



**USAID**  
FROM THE AMERICAN PEOPLE

## OFFICE OF INSPECTOR GENERAL

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# AUDIT OF SCOPES OF WORK FOR FIELD SUPPORT TASK ORDERS ISSUED UNDER USAID/WASHINGTON INDEFINITE QUANTITY CONTRACTS

AUDIT REPORT NO. 9-000-06-008-P  
MAY 17, 2006

WASHINGTON, DC



**USAID**  
FROM THE AMERICAN PEOPLE

*Office of Inspector General*

May 17, 2006

**MEMORANDUM**

**TO:** M/OAA/OD Director, Michael F. Walsh

**FROM:** IG/A/PA Director, Steven H. Bernstein /s/

**SUBJECT:** Audit of Scopes of Work for Field Support Task Orders Issued Under USAID/Washington Indefinite Quantity Contracts (Report No. 9-000-06-008-P)

This memorandum transmits our final report on the subject audit. In finalizing this report, we considered your comments on our draft report and have included your comments in their entirety (without attachments) in Appendix II.

This report includes one recommendation requiring that USAID develop and issue policies and procedures to govern the purpose, content, and use of field support task orders issued under indefinite quantity contracts. In your written comments, you concurred with this recommendation and described appropriate actions taken to address our concerns. Accordingly, we determined that final action has been taken on this recommendation upon issuance of this report.

I want to express my sincere appreciation for the cooperation and courtesy extended to my staff during the audit.

# CONTENTS

<b>Summary of Results</b> .....	1
<b>Background</b> .....	2
Audit Objective .....	3
Did the scopes of work for field support task orders issued under USAID/Washington indefinite quantity contracts clearly define the specific goods or services being procured?	
<b>Audit Finding</b> .....	4
Policies and Procedures Need To Be Developed .....	5
<b>Evaluation of Management Comments</b> .....	8
<b>Appendix I – Scope and Methodology</b> .....	9
<b>Appendix II – Management Comments</b> .....	11

# SUMMARY OF RESULTS

The Office of Inspector General's Performance Audits Division conducted this audit at the request of officials in USAID's Office of Acquisition and Assistance. The objective of this audit was to determine whether the scopes of work for field support task orders<sup>1</sup> issued under USAID/Washington indefinite quantity contracts clearly defined the specific goods and services being procured (see page 3).

The scopes of work for the sampled field support task orders issued under USAID/Washington indefinite quantity contracts did not clearly define the specific goods and services being procured. For example, the "what," "when," "where," "how many or how much," and "how well" in the scopes of work were often either non-specific or broadly specific. The lack of specificity occurred because the scopes of work were written to accommodate both bureau and mission requirements, and USAID had not developed policies and procedures establishing the required level of specificity for these unique task orders. As a result, USAID could be more vulnerable to contractor challenges, and be more limited in its ability to ensure reasonable cost estimates and enforce contractor performance (see page 5).

This report includes one recommendation requiring that USAID develop and issue policies and procedures to govern the purpose, content, and use of field support task orders issued under indefinite quantity contracts (see page 7). Management concurred with this recommendation and described appropriate actions taken to address our concerns. Accordingly, we determined that final action has been taken on this recommendation upon issuance of this report (see page 8).

Management comments are included in their entirety (without attachments) in Appendix II.

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<sup>1</sup> For purposes of this report, the term "field support task order" refers to a centrally-managed task order written to support both USAID/Washington bureaus' technical leadership activities and related mission activities. Field support task orders accept mission funding, referred to in this report as "field support."

# BACKGROUND

The statutory and regulatory framework within which USAID operates helps to guide and standardize its stewardship of public funds as it carries out its foreign assistance program. USAID implements this program primarily through the use of contracts, grants, and cooperative agreements. The Federal Acquisition Regulation provides uniform policies and procedures for acquisitions by executive agencies of the Federal government, while USAID's Acquisition Regulation implements and supplements the Federal Acquisition Regulation—together, these regulations govern USAID's contracting process. In fiscal year 2005, USAID's Office of Acquisition and Assistance reported that it had completed nearly 1,500 procurement actions, totaling over \$4.5 billion.<sup>2</sup>

For certain acquisitions, USAID uses a flexible variation of the contract mechanism, called an indefinite quantity contract (IQC). An IQC may be used to procure an unfixed amount of services within stated limits over a set period of time; as needs become defined, the contractor meets them using task orders. The Federal Acquisition Regulation allows IQCs to be used when exact times and/or quantities of future deliveries are unknown at the time of contract award and a recurring need is anticipated. In this audit, we looked at a unique type of IQC task order—"field support task orders" (see footnote no. 1).

USAID missions obtain a significant amount of their required technical services through USAID/Washington's field support task order system. Under this system, a USAID "pillar" or technical bureau competes and awards an IQC, which includes a very general scope of work describing the type of work to be done to meet both bureau technical leadership requirements and mission-based project requirements. If the IQC is a multiple-award instrument, USAID then competes and awards a field support task order among the IQC awardees; the task order does not need to be competed in the case of a single-award IQC.

As mission requirements are identified, missions either access the centrally-managed task order or issue their own task order against the IQC.<sup>3</sup> Accessing the centrally-managed task order relieves missions of the burden of procuring and administering these instruments themselves. Issuing their own task order requires missions to compete the task order among the IQC awardees—if the IQC is a multiple-award contract—entailing a significant use of mission resources.

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<sup>2</sup> These figures are unaudited.

<sup>3</sup> The scope of this audit was limited to centrally-managed task orders and did not include mission-issued task orders. See page 9 for further discussion.

## **AUDIT OBJECTIVE**

This audit was conducted at the request of officials in USAID's Office of Acquisition and Assistance to answer the following question:

- Did the scopes of work for field support task orders issued under USAID/Washington indefinite quantity contracts clearly define the specific goods or services being procured?

Appendix I contains a discussion of the audit's scope and methodology.

# AUDIT FINDING

The scopes of work for the five sampled field support task orders issued under USAID/Washington indefinite quantity contracts (IQC) did not clearly define the specific goods and services being procured. These five field support task orders, with an aggregate ceiling of over \$170 million, were issued by USAID’s three pillar or technical bureaus—Global Health; Economic Growth, Agriculture and Trade; and Democracy, Conflict and Humanitarian Assistance.

Global Health Bureau officials reported that the field support task order system—used in all three pillar bureaus, but most notably in the Global Health Bureau<sup>4</sup>—provided significant benefits. For example, they reported that the system provided:

- A combination of core funds and mission funds in a single task order, allowing the development of new, innovative approaches using core funds, and field testing or “scale-up” of these approaches using mission funds.
- A programming alternative to over-whelmed missions and to missions who cannot conduct their own procurements—allowing missions to access “state-of-the-art” services by “buying-in” to a centrally-managed task order.
- An opportunity for consolidated results reporting for similar projects at multiple missions, including work conducted under both the centrally-managed field support task order and mission-issued task orders.

However, the “what,” “when,” “where,” “how many or how much,” and “how well” in the five sampled field support task orders were often either non-specific or broadly specific. Since unclear scopes of work may be challenged before contracting boards, the U.S. Comptroller General, and in court, USAID needs policies and procedures to govern the purpose, content, and use of these unique task orders, as discussed in the following section.

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<sup>4</sup> Historically, the Global Health Bureau has had a large number of centrally-managed, multi-year contracts, which were incrementally funded with both Bureau and mission funds.

## **Policies and Procedures Need To Be Developed**

Summary: The Federal Acquisition Regulation requires that task orders clearly describe all services to be performed so the full cost or price for the performance of the work can be established when the order is placed. However, the scopes of work for the five sampled field support task orders issued under USAID/Washington IQCs did not clearly define the specific services being procured. The lack of specificity occurred because the scopes of work were written to accommodate both bureau and mission requirements, and USAID had not developed policies and procedures establishing the required level of specificity for these unique task orders. As a result, USAID could be more vulnerable to contractor challenges, and be more limited in its ability to ensure reasonable cost estimates and enforce contractor performance.

Federal Acquisition Regulation 16.505(a)(2) requires that task orders issued under IQCs clearly describe all services to be performed so that the full cost or price for the performance of the work can be established when the task order is placed. Additional guidance issued by the Office of Federal Procurement Policy<sup>5</sup> stated that the task order statement of work should clearly define the specific services being procured under the order and should provide the awardee with answers to five basic questions:

1. What services are to be provided?
2. When are the services to be provided?
3. Where are the services to be provided?
4. How many or how much of the services are to be provided?
5. How well (the level of quality) must the services be provided?

However, the scopes of work for the sampled field support task orders issued under USAID/Washington IQCs did not clearly define the specific services being procured to provide the awardee with answers to the Office of Federal Procurement Policy's five basic questions. While four of the five sampled task orders provided broadly specific or non-specific answers, none of the five specifically answered any of the five questions, as summarized in the table on the next page.

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<sup>5</sup> *Best Practices for Multiple Award Task and Delivery Order Contracting*, dated July 1997.



**Table Showing That the Five Sampled Field Support Task Orders Did Not Clearly Define the Specific Services Being Procured<sup>6</sup>**

<b>Questions Task Order Scopes of Work Should Answer</b>	<b>Specific</b>	<b>Broadly Specific</b>	<b>Non-Specific</b>	<b>Totals</b>
What?	None	1	4	5
When?	None	5	None	5
Where?	None	1	4	5
How many/ How much?	None	2	3	5
How well?	None	None	5	5
<b>TOTALS</b>	None	<b>9 (36%)</b>	<b>16 (64%)</b>	<b>25 (100%)</b>

For example, the “when” for all five sampled field support task orders was broadly specific because each included the task order’s effective date—typically the date the task order was signed—and each included an estimated completion date—typically five years from the effective date—the maximum allowable period for a task order. However, none of the task orders included the period of performance for a discrete activity to be performed under the task order.

Another example involved the “where” question. Four of the five sampled task orders were non-specific as to location, one was broadly specific, and none were specific. The one broadly specific task order stated that activities would primarily be conducted within a specified group of countries, for example, Tier 1 and Tier 2 countries included in USAID’s Tuberculosis Strategy; however, the task order also stated that activities may be requested in additional countries. The four non-specific task orders included language such as, “...one mission in each of the four USAID regions is targeted for visits...” and listed a possible country for each region.

The lack of specificity occurred because the scopes of work were written to include both core-funded technical leadership requirements, as well as a set of expected global activities for which the location, timing, and specific work to be done were unknown at the time the IQC and field support task order were issued. Additionally, USAID had not developed policies and procedures establishing the required level of specificity for these unique task orders.<sup>7</sup> Because policies had not been developed, contracting officers and technical advisors/cognizant technical officers disagreed as to whether the scopes of work clearly identified discrete tasks. In addition, contracting officers and technical advisors/cognizant technical officers expressed dissatisfaction with the lack of communication and understanding between OAA and bureau technical staff. For example, while some contracting officers believed field support task orders should only be

<sup>6</sup> See page 10 for the guidelines used to determine whether the required scope of work elements were specific, broadly-specific, or non-specific.

<sup>7</sup> In 1997, the Office of Acquisition and Assistance (OAA) issued guidance stating that task order contracts were the preferred mechanism for accepting field funding for participation in centrally-managed activities. Additionally, in 2002, OAA issued a policy directive, which standardized pricing structures and “fair opportunity” ordering procedures under an IQC.

used as a last resort or for short-term projects, some missions used this mechanism to conduct long-term, multi-million dollar programs.

As a result of the lack of specificity in the sampled field support task orders, USAID could be more vulnerable to contractor challenges and be more limited in its ability to ensure reasonable cost estimates and enforce contractor performance. For example, several contracting officers told us that a contractor filed a complaint related to a recently awarded IQC and field support task order. The contractor reportedly claimed it did not have fair opportunity because the majority of the IQC ceiling was allocated to field support task orders rather than to mission-issued task orders. The contractor reportedly threatened to file a formal protest the next time a similar situation arises. Additionally, because the scopes of work were written so broadly, realistic cost estimates could not be developed when the field support task order was issued, and contracting officers did not conduct cost evaluations when missions later “bought-in” to these task orders. Therefore, USAID could not ensure that it was receiving the best value possible. Furthermore, because the scopes of work were written so broadly, technical direction letters often provided specifics (such as details on the “what,” “where,” and “when”) normally included in a task order, thus limiting USAID’s ability to enforce contractor performance.

As a result of our audit, OAA formed a task force<sup>8</sup> to review USAID’s current field support task order process and started developing related guidance. However, USAID needs to formally complete the process of developing this guidance and issue policies to govern the purpose, content, and use of field support task orders. Accordingly, we are making the following recommendation:

*Recommendation No. 1: We recommend that the Director of the Office of Acquisition and Assistance, in collaboration with the Office of the General Counsel, develop and issue policies and procedures to govern the purpose, content, and use of field support task orders issued under USAID/Washington indefinite quantity contracts.*

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<sup>8</sup> To ensure that the task force struck a balance between contracting requirements and technical leadership/program requirements, the task force consisted of representatives from OAA, USAID’s Office of the General Counsel, and technical officers from the Global Health Bureau and the Bureau for Economic Growth, Agriculture and Trade.

# EVALUATION OF MANAGEMENT COMMENTS

In its response to our draft report, USAID's Office of Acquisition and Assistance (OAA) concurred with Recommendation No. 1 and described actions taken to address our concerns. In collaboration with the Office of the General Counsel, the Global Health Bureau, the Bureau for Economic Growth, Agriculture and Trade, and other relevant parties, OAA developed an indefinite quantity contract task order statement of work compliance checklist, supplemented by a document describing various contracting mechanisms that can be used to accept field support. Both documents were issued as "Additional Help Documents" to Automated Directives System (ADS) 302, *USAID Direct Contracting*, through USAID's General Notice system on May 11, 2006 and will be included in ADS 302, as described. Accordingly, we determined that final action has been taken on Recommendation No. 1 as of the date of final report issuance.

Management comments are included in their entirety (without attachments) in Appendix II.

# SCOPE AND METHODOLOGY

## Scope

The Office of Inspector General's Performance Audits Division in Washington, D.C. conducted this audit in accordance with generally accepted government auditing standards. The purpose of this audit was to determine whether the scopes of work for field support task orders issued under USAID/Washington indefinite quantity contracts (IQC) clearly defined the specific goods or services being procured.

The audit's scope was limited to centrally-managed field support task orders issued under USAID/Washington IQCs and did not include mission-issued task orders under these same IQCs. Because USAID's procurement system did not separately track IQCs containing field support task orders, we could not determine the total number or dollar amount of procurements under this mechanism. Although we could not determine the total audit universe, the estimated cost of the five field support task orders we reviewed had an aggregate ceiling of over \$170 million. Of the five task orders sampled, three—with ceilings totaling approximately \$165 million—were awarded by the Global Health Bureau; one task order—with a ceiling of approximately \$5 million—was awarded by the Bureau for Economic Growth, Agriculture and Trade; and the fifth sampled task order—with a ceiling of approximately \$200,000—was awarded by the Bureau for Democracy, Conflict and Humanitarian Assistance.

In planning and performing the audit, we assessed the effectiveness of internal controls related to field support task order scopes of work. The internal controls identified included those related to the role of contracting officers and cognizant technical officers in developing and issuing task orders. Relevant criteria included the Federal Acquisition Regulation, the Office of Federal Procurement Policy's *Best Practices for Multiple Award Task and Delivery Order Contracting*, USAID's Acquisition Regulation, and USAID's Office of Acquisition and Assistance internal guidance.

There were no prior audit findings related to our audit objective.

The audit was conducted at USAID/Washington from February 17, 2005 through April 10, 2006.

## Methodology

To answer the audit objective, we judgmentally selected a sample of five field support task orders issued under USAID/Washington indefinite quantity contracts by manually reviewing IQC files and identifying five IQCs containing field support task orders. We interviewed contracting officers and current and former cognizant technical officers associated with the five sampled task orders. Additionally, we interviewed various other contracting officers and bureau officials with field support task order experience and interviewed a limited number of contractors.

Additionally, we reviewed the contract files for the five sampled field support task orders and analyzed the scopes of work to evaluate the level of specificity.

We developed the following general guidelines to determine whether scopes of work in the five sampled task orders clearly defined the specific services being procured:

<b>Five Questions Task Order Scopes of Work Should Answer<sup>9</sup></b>	<b>Specific</b>	<b>Broadly-Specific</b>	<b>Non-Specific</b>
What?	Activities or work to be performed clearly described	Activities or work to be performed described in general terms	List of illustrative, but not finite, activities described
When?	Period of performance for specific work on individual core/mission activities stated within the task order	Task order includes begin and end dates for overall task order, typically a five-year period	No dates indicated
Where?	Exact locations of the work to be performed are indicated	Activities restricted to a defined and limited list of likely countries, for example, "tuberculosis high-risk countries," although specific missions not yet known	Locations unknown at time task order written, although an illustrative list of countries and/or regions may be provided
How many/how much?	Outputs/deliverables/results clearly described <sup>10</sup>	Outputs/deliverables/results described in general terms, or level-of-effort specified	Outputs/deliverables/results not included or vague
How well?	Contractor performance evaluation criteria clearly described	Contractor performance evaluation criteria described in general terms	Performance evaluation criteria not included or vague

In addition, to answer the audit objective, we established the following materiality thresholds related to answering the five questions in the chart above:

- If at least 90 percent of the answers were specific or broadly-specific, the answer to the audit objective would be positive.
- If at least 80 percent, but less than 90 percent, of the answers were specific or broadly-specific, the answer to the audit objective would be qualified.
- If less than 80 percent of the answers were specific or broadly-specific, the answer to the audit objective would be negative.

<sup>9</sup> The Office of Federal Procurement Policy's *Best Practices for Multiple Award Task and Delivery Order Contracting*, dated July 1997.

<sup>10</sup> USAID's Automated Directives System 202.3.6, *Achieving*, states that outputs should be specifically described in contract scopes of work and that outputs are critical to achieving results.

# MANAGEMENT COMMENTS

May 12, 2006

## MEMORANDUM

TO: Mr. Steven H. Bernstein, Director, IG/A/PA

FROM: M/OAA/OD, Deputy Director, Lynn Kopala /s/

SUBJECT: Draft Audit Report Entitled "Audit of Scopes of Work for Field Support Task Orders Issued Under USAID/Washington Indefinite Quantity Contracts (Report No. 9-000-06-00X-P)

The subject draft Audit Report has one Recommendation which is stated below. The Office of Acquisition and Assistance has taken final action on this recommendation and based on this action, requests that the Audit Recommendation be closed with issuance of the Final Audit Report.

**Recommendation 1:** The Director of the Office of Acquisition and Assistance, in collaboration with the Office of General Counsel, develop and issue policies and procedures to govern the purpose, content, and use of field support task orders issued under USAID/Washington indefinite quantity contracts.

**Management Decision:** M/OAA concurs with Recommendation No. 1. M/OAA in collaboration with GC, EGAT, GH, the Ombudsman, and HR (facilitators) developed the attached field support "Indefinite Quantity Contract (IQC): Task Order Work Statement Development Checklist" and the "Contract Types to Address Global Technical Leadership with Field Support and/or Cost-Contributions." Both deliverables have been incorporated into ADS 302 as Additional Help Documents (see General Notice dated May 11, 2006, attached).

### The Task Order Checklist

This document provides a step by step itemized FAR and Agency compliance checklist for Task Order Statements of Work. Its purpose is to create a guide that technical personnel will follow when drafting Task Order work statements and that Contracting Officers and Specialist will use for review of the submitted statements.

### The Contract Types Document

This Document identifies various contracting vehicles available to execute Field Support or Cost-Contribution requirements. It explains the advantages and disadvantages for using each listed vehicle.

### Feedback and Future Action

We intend to review and revise these additional help documents as necessary based on user input and suggestions using the FieldSupportComments@usaid.gov mailbox. This box will be available through 1 Nov 2006.

**Conclusion:** Because the actions M/OAA has taken as described above comply with the recommendation in the draft audit report, we request that the subject Audit Recommendation be closed with issuance of the report.

Attachments: (a) General Notice dated 5/11/06  
(b) Task Order Check List  
(c) Contract Options Document

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