had previously worked for AID.

Problems were evident early in the implementation phase of the grant. In March 1976 the grantee's field project director commented that the project agreement no longer represented the program as it was being developed by the Ministry of Education. He continued that if it were strictly interpreted by Mission officials and auditors, many of the original objectives would not be found.

Also, AID's Auditor General's report issued in May 1976 cited a number of deficiencies, such as:

--The project was 6 months behind schedule at December 1975.

--A baseline study had not been completed.

--No curriculum had been developed.

--The grantee had not staffed the project as planned.

--The Ministry of Education had not provided facilities for classrooms and dormitories and agricultural lands for the proposed training institute.

--Planned training had not been initiated.

--The Ministry of Education had not assigned personnel to fill agreed on positions.

--Quarterly reports had not been submitted.

The original grant and project agreement established a number of quantifiable objectives which the grantee expected to accomplish. However, because of difficulties encountered with the Ministry of Education, these objectives were modified.

After the passage of a year, all the concerned parties--Government of Panama, AID/Washington, USAID/Panama, and the grantee--held numerous meetings in June and July 1976 that resulted in preparation of a new agreement between the Ministry of Education and the grantee. This new agreement all but negated the original program. The new agreement provided, in part, that:

--Technical assistance from the grantee would be at the request and direction of the Ministry of Education.

--Grantee staff would not visit the training center in the Guaymi area unless accompanied by Ministry of Education personnel.

An AID official told us that, based on a reputation established while working on such a project in Colombia, the grantee was considered to have the expertise and capability to carry out a non-formal education program. The official advised us, however, that the grant was the first approved by his office and that a series of mistakes were made in its award. For example, his office should have recognized certain weaknesses, including the grantee's lack of experience in managing a program of this size. The annual budget of

APPENDIX II

the grantee before this award was only about $20,000. The official added that, if the project were submitted today, his office would not approve it.

Contracts are the normal legal course for AID's procuring goods or services. An AID policy determination states that grants should not be used as substitutes for contracts because they render inapplicable carefully defined procurement rules and regulations. Neither should grants be used for projects over which AID plans to exercise a substantial degree of operational control. Based on the fact that the grantee had never worked by itself on a project of the magnitude proposed and the reports of the Auditor General, we question whether any type of award should have been made to this firm. Since an award was made, however, we believe it should have been in the form of a contract or at the least a grant with strong supervision by AID.

CREATION OF A BASIC PERSONNEL MANAGEMENT SYSTEM IN LIBERIA

Contrary to AID directives, a contractor was informed of the amount of funding available for a contract AID was planning to award. The project involved technical assistance to the Government of Liberia to create a basic system of personnel management, including classification standards, testing methodology, and recruitment procedures. After disclosure of the amount available, the contractor conformed his cost submission to the funding AID had.

An AID general notice dated May 15, 1974, entitled "Improper Disclosure of Funding Data to Contractor," prohibits the disclosure to prospective contractors of the amount of funds earmarked for a proposed contract. The provisions prohibit employees from providing prospective contractors any correspondence, project documentation, or other data which shows the amount of the proposed funding. Oral disclosure of such information is also prohibited.

The contractor had submitted a cost proposal that exceeded the funding AID had determined to be available for the project. In the course of negotiating the proposal, the contracting official told the contractor that the proposal was too high and that AID's budget provided only $584,000.

The contractor subsequently submitted a revised proposal with a total cost equal to the AID budget, and the contract was awarded for $584,000 effective September 1, 1974.

We recognize that such data is sometimes available as public information in AID documents submitted to the Congress. Nevertheless, the practice of AID personnel disclosing the budget available for a project is prohibited by AID policy. Such disclosure is a serious violation of that policy and should not be allowed to occur.

AN AERIAL RECONNAISSANCE SYSTEM TO DETECT OPIUM POPPY FIELDS IN MEXICO

Several procurement weaknesses were noted on a contract for operating an aerial reconnaissance system in Mexico during that country's 1976-77 opium poppy eradication program. Weaknesses identified were

--infringement by the senior advisor's office upon the contract office's area of responsibility,

--the misuse of the impairment of foreign assistance objectives exception, and

--the failure to obtain the end product anticipated by the contract.

In June 1976 State's senior advisor persuaded Mexico's Attorney General to undertake a joint effort in the 1976 and 1977 poppy eradication program. They agreed that Mexico would operate one unit of an aerial reconnaissance system and a U.S. contractor would operate a second unit.

According to the AID officials responsible for the project, timing was critical. A contractor team had to be in Mexico by September 1976--the beginning of the poppy growing season--so that the fields could be identified and mapped concurrent with Mexico's beginning its eradication operations. The officials acknowledged that other sources were capable but it would have taken longer to get them even if they were interested. There was no time for competition. A firm familiar with the system and the Government of Mexico was needed. The proposed contractor filled both these requirements. So, to move quickly and have the work begun in time, the senior advisor in July 1976 approved the technical officer's recommendation to use the impairment of foreign assistance objectives exception to get this particular contractor. However, one month later, after a breakdown in negotiations with the contractor, the technical officer wrote the senior advisor requesting a decision on whether to agree to the contractor's demands or seek the services of other firms. On August 25, 1976, the senior advisor approved the option to seek other firms, apparently negating his prior decision. Although some delay could result, the technical officer stated that a delay might not be as critical as originally believed. However, rather than initiate contacts with other firms, AID resumed negotiations with the contractor and ultimately awarded a contract to the

designated contractor--the original objective of the senior advisor--on September 2, 1976, in the amount of about $1.1 million. AID's contract office conducted the final negotiations; however, the senior advisor's office preempted these negotiations through its earlier extensive contacts with the contractor. An AID official told us that it was the senior advisor's office which had initiated contact with the contractor prior to the drafting of the project implementation order.

We did not contact any contractors to determine if they believed they could have carried out this project. AID officials did tell us that other firms were capable of carrying out the project. The record shows that two contractors had presented proposals regarding aerial surveillance systems for identifying poppy fields. AID and State officials advised us that these proposals were informally rejected or were not considered because they were too costly, were too sophisticated, and would have taken 1 to 2 years of applied research to develop. Although the systems proposed were not acceptable, it is apparent that the selected contractor was not the only firm that had the capability of providing aerial surveillance.

We believe that, because other contractors were capable in this field and because timing was not as critical as originally suspected, proposals should have been formally solicited from other sources and the contract should have been awarded competitively. The contractor selected may have been extremely competent and may have possessed all the necessary technical skills, but so may have other sources. Competitive negotiation would have determined if that were true.

The end product of this contract was production of photographic mosaic maps identifying the poppy fields for use by the Mexicans in their eradication program.

In its proposal the contractor provided that within 48 hours after each aerial reconnaissance flight, photo maps annotated to show the location and classification of detected poppy fields would be delivered to Mexican eradication teams. The contractor, being the manufacturer of the equipment, was in a position to know the system's capability and earlier had trained Mexican personnel in its use. Even so the contractor was never able to deliver the maps within the 48 hours required by the contract; as a consequence the system contributed very little to Mexico's poppy eradication effort.

During January 1977 the contractor's delivery time for the annotated photographs ranged from 3 to 11 days. One of the reasons given by the contractor for the longer time was that, although it took only 3 days to complete the normal work of processing and interpretation, the complicated annotations which the Mexicans required were adding 3 to 4 days to the process. The contractor contended that days could be saved if the Mexicans would accept a simpler annotation method. Unfortunately, this disagreement was not resolved and the contractor was never able to achieve delivery within the 48 hours required in the contract.

AID officials acknowledged that they had considered terminating the contract because the contractor was not fulfilling the delivery requirement but decided against that action in the hope that the contractor's performance would improve. Although the contractor was never able to meet the goal, the contract was allowed to continue until its expiration date of June 30, 1977.

NARCOTICS PROGRAM

HELICOPTER MAINTENANCE AND SUPPLY

Procurement process deficiencies found on this award--an 18-month contract for $1.6 million to train Mexican personnel to maintain and provide supply support for their own eradication aircraft--were:

--The impairment of foreign assistance objectives exception was misused as a reason for noncompetitive contracting.

--A contract was amended although the change in scope created a new procurement for which a new contract should have been awarded.

--The contract objective was never achieved because it was engulfed by, and neglected under, the changes in the scope of work.

The maintenance of Mexico's eradication aircraft was discussed during a September 1974 meeting between the Department of State's Senior Advisor for International Narcotics Matters and the Government of Mexico's Attorney General. They agreed that additional specialized maintenance experts would be brought into Mexico to train Mexican personnel in the proper maintenance of the aircraft. They also agreed on the contractor to be chosen.

Procurement under the impairment of foreign assistance objectives exception was considered necessary to expeditiously carry out the agreements reached during the September 1974 meeting and to ensure effectiveness of the 1974-75 Mexican opium poppy eradication program. The senior advisor justified the contractor for noncompetitive award in October 1974 because (1) the aircraft used by Mexico were manufactured by the contractor, (2) the Mexicans specifically requested that contractor, and (3) the short lead time to meet requirements--from October to November 1974--precluded seeking other sources.

The cable describing this meeting indicated that, rather than insisting on a particular contractor, the Mexican Attorney General only agreed to accept the U.S. recomdation to have experts come to Mexico to help improve the maintenance capability of Mexico's air division specialists. The cable is not clear as to which party suggested this particular contractor; however, since this contractor had

manufactured Mexico's aircraft and had the capability to perform the training service, it was an acceptable choice to the Attorney General.

We believe Mexico's insistence on a contractor is not sufficient reason for the United States to comply, particularly when other U.S. contractors were capable of this service.

While examining the records of another contract, we came across a similar situation where the host government reportedly favored a particular contractor. In this instance, the contracting officer would not agree to award the contract on the basis of an impairment of foreign assistance objectives and wrote:

> "I do not believe that a Cooperating Government's (or USAID's) preference for one contractor, by itself, is sufficient justification for the AA/LA [Assistant Administrator/Latin America] or any Assistant Administrator to use this authority. If it were, it could establish a dangerous precedent."

According to AID officials, there are no established criteria for using the impairment exception. One official said the decision to use the exception is political and is made on the basis of U.S. security interests. He added that it is used sparingly and he does not believe established criteria for the use of the exception would be beneficial.

We believe there should be some guidance on when this exception can be used to avoid its arbitrary use which precluded competition in this instance.

The objective of this $1.6 million contract was to train Mexican personnel to perform maintenance and supply functions for the aircraft so that Mexico would not have to rely on further external assistance. This objective was not achieved. The contract was amended 11 times, increasing the cost to about $8.1 million and expanding the scope to the extent that a new procurement was created. What was intended to be a training contract to make the Attorney General's office self-sufficient in maintaining the aircraft became one in which the contractor performed the aircraft support and maintenance.

We recognize that the contract scope as originally envisioned did provide that certain support equipment, tools,

spare parts, and repair services would be purchased to assist in carrying out the contract objective. However, the purchase of these types of commodities, including repair services, increased drastically as the contractor concentrated more on keeping the eradication aircraft flying than on training Mexican personnel.

When we brought this matter to the attention of responsible AID and State officials, they contended that the original intent of the contract was two-fold: (1) to set up a maintenance and supply system and train Mexican personnel in its operation and (2) to keep the aircraft of the Attorney General's office in flying condition.

The Director of AID's Office of International Narcotics Control told us that the contractor did accomplish the objective of keeping the aircraft operational and did establish a spare parts supply system but was not successful in developing the Mexican in-house maintenance and repair capability.

The Director agreed that the original intent of the contract was to train Mexicans to operate a maintenance and support system. However, because AID and State were totally committed to Mexico's eradication efforts, AID allowed increased maintenance and support efforts to be accomplished through the existing contract. Pressure was put on the Mexicans by the United States to improve eradication efforts. As a result the Mexicans sometimes made hurried, not carefully thought-out decisions on new ways to eradicate the poppies. For example, they decided to begin aerial spraying of the fields rather than continue destroying the plants by hand. This decision required more helicopters (which the United States furnished) and consequently more spare parts, maintenance services, and overhauls.

The Director added that, because of that pressure, AID believed it had no option but to fully support the Mexicans in their eradication efforts, even to the point of changing objectives from one of training the Mexicans in aircraft maintenance and support to one of actually keeping the aircraft in a flying condition.

We believe that the changes which occurred--that is, the huge purchases of equipment, spare parts, and repair services--created a new procurement rather than just a modification to the existing contract; therefore a new procurement contract should have been awarded.

One of the effects of modifying the existing contract was that the basic objective stated in the contract--training the Mexicans--was set aside and never accomplished. Lack of cooperation from the Attorney General's office was cited as one reason the contractor was not able to achieve the objective. We believe another reason was the change in scope.

The Director related that, as the contract neared its completion date, AID officials advised Government of Mexico officials that AID could not continue to fill in the gaps in the Mexican narcotics program and that AID did not intend to provide any more assistance until Mexico decided whether it wanted to develop an in-country capability to maintain and repair the aircraft. State and AID officials explained that, because the people in power in Mexico at the time were difficult to deal with, little pressure for greater cooperation was exerted. They felt the Mexican Government would not have complied anyway. During subsequent negotiations Mexican officials decided they wanted to develop such a capability but through the use of a host country contract rather than an AID direct contract. A letter of agreement between the Governments of the United States and Mexico was signed June 2, 1977, and a new host country contract was competitively awarded by Mexico with the advice and assistance of AID.

We believe there is little doubt that the AID contract contained provisions that were well-defined at the outset and only partially achieved in the end. Even though the Mexicans' cooperation with the contractor was not always good, AID should have made certain that the contract was implemented as conceived rather than being allowed to balloon into a massive procurement and repair contract financed by the U.S. Government. We would also suggest that had the contractor accomplished the primary objective of the AID contract--to develop Mexico's own in-country capability--a host country contract to develop the capability would not have been necessary.

BASIC VILLAGE EDUCATION PROGRAM

IN GUATEMALA

The contracts awarded for this program demonstrate the technical office's infringement on the negotiation function of the Office of Contract Management and the resultant misuse of AID's noncompetitive negotiation authority.

The basic village education program's objective was to determine the relative cost effectiveness of various mixes of communication media--radio, sound, flip charts--to supplement work by a limited number of agricultural extension agents in changing the practices in agricultural production among the rural Ladinos and Indians in Guatemala.

The program was carried out in two phases.

--Phase I was a study to determine the feasibility of a pilot project.

--Phase II implemented the pilot project.

A contract was noncompetitively awarded for phase I based on the contractor's predominate capability as justified by the technical office. In its memorandum justifying the use of the predominant capability exception, the office stated that, in addition to the contractor, three universities had been contacted and eliminated from consideration for one or more of the following reasons.

--A team could not be put together in time.

--Overhead charges were excessively high.

--The prospective contractor insisted on having an excessively high number of its own advisors on the team.

The contract office negotiated only with the contractor recommended by the technical office and awarded a contract for phase I of the project although one of the eliminated contractors formally responded that it was interested in the contract but required more time to assemble a team.

On October 3, 1972, the Mission cabled the technical office that phase I was virtually completed and the project's progress was favorable. Six months later, on April 10, 1973, the technical office wrote a memorandum

recommending noncompetitive negotiations with the same contractor for phase II. The memorandum stressed the contractor's educational technology, experience in Guatemala, and the critical time schedule for beginning phase II. It also stated that the same universities had been contacted as in phase I and that they were not available for the reasons cited in the office's previous justification for phase I.

The contract was awarded noncompetitively to the preselected contractor on May 18, 1973, with an estimated completion date of May 1, 1975, and an initial obligation of $280,000. Additional funds were to be obligated later.

We believe that the award of these two contracts demonstrates the overinvolvement of the technical and regional bureaus in the negotiation process, resulting in the noncompetitive award of these two contracts. In both instances, the technical office without the use of a written request for proposals, contacted potential contractors and eliminated them from possible competition on the basis of these contacts. In our opinion, technical offices have a responsibility to furnish the names of qualified contractors, but all contacts which may result in elimination of potential contractors should be left to the Office of Contract Management.

In the award of the contract for phase II, the technical office apparently waited an excessively long time before preparing a project implementation order. The order was signed on April 17, 1973, although, according to an AID telegram dated October 3, 1972, phase I was "virtually completed and initiation of Phase II anticipated at an early date."

Generally, negotiations and award take 60 to 90 days. Therefore, we believe that, had the Mission and AID/Washington acted in an expeditious manner to develop the project implementation order and clearly identified requirements, estimated costs, and suggested contractors, the contract office might have been able to have issued a request for proposals and awarded the contract on a competitive basis. It is impossible to tell at this time if another contractor could have been obtained or would have been any more successful and less costly than the contractor recommended by the technical office; however, we noted that the contractor during phase II increased the scope of the contract, increased the cost to about $1.7 million, and extended the time frame from 2 to 4-1/2 years.

BASIC RURAL EDUCATION PROJECT

IN GUATEMALA

This contract demonstrates the misuse of AID's noncompetitive negotiation authority due to the contract office's acceptance of the technical bureau's request and justification for noncompetitive procurements.

In June 1975 the Mission prepared a project implementation order to provide technical assistance to the Government of Guatemala's Ministry of Education to determine the effectiveness and related costs of different mixes of education and delivery systems to be developed, implemented, and evaluated in a planned series of time-phased steps.

Upon receipt of the order, the technical office in AID/Washington prepared a memorandum endorsing the Mission's and Guatemalan Ministry of Education's request for the services of a specified contractor for this project. The memorandum stated that the Mission and the Government of Guatemala had reviewed the qualifications and potential of another U.S. firm and concluded that the firm was not as qualified as the recommended contractor.

The project implementation order and memorandum recommending noncompetitive procurement with the contractor were sent to various branches of the contract office for comments. A policy branch official wrote that the justification for noncompetitive procurement appeared weak because most of the persons to be used on the contract were to be obtained by subcontracting. He concurred with officials of two other branches who questioned the use of the predominant capability exception in this instance and stated that a better case could be made for noncompetitive procurement on the basis of an impairment of foreign assistance objectives exemption because of the host government's desire to use this particular contractor.

On September 5, 1975, the contracting officer wrote to the Contract Review Board that:

> "* * * The rationale for selection of the [contractor] from every aspect, appears to be based upon considerations of the organization's experience and characteristics, as in the 'predominant competence' criteria. In my estimation, this justication for 'predominant competence' is

> as strong as most others that have been approved and does meet the standards set forth in AIDPR 7-3-101-50 (c)."

The project was sent to the three-man Contract Review Board which approved it on a split decision. The contract was awarded on November 24, 1975, in the amount of $295,960.

This project is an example of AID's efforts to circumvent the standard procurement practice of seeking competition whenever possible. Instead of developing a set of requirements which could be transposed into a request for proposals, AID's contracting office accepted the Mission's request and the technical office's recommendation to negotiate only with a specific contractor. We noted that officials in the contracting office disagreed over which basis should be used to justify negotiating solely with the contractor--predominant capability or impairment of foreign assistance objectives.

We recognize that the project is being carried out by the same contractor on the basic village project (see app. VI), and we understand the advantages of using an experienced contractor who has already established a good rapport with the host government. However, we believe that unless it could be shown that excessive delays or costs would have been incurred as a result of not awarding the contract to the contractor, the contracting office should have more thoroughly investigated the technical office's justification to ensure that adequate measures were being taken to obtain competition. It appears that the Office of Contract Management does not look beyond the surface of the justification memos written by the bureaus because (1) AID's procurement regulations authorize noncompetitive procurement and (2) contracting officials have been unsuccessful in their efforts to get the technical offices to seek competition.

ASSISTANCE IN ESTABLISHING A FUNCTIONAL NUTRITION UNIT IN PAKISTAN

To provide this assistance the contract office accepted the technical office's request for noncompetitive procurement and awarded the contract to the preselected contractor.

On December 20, 1974, the Mission approved a project implementation order authorizing the contract office to negotiate with a qualified university for carrying out a project to strengthen Pakistan's nutrition planning and research capability. On January 15, 1975, the technical office requested noncompetitive negotiations with a specific contractor because of its predominant capability in this area. According to the request, the designated contractor was the only firm or institution to have the depth of experience and range of professional skills needed and it could rapidly provide the qualified staff. To procure the services competitively would delay the project's implementation.

An AID official said that other qualified sources were informally contacted by telephone but were not selected because none had the personnel available to do the work at the time. Thus, the contract office negotiated only with the contractor designated by the technical office although the contract was not awarded until June 26, 1975, 6 months after the project implementation order was approved.

We believe that, since other contractors were qualified to perform these services and since the contract was not awarded for 6 months after the request, this procurement could have been competitively awarded with a little more planning and coordination by the technical and contract offices.

TECHNICAL ASSISTANCE TO THE INSTITUTE OF PUBLIC ADMINISTRATION IN LIBERIA

A contractor received reimbursements to which he was not contractually entitled. The contract was awarded in November 1975. The contract document obligated $410,000 of the contract's total estimated cost of $1.1 million. On September 29, 1977, one day before the contract termination date, no amendment had been issued increasing funding beyond the original $410,000. The contracting officer first became aware of this funding deficiency when we brought the matter to his attention in September 1977. Because AID was not monitoring the funding needs of this contract, the contractor had been reimbursed for considerably more than had been obligated.

The contracting officer charged with administering the contract acknowledged that AID had obligated only $410,000 on the contract and the contractor should not have been allowed to exceed this amount. He stated that all parties--the technical officer, contractor, and he--had erred on the contract. He advised us that although the contract had not been amended, he had a project implementation order dated December 23, 1976, which authorized an additional $504,000 for the contract. Had this order been translated into a contract amendment at the time, it would have increased the obligations under the contract to $914,000. He explained that even though the $504,000 was not formally incorporated into the contract, the contractor was continuing to be paid on the strength of the December implementation order. He was not aware of any additional implementation orders which authorized funds above the $914,000 level that had been issued although he believed the contractor had already exceeded this amount. The contracting officer was unable to ascertain how much had been expended by the contractor as the contract records had been transferred to the mission where responsibility for administering the contract now resides.

On October 20, 1977, an amendment was issued increasing the funding to $914,000. While the contracting officer recognized that this level would not equal the contractor's expenditures, he was unable to add additional funding without having an authorizing implementation order.

Subsequently, we were told by an AID official that other implementation orders had been approved by the Mission and forwarded to Washington. The approved implementation orders were not received by the contract office and therefore were not translated into a contract amendment.

To correct this oversight, another amendment was issued on December 22, 1977, based on project implementation orders that the Mission had approved. The amendment increased the funds under the contract from $914,000 to $1,188,720.

TECHNICAL ASSISTANCE TO LIBERIA AND AFGHANISTAN

We reviewed the contracts for technical assistance AID provided to:

--The Liberian Institute of Public Administration.

--The Afghanistan Ministry of Education.

--The Kabul University of Afghanistan

In certain instances contractors have been allowed to begin work before the contract was signed or to continue work after the contract had expired. Contractors therefore were incurring liabilities without funding or authorizing documents.

The informal commitment of funds has been a problem which AID's Administrator's Office has addressed on several occasions through memorandums to bureau and office heads. One memorandum stated AID's views, as follows.

> "Unauthorized commitments are not only in violation of the Agency's procurement regulations but create serious breaches of the ethics involved in maintaining and discharging business and financial responsibility. Committing an Agency of the U.S. Government to the expenditure of funds is a serious action which must only be taken after supporting financial documentation is prepared, approved and issued."

Nevertheless, we found the following examples:

--A contractor continued to work on a project involving the Liberian Institute of Public Administration and to incur obligations to the account of AID under this project after a host country contract had expired and before an AID direct contract with the contractor was executed. The contracting officer acknowledged that technically AID was in error in allowing the contractor to continue work beyond the host country expiration date but believed that this action was more expedient than sending the contractor home and readvertising the award.

--On the follow-on award of a long-running contract to provide advice and assistance to the Ministry of Education of Afghanistan, the contractor performed

for a 1-1/2-month period without a contract document. The original contract had been in effect 9 years and was to expire June 30, 1974. The new contract extension was not signed until August 15, 1974. The contracting office acknowledged that the contractor worked on "good faith" during the 1-1/2 months. He said the technically correct procedure would have been to sign an interim letter of agreement but believed that would have further delayed the contract approval.

--To provide assistance to Kabul University in Afghanistan, a contract to be effective August 1, 1974, was not signed until August 15. AID officials acknowledged that the contractor worked between August 1 and August 15 without any written approval. Again, the technically correct procedure would have been to issue a precontract letter which would have authorized the contractor to start prior to contract approval. An AID official believed that would have delayed approval even longer and the contractor would have been reimbursed for all expenses incurred after August 1, even if the contract was not signed, because AID had given verbal approval.

Although contracts were eventually awarded on each of the examples cited, the practice of allowing the contractor to begin work before the contract is signed or to continue work after its expiration violates AID's procurement policies and should be discontinued.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

THE ADMINISTRATOR

OCT 5 1977

MEMORANDUM FOR ASSISTANT ADMINISTRATORS AND HEADS OF OFFICES

SUBJECT: Actions to Improve Contracting and Grant Processes Directly Executed by A.I.D.

Each year A.I.D. finances personal and nonpersonal services, equipment and supplies costing approximately $220 million. About half of this amount funds contracts and half grants.

Our recently completed intensive review of contracts and grants has revealed a number of correctable deficiencies in A.I.D. procedures. To insure that we make necessary corrections promptly, I am directing that actions be undertaken with regard to the following deficiencies which were identified in the intensive review:

I. The need to assure compliance with project management guidelines requiring well thought out procurement plans and schedules as part of the project design and approval process.

In FY 1976, 20% of the value of contracts/grants and amendments issued in AID/W were awarded in the last month of the fiscal year. It appears likely that the proportion may be even greater this fiscal year. Present guidelines require that a procurement plan and schedule be included with each project paper. Compliance with this requirement has been inadequate. Failure to plan procurements adequately often results in noncontractable scopes of work, over-reliance on noncompetitive procurement, and insufficient time for solicitation of proposals, for their evaluation and for effective negotiations. It may also lead to the use of grant procedures when a contract would be more appropriate.

Actions:

1. All Assistant Administrators and Office Heads must insure that the projects they approve comply with project management guidelines, include realistic procurement plans and schedules and do not include provisions that

would limit competition or otherwise inhibit good procurement practices. Each project paper must include:

- Identification of the contracts or grants that will be needed to implement the program;
- Description of services and supporting goods to be included in the proposed scope of work of each contract or grant;
- The proposed procurement agent (host country, USAID, AID/W, etc.);
- Proposed methods of procurement (grant, advertised or negotiated contract, technical competition only, or noncompetitive procurement based on predominant capability or other justification);
- Independent Government cost or price estimates;
- Special terms, required waivers, etc.;
- Scheduled dates for award and contractor start-up.

2. SER/CM with GC will amend A.I.D. procedures as required to assure that there is sound advance planning leading to prudent procurement. SER/CM and GC staff will also provide maximum technical guidance to client Bureaus and Offices in the development of procurement plans and participate in reviews by those offices of plans for any procurement action having an estimated cost or price over $100,000.

3. All Assistant Administrators and Office Heads beginning in Fiscal Year 1978 in consultation with SER/CM will establish schedules for submitting PIO/Ts for all proposed contract actions, PASAs and grant awards by calendar quarters. A current comprehensive record of procurement plans for all contracts and grants should be maintained in each Bureau/Office and copies provided to AA/SER and SER/CM at least quarterly.

   These plans should provide for PIO/Ts requesting contractor/grantee start-up dates before March 31, 1978 to reach SER/CM by November 1, 1977. Those with start-up dates between April 1, 1978 and June 30, 1978 should reach SER/CM by December 1, 1977, and those with start-up dates between July 1, 1978 and September 30, 1978 should reach SER/CM by February 1, 1978.

4. Assistant Administrators and Office Heads must verify that each project under their cognizance is assigned to a project support officer for monitoring and evaluation of contractor/grantee performance. All project support officers should attend a session of orientation and training in U.S. Government contracting, unless they have received such orientation and training during the last three years.

5. The Auditor General will assign auditors when requested by SER/CM to provide pre-award review of contractor/grantee proposals and consultation and assistance to contract specialists in their evaluation of costs and prices and in negotiation of contracts, grant agreements and amendments.

II. The need to ensure the maximum feasible competitive selection procedures.

Seventy percent (70%) of the contracts reviewed had been awarded without price or technical competition based on determination of predominant capability or some other noncompetitive justification. Moreover, twelve percent (12%) of the contracts and forty-five percent (45%) of A.I.D.'s grants were awarded on the basis of unsolicited proposals. While I am aware that much of A.I.D.'s contracting is with non-profit institutions for activities which do not lend themselves to price competition, each time a contract is awarded on a noncompetitive basis, it is an exception to the U.S. Government policy that contracts are to be awarded on the basis of competition to the maximum extent possible.

Actions:

1. All Assistant Administrators and Office Heads are directed to issue instructions to their staffs emphasizing that:

   - competition is the preferred means of selecting contractors and grantees;

   - all requests justifying noncompetitive selection of a contractor (including Personal Services contractors) must include supporting determinations and findings, as required by regulations, and must identify and discuss other sources which were considered and explain why they are not recommended;

   - project and other technical officers may not initiate contracts with potential contractors/grantees or in any way solicit proposals. Henceforth, each PIO/T accompanying an "unsolicited proposal" will include a statement by the project officer that, to the best of his knowledge, no one in his office initiated contact

with the offeror or otherwise requested the proposal. AA/SER with GC will amend AIDPR 7-4.5301 (c), Proposal Contents, to include a requirement that the proposal contain a statement by the offeror that the unsolicited proposal is not the result of a formal or informal request from A.I.D.

- only personnel formally authorized to negotiate or execute contracts may discuss salaries or other cost/price elements with potential contractors/grantees including PSCs. Each PIO/T shall include an "independent" Government estimate.

2. I direct the AA/SER to reconstitute the existing Sole Source and Predominant Capability Review Board to make the following changes:

-- Provide for the Board to meet formally and record its decisions.

-- Add representatives from the Office of the General Counsel and from the requesting Bureau/Office to the Board, the present members of which are the Deputy AA/SER, the director of SER/CM and the A.I.D. Small Business Specialist.

The Board will review and act upon all PIO/Ts for amounts over $100,000 (its present threshold is $250,000) which are accompanied by justification for noncompetitive procurement. The contracts office will continue to provide for intensive review of PIO/Ts for amounts below that level.

USAIDs, within delegated contracting authority, should be instructed:

-- That predominant capability selection determinations are to be made by USAID Directors or A.I.D. Representatives for contracts having an estimated value of $100,000 or more;

-- That Directors and A.I.D. Representatives must issue specific delegations of authority to make predominant capability determination selections for contracts having a value of less than $100,000; and

-- All USAID predominant capability determinations shall be documented in accordance with A.I.D. regulations and a copy of each determination shall be provided to the DAA/SER.

3. I direct GC to circulate copies of the Agency's regulations and applicable FPR provisions that describe the procedures to be followed, and the supporting justifications to be provided, in noncompetitive procurements. AA/SER and GC will also institute any amendments in the AIDPR that are needed to effect the policies outlined above.

III. The need to insure that small firms and firms owned by minorities or women get a larger share of A.I.D. business.

In FY 1976, only 5.1% of the value of contracts/grants awarded in AID/W and the missions went to small, minority and women-owned firms, institutions and individuals.

Action:

The AA/SER, the Director of EOP and the GC will complete their study of desirable procedural changes in project and contract planning and make specific recommendations on ways to increase the share of AID-financed procurement going to small and minority and women-owned businesses.

IV. The need to review present Agency policy which encourages special collaborative, trilateral relationships among host countries, U.S. universities, PVOs, international institutions and A.I.D. and reconcile it with A.I.D.'s underlying policy to seek maximum competitive procurement.

Action:

The AA/SER should immediately establish a task force with representatives from the General Counsel, PPC and the concerned central and regional Bureaus to re-examine procedures and mechanisms for procuring services from and for making grants to, universities, PVOs and international research organizations. The purpose of the examination should be to assure that our utilization of these organizations under special procedures is fully justified in view of the need to seek maximum feasible competition in the award of both grants and contracts. Procedures for implementing Title XII are to be included in this examination and BIFAD consulted.

V. The need to insure proper use of personal services contracts (PSCs) and indefinite quantity contracts (IQCs)

Actions:

1. I direct the AA/SER to take the lead in collaboration with the other Assistant Administrators to determine requirements for technical services to be procured via indefinite quantity contracts (IQCs) and to establish uniform procedures for

requesting the use of such services. AA/SER will also arrange for appropriate technical offices to monitor the contractor's utilization and performance.

2. I direct the AA/SER to arrange for single-point management of the business aspects of A.I.D.'s indefinite quantity provisions and terms of use.

3. I direct the AA/SER and GC to tighten procedures and amend contract forms to more fully ensure that A.I.D. uses its special authority to procure personal services within intended limits.

VI. The need to ensure that qualified contracting specialists are available to advise and assist with procurement planning and to carry out the procurement process and execute contracts and grants.

Actions:

1. The Assistant Administrators of each of the Regional Bureaus, in collaboration with the AA/SER, will ensure that each overseas mission has a qualified contract specialist on its staff or has readily available the services of an Area Contracting Officer. Each Regional Bureau AA and the AA/SER should report to me by November 30 on arrangements made.

2. I direct the AA/SER to ensure that orientation and training in contracting and grant procedures is available to AID/W and field project officers. Also that contract specialists in the Office of Contract Management receive continuing professional training.

The intensive contract review now completed revealed a strong tendency within A.I.D. to undertake noncompetitive selection of contractors/grantees. To a significant degree, this is attributable to the short time managers have afforded the contract staff to conduct the contracting process. Ninety to one hundred twenty days are required to solicit and evaluate proposals and to negotiate and award a contract competitively. A.I.D. should not deprive itself of the benefits of competition except in very exceptional circumstances. Henceforth, managers must include sufficient lead time in their project plans to permit good procurement. All levels of Agency management must concentrate on actions to allow time for the maximum of competition.

/s/ John J. Gilligan

John J. Gilligan

PRINCIPAL OFFICIALS RESPONSIBLE FOR ADMINISTERING ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
DEPARTMENT OF STATE		
SECRETARY OF STATE:		
Cyrus R. Vance	Jan. 1977	Present
Henry A. Kissinger	Sept. 1973	Jan. 1977
AGENCY FOR INTERNATIONAL DEVELOPMENT		
ADMINISTRATOR:		
John J. Gilligan	Mar. 1977	Present
John E. Murphy (acting)	Jan. 1977	Mar. 1977
Daniel S. Parker	Oct. 1973	Jan. 1977
ASSISTANT ADMINISTRATOR, BUREAU FOR PROGRAM AND MANAGEMENT SERVICES:		
Donald G. MacDonald	July 1977	Present
Charles A. Mann	May 1975	July 1977

(47142)