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# Acquisition quality improvement within Naval Facilities Engineering Command Southwest

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# NAVAL POSTGRADUATE SCHOOL

**MONTEREY, CALIFORNIA**

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**JOINT APPLIED PROJECT**

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## ACQUISITION QUALITY IMPROVEMENT WITHIN NAVAL FACILITIES ENGINEERING COMMAND SOUTHWEST

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**June 2015**

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During this project, it was discovered that there are 14 recurring PMAP findings that need to be addressed. Suggestions are offered to help get these problems under control. It was also suggested that in 24 to 36 months, an NPS student conduct similar research to see whether there has been PMAP improvement, so that the work of contract process improvement will continue to go forward at NAVFAC SW.

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# ACQUISITION QUALITY IMPROVEMENT WITHIN NAVAL FACILITIES ENGINEERING COMMAND SOUTHWEST

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Submitted in partial fulfillment of the requirements for the degree of

**MASTER OF SCIENCE IN CONTRACT MANAGEMENT**

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# LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| ADA | Anti-Deficiency Act |
| BMS | Business Management System |
| BPA | Blanket Purchase Agreement |
| COR | Contracting Officer Representative |
| CS | Contract Specialist |
| DASN | Deputy Assistant Secretary of the Navy Acquisition and Procurement |
| DAWIA | Defense Acquisition Workforce Improvement Act |
| DOD | Department of Defense |
| DON | Department of the Navy |
| EPLS | Excluded Parties List System |
| FEAD | Facility Engineering Acquisition Division |
| FSCM | Facility Support Contract Manager |
| GAO | Government Accountability Office |
| HCA | Head of Contracting Agency. |
| IBA | Internal Business Assessment |
| IG | Inspector General |
| IGE | Independent Government Estimate |
| J&A | Justification and Approval |
| LD | Liquidated Damages |
| MAC | Multiple Award Contract |
| MOPAS | Management and Oversight Process for the Acquisition of Services |
| NAVFAC | Naval Facilities Engineering Command |
| NAVFACINS | Naval Facilities Engineering Command Instruction |
| NAVFAC SW | Naval Facilities Engineering Command Southwest |
| NFAS | Naval Facilities Acquisition Supplement |
| NMCARS | Navy Marine Corps Acquisition Regulation Supplement |
| OFCCP | Office of Federal Contract Compliance Program |

| | |
|---|---|
| PMAP | Process Management and Audit Program |
| POAM | Plan of Action and Milestone |
| PWO | Public Works Officer |
| ROICC | Resident Officer in Charge of Construction |
| SAM | System for Award Management |
| SECNAVIST | Secretary of the Navy Instruction |
| SIOH | Supervisory, Inspection and Overhead |
| SBA | Small Business Administration |
| SCS | Supervisory Contract Specialist |

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# I. INTRODUCTION

This chapter will provide background information for the following: the Process Management and Audit Program (PMAP), Naval Facilities Engineering Command Southwest (NAVFAC SW) and the Six Phases of Contract Management. These topics will be used and addressed throughout this research. The problem statement and research objective will be stated along with the primary and secondary research questions. This chapter will also outline the research scope and methodology conducted.

## A. BACKGROUND

Why are PMAP audits necessary? They help provide the guidance to the Deputy Assistant Secretary of the Navy Acquisition and Procurement DASN(AP) and Head of Contracting Agencies (HCA), which allows them to "aim" their efforts in effecting continuous improvements in acquisition processes as well as providing a means for sharing best practices throughout the Department of the Navy (Department of the Navy, 2013). It also provides a feedback process for the audited activities, which tells them how they are doing in relation to contracting compliance.

### 1. PMAP

PMAP is the process used to provide contract support and oversight within NAVFAC organizations by focusing on statutory, regulatory, and policy compliance, as well as documentation quality. The program was designed around a risk-based approach determined by NAVFAC Headquarters, the Echelon III/IV Acquisition Directors, Naval Audit, General Accountability Office (GAO) and Navy Inspector General (IG) in addition to highlighted initiatives from DASN(AP) and HCAs. Its main objective is to provide a common process within the DON for assignment of adjectival ratings to any DON contracting activity with delegated procurement authority.

### 2. NAVFAC SW

NAVFAC SW is one of the ten facilities engineering commands (FECs) NAVFAC. NAVFAC SW's area of responsibility spans California, Nevada, Arizona,

Utah, Colorado and New Mexico. NAVFAC SW provides public works, planning, engineering / design, construction, real estate, environmental services, and acquisition / disposal of facilities and real estate for ten Navy Installations, eight Marine Corps Installations, one Air Force Installation and eighteen Reserve Centers.

## 3. Six Phases of Contract Management

As explained in *Managing Contracts in Turbulent Times* (Rendon and Garrett 2005), contract management is broken down into the following six phases in order to provide a systematic way to review them: procurement planning, solicitation planning, solicitation, source selection, contract administration and contract close-out. The following gives a synopsis for each phase.

### *a. Procurement Planning*

This procurement planning phase involves the point in which the requirement is determined, defined and estimated. Additionally, market research is conducted to determine whether to procure, how to procure, what to procure, how much to procure and when to procure (Rendon and Garrett 2005). Market research will reveal available sources within the market. Pre-solicitation conferences can be conducted at this stage to engage with industry with the goal of learning industry best practices.

### *b. Solicitation Planning*

The solicitation planning phase consists of determining the acquisition method, contract type, evaluation criteria and developing the solicitation document, contract terms and conditions, and the relevant product or service description. The product or service description is reflected in the applicable Statement of Objectives (SOO) or Statements of Work (SOW).

### *c. Solicitation*

A pre-proposal conference is held at this stage, if appropriate or required. Next, depending on the acquisition approach, the solicitation is issued and or advertised for industry.

### *d. Source Selection*

The source selection process occurs when proposals are received and the acquisition team applies the evaluation criteria, as stated in the solicitation, to determine the awardee. A determination of price reasonableness is required at this phase. Source selection is considered "contracting by negotiation" as outlined in FAR Part 15 (FAR Site. 2015). . Once a responsible source is determined, the contract will be awarded.

### *e. Contract Administration*

Essentially, the contract administration phase accrues in partnership between the government and the Contractor in order to meet all contractual requirements. This includes: pre-performance conferences, if applicable, measuring contractor performance, managing contract changes and reporting contractor performance, when applicable.

### *f. Contract Closeout*

Once all contract requirements have been met and payment has been made, the contract must be formally closed. This phase consists of final acceptance, final payment, documentation of contractor performance and a post project audit, if applicable.

## B. PROBLEM STATEMENT AND OBJECTIVE

While it is assumed there are recurring PMAP findings within NAVFAC SW, a recent and consolidated trend analysis is not available. This research will provide that data along with recommendations for improvement.

The primary objective of this research is to systematically review historical NAVFAC SW PMAP audit results with the goal of identifying recurring findings, ranking them in order of occurrence, and offer recommendations on how to improve upon those findings. To support this objective, available NAVFAC SW PMAP audit reports from fiscal year 2012 to January 2015 will be reviewed and analyzed. The recurring findings will be identified to provide NAVFAC SW leadership and acquisition workforce with areas in need of improvement.

The secondary objective of this research is to identify which contract management process phase of The Six Phases of Contracting had the most PMAP findings and offer suggestions to reduce those findings and thus reduce NAVFAC SW's exposure to contracting risk. The six phases include: Procurement Planning, Solicitation Planning, Solicitation, Source Selection, Contract Administration, and Contract Close-out (Rendon, R. and Garrett, G, 2005).

## C. RESEARCH QUESTIONS

In response to previously outlined research objectives, the following research questions have been developed. The research questions will guide the direction of the research conducted. The data and analysis will be addressed in Chapter IV.

### 1. Primary Research Question

The primary research question involves an analysis of PMAP audits conducted within NAVFAC SW.

Primary Research Question: What were the recurring PMAP findings identified in NAVFAC SW audits between fiscal year 2012 and January 2015?

### 2. Secondary Research Question

The secondary question involves categorizing the recurring PMAP findings into the six phases of contract management process phases.

Secondary Research Question: Of the recurring PMAP findings in NAVFAC SW, what contract management process phase had the most findings?

## D. PURPOSE/BENEFIT

The results from this research will be of beneficial use to NAVFAC SW leadership to aid in identifying the strengths and weaknesses of their current contracting activities. This information can be used as a baseline and indicator for the type of training that is needed based on the six phases of contract management process, as well "spot lighting" those areas of excellence or improvement opportunities to help develop the acquisition workforce.

## E. SCOPE/METHODOLOGY

The methodology for this research will be to first discuss the PMAP background, authority and audit process. Next, the available raw data between fiscal year 2012 and January 2015 will be consolidated and presented for trend analysis. PMAP audit reports from sixteen NAVFAC SW acquisition activities were used as the basis of the raw data. The audit reports are not included in the list of references due to the fact they are not published documents. Access to the reports was provided by the NAVFAC SW acquisition leadership. Due to the sensitivity of the information, the acquisition activity names were replaced with numbers. The activity's overall rating and risk assessment will be identified along with the findings. The findings will be consolidated into brief bullet points using similar, but not verbatim, verbiage. Out of the sixteen activities, when a finding is repeated four or more times, it will be deemed as a recurring finding. Next, the recurring findings will be categorized into the applicable contract management phase. Finally, brief recommendations for improvement will be provided.

## F. REPORT OUTLINE

Chapter I of this research provides background information and defines the research objectives and questions. Chapter II discusses NAVFAC SW's mission and organization structure. Chapter III discusses the Process Management and Audit Program. Chapter IV presents the raw data and the analysis for primary and secondary research questions. Lastly, Chapter V discusses research conclusions, recommendations and areas for further research.

## G. SUMMARY

This chapter discussed the research background, the problem statement and objective, the primary and secondary research questions, the research purpose / benefit, the research scope and methodology and explained the report outline.

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# II. NAVAL FACILITIES AND ENGINEERING COMMAND SOUTHWEST

This chapter will discuss the background, the mission statement, and the organizational structure of NAVFAC SW. NAVFAC SW is one of the ten facilities engineering commands (FECs) NAVFAC (Naval Facilities Engineering Command [NAVFAC], 2015). NAVFAC SW's area of responsibility spans California, Nevada, Arizona, Utah, Colorado and New Mexico. This is illustrated in Figure 1, NAVFAC SW provides public works, planning, engineering/design, construction, real estate, environmental services, and acquisition / disposal of facilities and real estate for ten Navy Installations, eight Marine Corps Installations, one Air Force Installation and eighteen Reserve Centers.

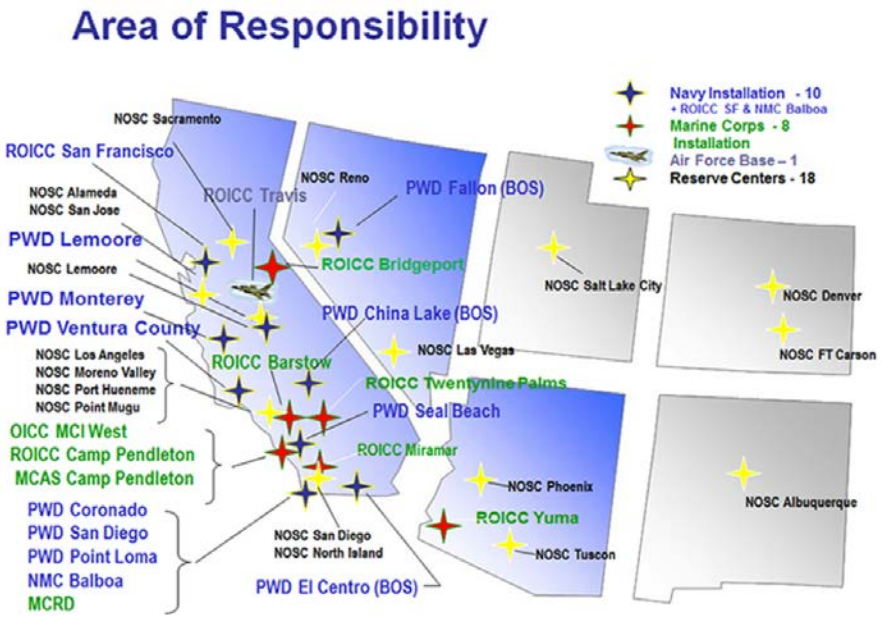


Figure 1. NAVFAC SW Area of Responsibility (after Naval Facilities Engineering Command [NAVFAC] 2015)

## A. MISSION

NAVFAC SW's mission statement is as follows:

> We strengthen Navy and Marine Corps combat readiness worldwide through facilities life cycle support focused on the Fleet, Fighter, and Family. We deliver sustainable, adaptable facilities, expeditionary capabilities, and contingency response to the Navy Expeditionary Combat Enterprise, all other Warfare and Provider Enterprises, the Marine Corps, Unified Commanders, and DOD Agencies. Our innovation, responsiveness, and agility enable a forward deployed, rotational, and surge capable Navy. (Naval Facilities Engineering Command, 2015)

Through federal contracts, NAVFAC SW contracts with commercial businesses to produce and deliver construction for the military such as housing, piers, airfields and hospitals to name a few. The command also provides public works services such as transportation, maintenance, utilities/energy delivery, facilities management and base operations support to the Navy and Marine Corps Installations within its geographic area of responsibility as well as support to other federal agencies in California.

## B. ORGANIZATION STRUCTURE

NAVFAC SW is a Navy organization consisting of over 3,200 federal employees (civil service, officers and enlisted) (Naval Facilities Engineering Command [NAVFAC], 2015). Historically, the Commanding Officer is a Navy Captain. The organizational structure of NAVFAC SW is illustrated in Figure 2 (NAVFAC SW, 2015). The organizational chart has several lines identified, but this research is specific to acquisition performed in Resident Officer in Charge of Construction (ROICC), Public Works Department (PWD), and Facilities Engineering & Architecture Department (FEAD) offices within the Operations line.

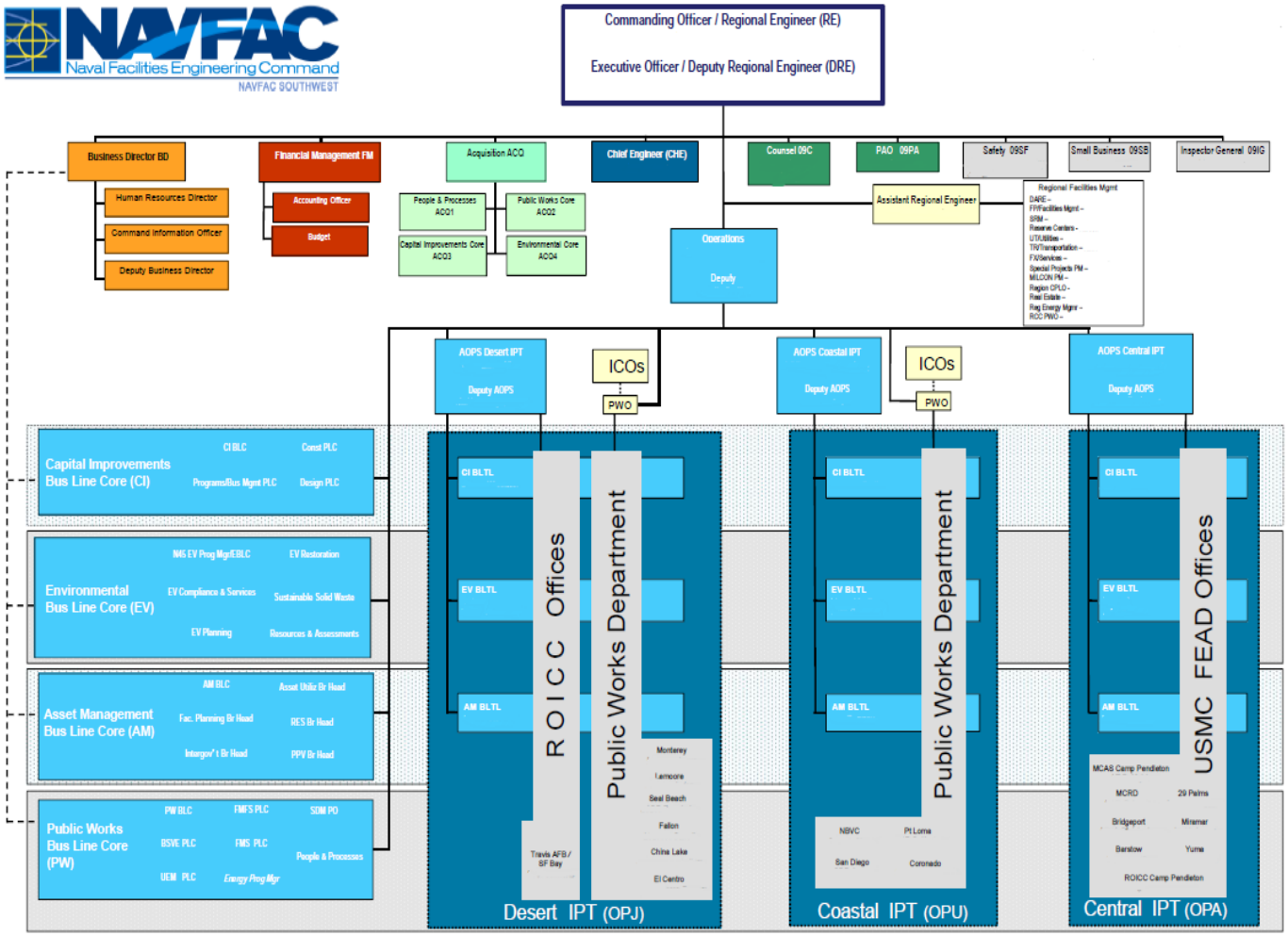


Figure 2. NAVFAC SW Organization Chart

Starting from the bottom of the organization structure, the following explains the chain of command relative to this research. PWD and FEAD offices award and administer construction and service contracts. A ROICC Office is a contracting field office where the primary contracting mission is construction projects. The leadership in these offices generally consists of a head Civil Engineering Corp (CEC) Officer, a Supervisory Engineer and a Supervisory Contract Specialist. The PWD, FEAD and ROICC offices fall under one-of-three Integrated Product Teams (IPT). Each IPT has a head officer at the Navy Commander or Lieutenant Commander rank. Within the chain of command, the IPTs fall under Operations. Lead by a Navy Captain, Operations falls under the NAVFAC SW Commanding Officer.

## C. SUMMARY

In summary, this chapter discussed the background, the mission and the organizational structure of NAVFAC SW.

# III. PROCESS MANAGEMENT AND AUDIT PROGRAM

This chapter will discuss the PMAP background, regulatory authorities, audit process, adjectival rating scheme and the frequency requirements for PMAP audits.

## A. INTRODUCTION

The DON PMAP review process as established by Navy Marine Corps Acquisition Regulation Supplement (NMCARS) 5201.691 (2015) is one of the key procurement oversight tools the Department uses to validate contract compliance throughout the DON. PMAP provides the guidance to the DASN(AP)/HCAs that allows them to "aim" their efforts in effecting continuous improvements in acquisition processes as well as providing a means for sharing best practices throughout the Department. It is one of the main tools for evaluating contractual compliance with law, regulation, policy and guidance.

The PMAP process provides a formalized and adjectival rating system for PMAP reviewers to weight the quality of procurement operations, as well as providing the framework to assess how well each HCA within DON, including subordinate contracting field organizations with delegated authority, are managing, controlling, and improving upon the acquisition processes they have authority for. It mandates accountability for ratings below "Satisfactory" and promotes standardization in assignments of adjectival ratings within the DON (Department of the Navy, 2013).

## B. REGULATORY AUTHORITY

At the top of the DON, management and oversight of the PMAP process is a shared responsibility between DASN(AP) and HCAs. Per NMCARS 5201.691 (2015), DASN(AP) provides the oversight of HCA implementation and management, and the HCAs are responsible for process implementation throughout the contracting activity to include all subordinate contracting organizations and field activities. The DON PMAP Council, not to be confused with the PMAP audit teams, annually reviews and evaluates the PMAP process to determine whether it remains effective for use by PMAP audit

teams (within the DON) or if revisions to the rating system have become necessary. To facilitate this annual review, the HCA ensures that any recommendations for process improvement, including any lessons learned or promising practices associated with the process, are forwarded with the HCA's annual PMAP report to DASN(AP) which is due by 30 Jan each year (Department of the Navy, 2013).

Table 1 provides the regulatory references and Table 2 lists the key stakeholders and their roles and responsibilities as they relate to the PMAP process.

Table 1. References/Resources (from Department of the Navy, 2013)

| Reference/Resource | Description |
|---|---|
| SECNAVINST 4200.37 | Organic Department of the Navy Procurement System Oversight and Management |
| NMCARS 5201.691 | Procurement Management Oversight |

Table 2. Key Stakeholders: Roles And Responsibilities (from Department of the Navy, 2013)

| Key Stakeholder | Roles and Responsibilities |
|---|---|
| DASN(AP) | Manages and oversees performance of the DON contracting/procurement system by reviewing the procurement operations at HCAs and other designated DON contracting organizations. Provides PMAP guidance for Navy/Marine Corps contracting activities. Adjudicates the PMAP adjectival rating for an HCA |
| Head of the Contracting Activity | Manages and oversees reviews of all procurement operations performed within Headquarters and at any subordinate contracting organization or field activity with delegated procurement authority. Issues PMAP implementing procedures for the HCA |
| Chief of Contracting Office | Performs and documents PMAP activity self-assessments, internal reviews and/or onsite reviews of subordinate contracting organizations or field activities per DON/HCA policy and procedures. Ensures corrective actions are implemented to maintain a quality procurement operation within the HCA |
| PMAP Lead | Executes the DON PMAP review process for assigned |

| | |
|---|---|
| | contracting activity/subordinate contracting organization/field activity areas of responsibility. Recommends, or if delegated by the HCA assigns, a PMAP adjectival rating. Participates in DON PMAP Council initiatives. |
| PMAP Member e.g. Contracting Officer, Contract Specialist, Procurement Analyst, etc. | Participates in PMAP reviews. Performs assessments of assigned review elements. Documents outcome of each review element. Participates in deliberations of the PMAP adjectival rating. |
| DON Small Business Office Representative | Performs the assessment of the Small Business review element. Documents the outcome of the review. Participates in deliberations of the PMAP adjectival rating. |
| Ad-Hoc Technical Expert, e.g., contracting Officer Representative, Program Manager, Service Contracts Manager, Labor Advisor, etc. | Provides subject-matter-expertise in reviewing designated functional areas or special interest review elements during PMAP review process. Documents outcome of review efforts. Participates in deliberations of the PMAP adjectival rating. |
| Counsel | Performs legal reviews/provides advice on acquisition issues arising from PMAP review process. |

## C. AUDIT

The following will discuss the PMAP purpose, the how quality is analyzed, the PMAP adjectival rating system, the PMAP risk assessment and the frequency in which PMAP audits are conducted.

### 1. Purpose:

PMAP provides the feedback and guidance for the DASN(AP)/HCAs to build continuous improvements into the DON's acquisition processes and serves as a means for a sharing of best practices throughout the Department. PMAP reviews enable DASN(AP) and HCAs to evaluate, among other elements, the quality of procurement processes and management systems employed to ensure that the execution of authority is performed according to law, regulation, policy and guidance. During the PMAP review, the team may find evidence of short comings that cause concern or may find opportunities for praise for the increased contracting efficiencies provided. The NMCARS 5201.691

(2015) builds the frame work of the DON PMAP review process and guides the Department in validating sound contracting practices throughout the DON.

### 2. Quality

There are commendable actions that result from the proper use of a process, procedure, practice or resource in a manner that optimizes effective and efficient execution of procurement operations while complying with law, regulation and policy. These positive notes are further classified as follows:

#### *a. Strength*

A noteworthy process, procedure, or resource (e.g., business system), internal to the activity/organization, that exceeds standards established by law, regulation or policy for effective and efficient execution of procurement operations.

#### *b. Promising Practice*

A process, program, resource, activity or strategy within the activity/organization that shows the potential, during its early stages, for becoming a best practice with long term sustainable impact. A promising practice must have some objective basis for claiming effectiveness and may have the potential for replication among other organizations.

#### *c. Best Practice*

A method or technique that has consistently shown results superior to those achieved with other means, is used as a benchmark, and may be adopted as a standard way of doing work across multiple activities/organizations.

### 3. Adjectival Rating Scheme

There are four adjectival ratings used to determine the quality rating of procurement operations at a DON contracting activity, subordinate contracting organization, or field activity with delegated procurement authority. The ratings, which are described in Tables 3 through 6, are Highly Satisfactory, Satisfactory, Marginal, and

Unsatisfactory. (DON Process for the Procurement Performance Management Assessment Program (PPMAP) Rating System (2013).

The PMAP team assesses the organization's acquisition compliance in either three or four sections. The audits conducted between fiscal year 2012 and calendar year 2013 were assessed on the activity's acquisition compliance and how it related to the following four sections: Leadership, Acquisition Workforce, Acquisition Strategy/Contract Execution and Contract Administration. For reasons unknown, in 2014 the PMAP changed to focus only on the following three (3) sections: Organizational Leadership, Management and Internal Controls, and Regulatory Compliance. Each section will be assigned a rating as described in Tables 3 through 6.

Table 3 lists how a rating of Highly Satisfactory is achieved in a PMAP audit.

Table 3. PMAP Highly Satisfactory Rating (from Department of the Navy, 2013)

| Process Reviewed | Rating Criteria |
|---|---|
| Organization Leadership | Leadership demonstrates a strong commitment towards responsible and accountable performance that clearly resonates throughout the contracting activity/subordinate contracting organization/field activity, and notably enables the effective and efficient execution of assigned acquisition/contracting mission and responsibilities. |
| Management Controls and Internal Controls | Highly effective management controls and internal controls are in place to enable execution of the acquisition mission. Acquisition staffing and workload analyses, including other management actions, are performed to identify and maintain optimal resource levels necessary for efficient execution of assigned acquisition mission. Key acquisition and procurement processes are fully implemented, managed, controlled, and periodically improved. Timely policy dissemination and implementation occurs and enables the workforce to effectively execute the contracting mission. Vulnerabilities to fraud, waste or abuse are essentially nonexistent as there are highly effective management/internal control plans in place to mitigate vulnerabilities or to execute corrective actions if any found. No repeat findings remain as corrective actions from earlier PMAP or internal reviews have been fully implemented. The overall tenets of DON's PMAP review process have been implemented and are being followed. |

| | |
|---|---|
| Regulatory Compliance | The contracting activity/subordinate contracting organization/field activity clearly demonstrates a systematic approach to adhering to procurement law, regulation and policy. There are no significant findings or deficiencies. There are few weaknesses that are quickly correctable by the contracting activity/subordinate contracting organization/field activity. A demonstrated superior quality of contract files and thoroughly documented business decisions is prevalent throughout the contracting-activity / subordinate contracting organization/field activity. |
| **Represents negligible risk** | |

Table 4 lists how a rating of Satisfactory is achieved in a PMAP audit.

Table 4. PMAP Satisfactory Rating (from Department of the Navy, 2013)

| **Process Reviewed** | **Rating Criteria** |
|---|---|
| Organization Leadership | Leadership demonstrates a commitment to responsible and accountable performance that resonates throughout the contracting activity/ subordinate contracting organization/field activity and enables the effective and efficient execution of assigned acquisition/contracting mission and responsibilities. |
| Management Controls and Internal Controls | Effective management controls and internal controls are in place to enable execution of the acquisition mission. Acquisition staffing and workload analyses are performed to identify and maintain sufficient resource levels necessary for efficient execution of assigned acquisition mission. Key acquisition and procurement processes are implemented, managed, controlled, and improved. Timely policy dissemination occurs to enable effective execution of contracting mission. Vulnerabilities to fraud, waste or abuse are negligible and there is an effective plan in place to mitigate vulnerabilities or to execute corrective actions if any found. Few repeat findings remain as corrective actions from earlier PMAP or internal reviews have not been fully implemented. The basic tenets of DON's PMAP review process have been implemented and are being followed. |

| | |
|---|---|
| Regulatory Compliance | The contracting activity/subordinate contracting organization/field activity demonstrates a systematic approach to adhering to procurement law, regulation and policy. Few significant findings, some deficiencies and/or weaknesses are noted that are easily correctable by the activity. A demonstrated good quality of contract files and sufficiently documented business decisions is apparent throughout the contracting activity/subordinate contracting organization/field activity. |
| **Represents low risk** | |

Table 5 lists how a rating of Marginal is achieved in a PMAP audit.

Table 5. PMAP Marginal Rating (from Department of the Navy, 2013)

| Process Reviewed | Rating Criteria |
|---|---|
| Organization Leadership | Leadership demonstrates a limited commitment to responsible and accountable performance within the contracting activity/subordinate contracting organization/field activity which hinders the effective and efficient execution of assigned acquisition/contracting mission and responsibilities. |
| Management Controls and Internal Controls | Effective management controls and internal controls are not always maintained to enable execution of the acquisition mission. Acquisition staffing and workload analyses, including other management actions, are not always performed to identify and/or maintain sufficient resource levels for efficient execution of assigned acquisition mission. Key acquisition and procurement processes are not fully implemented, managed, controlled, and improved. Timely policy dissemination does not always occur, negatively impacting effective execution of the contracting mission. Some vulnerability to fraud, waste or abuse exists and requires immediate action. A plan to mitigate vulnerabilities or to execute corrective actions is not in place or if in place is not being followed. Some repeat findings remain as corrective actions from earlier PMAP or internal reviews have not been fully implemented. The overall tenets of DON's PMAP review process have not been fully implemented or are not being followed. |

| | |
|---|---|
| Regulatory Compliance | The contracting activity/subordinate contracting organization/field activity does not always employ a systematic approach to adhering to procurement law, regulation and policy. There are some significant findings, deficiencies or weaknesses that are not isolated occurrences and require corrective action by the contracting activity, subordinate contracting organization/field activity with minimal, level-above management oversight. The quality of contract files is substandard and there is a lack of sufficiently documented business decisions. |
| **Represents medium risk** | |

Table 6 lists how a rating of Unsatisfactory is achieved in a PMAP audit.

Table 6. PMAP Unsatisfactory Rating (from Department of the Navy, 2013)

| Process Reviewed | Rating Criteria |
|---|---|
| Organization Leadership | Leadership does not demonstrate any commitment to responsible and accountable performance within the contracting activity/subordinate contracting organization/field activity to ensure effective and efficient execution of assigned acquisition/contracting mission and responsibilities. |

| | |
|---|---|
| Management Controls and Internal Controls | Effective management controls and internal controls are not in place to enable execution of the acquisition mission. Acquisition staffing and workload analyses, including other management actions, are not performed to identify and/or maintain sufficient resource levels for efficient execution of assigned acquisition mission. Key acquisition and procurement processes have not been implemented and the few that are in place are not managed, controlled, or improved. Policy dissemination or implementation rarely occurs, negatively impacting effective execution of contracting mission. Vulnerabilities to fraud, waste or abuse have been positively identified, and appropriate corrective actions have not been initiated. There is no plan in place to mitigate these vulnerabilities or to execute required corrective actions. Many repeat findings remain as corrective actions from earlier PMAP or internal reviews have not been implemented. The overall tenets of DON's PMAP review process have not been implemented or followed. |
| Regulatory Compliance | There is a demonstrated systemic pattern of not adhering to law, regulation or policy in the execution of assigned acquisition/contracting mission and responsibilities. There are many significant findings and/or deficiencies or weaknesses requiring immediate corrective action by the contracting activity/subordinate contracting organization/field activity with increased management oversight. The quality of contract files is substantially lacking and business decision documents are not sufficiently supported or are consistently missing. |
| **Represents high risk** | |

### 4. Risk Assessment

There are specific findings that arise from actions that do not adhere to law, regulation, policy or guidance in the conduct of executing delegated procurement/contracting authority. They pose unnecessary risk to efficient and effective procurement operations and may result in unfavorable media, criticism or exposure. These may result from the inefficient use of processes; the use of questionable practices to perform operations; the lack of effective internal controls and management controls which result in increased vulnerabilities for fraud, waste or abuse to occur; among others. They are further classified by the severity of their impact in terms of performance risk and/or occurrence trends, as follows:

***a. Significant Finding***

A condition that impairs or may impair the ability of an activity/organization to perform its procurement mission; violates or may violate statutory requirements; significantly causes degradation or may cause degradation of safeguards against waste, unauthorized use or misappropriation of funds, loss of property or other assets; and results or may result in a conflict of interest. A significant finding requires immediate corrective action.

***b. Deficiency***

A condition that results from notable weaknesses in an activity's management/internal controls that have led or may lead to ***systemic noncompliance*** with applicable policy, regulations or key procurement processes A deficiency requires corrective action.

***c. Weakness***

An ***isolated condition*** that arises from a breakdown of an activity's management/internal controls and that may not reasonably ensure effective and efficient execution of procurement operations. Weaknesses may result in recommendations for improvements to internal policies, procedures and/or practices.

***d. Negligible Risk***

The contracting activity/organization has few weaknesses, no deficiencies or significant findings, and no indications of vulnerabilities to fraud, waste or abuse. The risk of adversely impacting procurement operations in meeting customer requirements according to law, regulation or policy is insignificant.

***e. Low Risk***

The contracting activity/organization has a few significant findings that are isolated occurrences, and some deficiencies and/or weaknesses. The risk of adversely impacting procurement operations in meeting customer requirements according to law,

regulation or policy is minor. The contracting activity/organization may easily institute corrective actions without external assistance.

### *f. Medium Risk*

The contracting activity/organization has some significant findings and some deficiencies and/or weaknesses. The contracting activity/organization is moderately at risk of adversely impacting procurement operations in meeting customer requirements according to law, regulation or policy. The activity/organization requires some external assistance implementing corrective actions.

### *g. High Risk*

The activity/organization has many significant findings and/or deficiencies and weaknesses. The activity/organization is imminently at risk of or is adversely impacting procurement operations in meeting customer requirements according to law, regulation or policy. The activity/organization requires external assistance implementing corrective actions.

## 5. Frequency

The expectation is for all DON contracting activities, subordinate contracting organizations and field activities to be executing delegated contracting/procurement authorities at a "Satisfactory" quality level. Any DON contracting activity, subordinate contracting organization and field activity that is assigned a PMAP rating of "Marginal" or "Unsatisfactory" is not performing efficiently and effectively its delegated authority. These ratings indicate that there are notable vulnerabilities and associated risk that must be promptly mitigated through increased procurement management oversight activities and defined corrective actions. Receipt of a Marginal or Unsatisfactory rating shall require a more frequent PMAP review periodicity as reflected in Table 7.

A PMAP rating below Satisfactory will affect the PMAP review periodicity. SECNAVINST 4200.37 (United States Navy, 2009) requires a PMAP review periodicity no greater than 36 months between PMAPs, unless DASN(AP) approves an alternate schedule (Paragraph a (3)(a) refers). DON policy also requires an increase in the

frequency of reviews when vulnerabilities or risks are identified. The structure of these additional reviews may vary (e.g., on-site reviews; combination on-site and virtual reviews, or virtual reviews).

Unless prior approval is obtained, PMAPs review periodicity shall be followed as stated in Table 7.

Table 7. PMAP Review Periodicity Requirements (from Department of the Navy, 2013)

| **Activity PMAP Rating of Record** | **PMAP Review Periodicity *** |
|---|---|
| Highly Satisfactory | Within 36 months |
| Satisfactory | Within 36 months |
| Marginal | Within 18 months |
| Unsatisfactory | Within 12 months |
| | **From last day of on-site PMAP review* |

The follow-up review of a contracting activity rated below Satisfactory is dependent on the preponderance of findings resulting from the earlier PMAP. The outcome of the follow-up review will be assessed against this current process to determine an adjectival rating assignment.

Other management actions, such as increased or reduced HCA level-above management and oversight reviews as well as increased and/or reduced or revoked contracting/procurement authority, among other actions, may be taken commensurate to assigned ratings, as appropriate.

Note that NMCARS 5201.691-2(d) (2015) requires HCAs to report on the outcomes of reviews performed under the HCA in accordance with the PMAP review process. In addition, NMCARS 5201.691-2(e) requires HCAs to notify DASN(AP), in writing, within five calendar days, each time an HCA revokes, suspends or reduces contracting or purchase card authority to a cognizant field contracting activity or subordinate organization.

## D. SUMMARY

This chapter discussed the PMAP background, the regulatory authorities, the audit process, the adjectival rating scheme and the frequency requirements. As discussed, the primary objectives of the PMAP reviews are to encourage and assist contracting activities in making continuous improvements in all phases of their acquisition processes to ensure compliance; to provide a feedback system to contracting organizations; to acknowledge strengths, material weaknesses, deficiencies, and significant findings; and to adjust the level of oversight provided based upon a the activity's proficiency, quality, and business decisions.

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# IV. DATA AND ANALYSIS

This chapter will discuss the raw data used as the basis of this research. It will also answer the primary research question, "What were the recurring PMAP findings identified in NAVFAC SW audits between fiscal year 2012 and January 2015?" and the secondary research question, "Of the top recurring PMAP findings in NAVFAC SW, what contract management process phase had the most negative findings?"

## A. RAW DATA

The raw data is derived from PMAP audit reports and/or PMAP out briefs conducted within NAVFAC SW, between fiscal year 2012 and January 2015.

The PMAP reports were broken down into sections. Each section was given a rating which was then factored into the overall rating. The possible ratings were: Highly Satisfactory, Satisfactory, Marginal, and Unsatisfactory. The audits conducted between fiscal year 2012 and calendar year 2013 were assessed on the activity's acquisition compliance and how it related to the following four sections: Leadership, Acquisition Workforce, Acquisition Strategy/Contract Execution and Contract Administration. In 2014 the PMAP shifted to focus on the following three (3) sections: Organizational Leadership, Management and Internal Controls, and Regulatory Compliance.

The following portion of this chapter discusses the consolidated details of the PMAP audit reports and or out-briefs including: the overall assessment rating, some positive notations (if applicable) and a bulleted list of the audit findings. The findings are consolidated into brief bullet points using similar, but not verbatim, report verbiage for space and ease of reading.

The activity names were sanitized due to the sensitive nature of this research.

Table 8 is a consolidated list of the PMAP audits analyzed in this research.

Table 8. PMAP Audit Results Between Fiscal Year 2012 and January 2015

| Activity Number | PMAP Date | Risk Rating | Grade Scheme |
|---|---|---|---|
| Activity 1 | 25-Oct-2012 | Medium-Low | Satisfactory |
| Activity 2 | 13-Feb-2013 | Medium-High | Marginal |
| Activity 3 | 13-Jun-2013 | Medium | Satisfactory |
| Activity 4 | 20-Jun-2013 | Medium | Satisfactory |
| Activity 5 | 26-Jun-2013 | Medium-High | Marginal |
| Activity 6 | 27-Jun-2013 | Medium-High | Marginal |
| Activity 7 | 9-Jan-2014 | Low | Satisfactory |
| Activity 8 | 16-Jan-2014 | Medium | Marginal |
| Activity 9 | 30-Jan-2014 | Low | Satisfactory |
| Activity 10 | 5-Feb-2014 | Low | Satisfactory |
| Activity 11 | 27-Mar-2014 | Low | Satisfactory |
| Activity 12 | 10-Apr-2014 | Low | Satisfactory |
| Activity 13 | 24-Apr-2014 | Medium | Marginal |
| Activity 14 | 22-May-2014 | Low | Satisfactory |
| Activity 15 | 29-Jan-2015 | Medium | Marginal |
| Activity 16 | 30-Jan-2015 | Low | Highly Satisfactory |

### 1. Activity 1

The PMAP audit ending on 25 Oct 2012, resulted in an overall assessment rating of "Satisfactory" with a medium-low risk to the Head Contracting Agency (HCA), using the following focus areas:

#### *a. Leadership*

For this section, the following positive notes were identified: The leadership was determined to be that of a strong sense of community, in which the team works well together. Frequent meetings were attributed to be a positive impact on project execution and customer relations.

The following sole finding was that the workload was constant; however, they lacked a contracting tool to procure quickly. The PMAP team recommended a competitive 8(a) mini Multiple Award Contract (MAC) to alleviate execution time constraints and to reduce repetitive actions.

***b. Acquisition Workforce***

For this section, the following positive note was identified: Good teaming existed between the acquisition and technical team members although technical documentation (i.e., Independent Government Estimates [IGE]) and technical analyses were difficult to obtain.

The following sole finding was that the acquisition workforce consisted of a Supervisory Contract Specialist (SCS), one senior Contract Specialist (CS) and one CS Intern. The SCS and senior CS were both retirement eligible which could pose significant risk to execution and contracting compliance should they retire or have unexpected leave. Little to no cross training or mentoring was occurring and the skill sets varied significantly.

***c. Acquisition Strategy / Contract Execution***

For this section, the following positive notes were identified: A high level of adherence to acquisition compliance was demonstrated in the contract files. Examples of that were in the Small Business Administration (SBA) letters, acquisition planning, Vets 100, responsibility determinations, Excluded Parties List System (EPLS) checks, and profit analysis.

Although the file documentation was strong, there were some areas with findings. They were as follows:

(1) Combination Pre/Post negotiation memorandums were documented, although negotiations were conducted. Therefore, an established government position was not set making it difficult to discern if good value was achieved.

(2) Business decisions lacked sufficient details to support a fair and reasonable price determination.

(3) The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient

(4) Time extensions were given with minimal justification.

***d. Contract Administration***

For this section, the following positive notes were identified: It was noted there was a minimal backlog on performance evaluations and there were no claims, protests or terminations for default.

The following findings were identified:

(1) The Contracting Officer Representative (COR) files were not being kept; however, the COR appointment letters were almost always present in the contract files.

(2) Annual COR file reviews and performance evaluations were not conducted.

(3) The liquidated damages clause was not found in some solicitations.

(4) Invoice interest had been an issue.

**2. Activity 2**

The PMAP audit ending on 13 Feb 2013, resulted in an overall assessment rating of "Marginal" with a medium-high risk to the Head Contracting Agency (HCA), using the following focus areas:

***a. Leadership /Acquisition Workforce***

For this section, the following positive notes were identified: A good rapport was noted between the SCS, Facility Support Contract Manager, SGE and FEAD. Informal training sessions were conducted on various topics.

The following findings were identified:

(1) Morale was rated “low” at times.

(2) The workforce desired for regular acquisition meetings.

(3) Unbalanced workload distribution was identified.

***b. Acquisition Strategy/Contract Execution:***

For this section, no strengths were noted.

The following findings were identified:

(1) Their contract toolbox was insufficient.

(2) Acquisition planning documentation was not evident.

(3) The Contracting Officer Representative (COR) files were not being kept.

(4) Annual COR file reviews and performance evaluations were not conducted.

(5) Limited or no market research was conducted and minimal rationale was documented to support the selection of the 8(a) sole source contractors.

(6) The acquisition workforce was not involved in developing the acquisition strategy and milestone dates.

(7) Most proposals were accepted or revised with little to no supporting rationale.

(8) Technical analyses used “templated” or vague statements making it a challenge for the contract specialists to establish a pre-negotiation objective.

(9) Combination Pre/Post negotiation memorandums were used although negotiations were conducted. Therefore, an established government position was not set making it difficult to discern if good value was achieved.

***c. Contract Administration:***

For this section, the following positive notes were identified: Their interest penalties were minimal. The contract closeout exceeded established goals. No contractor claims were filed for two years.

The following findings were identified:

(1) Contractor responsibility determinations were not supported and seemed to be (incorrectly) based on checking only for debarment using SAM.gov.

(2) No counsel reviews are being performed nor were annual review of standard provisions and clauses performed.

(3) No Limitation of subcontracting clauses (FAR 52.219-14) was used on 8(a) contracts.

**3. Activity 3**

The PMAP audit ending on 13 Jun 2013, resulted in an overall assessment rating of "Satisfactory" with a medium risk to the Head Contracting Agency (HCA), using the following focus areas:

***a. Leadership***

For this section, the following positive notes were identified: A strong camaraderie within leadership. FEAD Director leads by example – enthusiasm influences workforce to meet mission. A workload tracking tool assists in timely execution. Regular in-house and joint training were conducted.

***b. Acquisition Workforce***

For this section, the following positive note was identified: A good working relationship between technical and acquisition was noted as a strength.

***c. Acquisition Strategy/Contract Execution***

For this section, the following positive notes were identified: Initiative was demonstrated to correct previous PMAP findings. Examples of that were in the EPLS

checks, cost or pricing data, profit analysis, 8(a) award synopsis and LD rates. Thorough acquisition planning was conducted and supporting rationale was documented in the acquisition strategy memos.

The following findings were identified:

(1) Contracts were awarded as construction when Service Contract or Walsh-Healy Public Contracts Acts applied.

(2) Insufficient analysis was conducted for sole source negotiations. Lump sum evaluations were conducted by accepting proposals with no discussion of labor rates, material costs, indirect rates or profit.

(3) Overhead rates were incorrectly compared against standard NAVFAC rates.

(4) Business decisions lacked sufficient details to support a fair and reasonable price determination.

(5) Certificate of Cost and Pricing Data was obtained with the initial proposal but not on negotiated amount.

(6) Templated language was apparent resulting in numerous errors in contract documents.

***d. Contract Administration***

For this section, the following positive notes were identified: There was minimal backlog on performance evaluations and there were no claims, protests or terminations for default.

The following findings were identified:

(1) Annual COR file reviews and performance evaluations were not conducted.

(2) Invoice interest had been an issue.

### 4. Activity 4

The PMAP audit ending on 20 Jun 2013, resulted in an overall assessment rating of “Satisfactory” with a medium risk to the Head Contracting Agency (HCA), using the following focus areas:

#### *a. Leadership*

For this section, the following positive notes were identified: A Good collaboration among FEAD and new acting SCS.

The following findings were identified:

(1) Training of the acquisition workforce is inadequate.

(2) Communication between the acquisition workforce and management is inadequate.

#### *b. Acquisition Workforce*

For this section, the following positive note was identified: They provided acquisition support to other field activities.

The sole finding was identified: Morale is rated “Low” at times.

#### *c. Acquisition Strategy/Contract Execution*

For this section, the following positive notes were identified: Excluded Parties Lists System (EPLS) research is well documented. Acquisition planning was documented.

The following findings were identified:

(1) Continued improvement between the technical and acquisition workforce was needed.

(2) Business decisions lacked sufficient details to support a fair and reasonable price determination.

(3) The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient.

(4) The prime contractor was not performing 25% of work per IAW contract requirements (FAR 52.236-1).

(5) Some Contractor markups were misapplied.

(6) Option documentation was insufficient.

(7) 8(a) awards not synopsized.

(8) Annual COR file reviews and performance evaluations were not conducted.

***d. Contract Administration:***

For this section, the following positive notes were identified: There was minimal backlog on performance evaluations and they incurred very low interest penalties. The closeout process was followed and fully executed.

No findings were noted.

**5. Activity 5**

The PMAP audit ending on 26 Jun 2013, resulted in an overall assessment rating of "Marginal" with a medium-high risk to the Head Contracting Agency (HCA), using the following focus areas:

***a. Leadership/Acquisition Workforce***

For this section, the following positive notes were identified: The SCS created/held informal training sessions on various topics. A COAR training video was created and posted to the NAVFAC SW portal.

***b. Acquisition Strategy/Contract Execution***

For this section, the following positive note was identified: Acquisition planning was conducted and supporting rationale nearly always documented.

The following findings were identified:

(1) Management and Oversight Process for the Acquisition of Services (MOPAS) missing in two service contract files.

(2) Blanket Purchase Agreement (BPA) procedures were not followed.

(3) Business decisions lacked sufficient details to support a fair and reasonable price determination.

(4) Certificate of Cost and Pricing Data obtained on initial proposal but not on negotiated amount.

(5) Time extensions were given without justification.

(6) The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient.

(7) Justification and Approvals (J&A) used without legal review and not synopsized.

***c. Contract Administration***

For this section, the following positive notes were identified: There was minimal backlog on performance evaluations and they incurred very low interest penalties.

The following sole finding was that annual COR file reviews and performance evaluations were not conducted.

**6. Activity 6**

The PMAP audit ending on 27 Jun 2013, resulted in an overall assessment rating of "Marginal" with a medium-high risk to the Head Contracting Agency (HCA), using the following focus areas:

***a. Leadership***

For this section no strengths were noted. The following findings were noted:

(1) Neither the newly reporting FEAD nor the Public Works Officer (PWO) were warranted.

(2) The leadership appeared to value execution over acquisition compliance.

***b. Acquisition Workforce***

For this section no strengths were noted.

The findings were as follows:

(1) Morale was rated as “medium-low” to “low.”

(2) There were accountability differences between technical and acquisition personnel.

(3) Personnel were dissatisfied with senior level communication.

(4) Personnel felt a lack of respect and trust from management.

(5) Management’s internal file review delayed execution and added little value.

(6) Work-life balance was a concern.

***c. Acquisition Strategy/Contract Execution***

For this section, the following positive note was identified: Targeted training was underway and valued by the workforce.

The following findings were noted:

(1) The SAM.gov checks were not consistently checked.

(2) Missing files were self-reported.

(3) Several files had no market research or acquisition planning documented. When documentation was evident, it lacked review/signature.

***d. Contract Administration***

For this section, the following positive note was identified: Minimal backlog on performance evaluations was noted as a strength.

The following findings were noted:

(1) Business decision documentation was either missing or it lacked sufficient detail to determine price reasonableness.

(2) Technical members were conducting negotiations without acquisition involvement.

(3) Lump sum evaluations were routinely conducted with significant differences unquestioned.

(4) Combination Pre/Post negotiation memorandums were used although negotiations were conducted. Therefore, an established government position was not set making it difficult to discern if good value was achieved.

(5) Contracts were awarded as construction when Service Contract or Walsh-Healy Public Contracts Acts applied.

(6) Modifications were executed with partial funding.

(7) The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient.

**7. Activity 7**

The PMAP audit ending on 9 Jan 2014, resulted in an overall assessment rating of "Satisfactory" with a low risk to the Head Contracting Agency (HCA), using the following focus areas:

***a. Organizational Leadership***

For this section, the following positive notes were identified: There was a strong confidence in the acquisition workforce skill sets and experience. There was a strong commitment to the Small Business programs. A majority of their contracting actions were solicited competitively. There was no indication of vulnerability to fraud, waste and abuse; appropriate separation of function. Informal training sessions were conducted on various topics.

The following findings were noted:

(1) The previous military leadership had a “hands-off” communication style; however, the replacement senior military was more involved and communication had improved.

(2) The workforce and leadership were physically separated in different buildings.

(3) Continued improvement between the technical and acquisition workforce was needed.

***b. Management and Internal Controls***

For this section, the following positive notes were identified: They were commended for outstanding attention to processing invoice because in fiscal year 2013, zero interest penalties were paid. Improvement was noted from a prior Internal Business Assessment (IBA).

The following findings were noted:

(1) Although the ROICC was working towards obtaining DAWIA Level II certification, he was not warranted.

(2) Although improvement was noted, the Internal Business Assessment (IBA) noted weaknesses in documenting SAM.gov and VETS 100 verifications, pre-proposal/site visits, and completing the contract performance evaluations.

(3) Annual COR file reviews and performance evaluations were not conducted.

***c. Regulatory Compliance***

For this section, the following positive notes were identified: The steps (SBA offer and acceptance letters, required clauses and post award synopses published) to award 8(a) sole source actions were in compliance. Compliance with Office of Federal

Contract Compliance Program (OFCCP) notifications and Option documentation was noted.

The following findings were noted:

(1) Acquisition planning was not clearly documented.

(2) The required MOPAS-2 was missing from the IDIQ A-E service contracting.

(3) There was no evidence of any documented acquisition strategy or planning to determine if the proper contracting vehicle was chosen.

(4) The 6% fee limitation of the estimated cost of contraction (ECC) was exceeded on an A-E contract.

(5) Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination.

(6) One task order was awarded with one proposal received. The acquisition tripwire regulation was not followed.

(7) No counsel reviews are being performed nor were annual review of standard provisions and clauses performed

(8) Liquidated damage rates were not consistently calculated.

(9) Several modifications referenced the incorrect authority.

(10) Satisfaction and accord language was often missing in bilateral modifications.

(11) Higher level approval was not obtained on time extensions over 60 days.

**8. Activity 8**

The PMAP audit ending on 6 Nov 2013, resulted in an overall assessment rating of “Marginal” with a medium risk to the Head Contracting Agency (HCA), using the following focus areas:

### *a. Organization Leadership*

For this section, the following positive notes were identified: Leadership demonstrated a strong commitment to NAVFAC SW small business goals with the vast majority of awards set aside for 8(a) and small business concerns. Current warrant levels appropriate with the ROICC and SCS warranted at Level II, ($10M) and support the level and complexity of work currently being executed. All acquisition personnel are Defense Acquisition Workforce Improvement Act (DAWIA) certified at the appropriate level.

The following findings were noted:

(1) Additional training needed for less experienced acquisition personnel.

(2) The technical products lacked necessary components to effectively support business decisions.

### *b. Management and Internal Controls*

For this section, the following positive notes were identified: All team members are current with CL points. Members developed an effective post award contract action report to efficiently manage status of invoices, submittals, and obligations, and this report is used by both technical and acquisition personnel. There was zero backlog on contractor performance assessments. Their interest penalties were minimal. They had varied 8(a) contract toolbox. Annual COR file reviews and performance evaluations were conducted.

The following findings were noted:

(1) Numerous regulatory aspects were missing in the files.

(2) Contract oversight and internal controls lacked sufficient attention to acquisition regulations, particularly in pre-award procedures for competitive contracts and task orders.

(3) The management of the Contracting Officer’s Authorized Representative (COAR) authority and documentation was very weak.

(4) There was a lack of substantive review for acquisition regulations with several instances of incorrect contract information in the contract documents.

(5) The technical products were lacking necessary components to effectively support business decisions and were being accepted by the acquisition workforce.

(6) Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination.

(7) Templated language was apparent resulting in numerous errors in contract documents.

(8) Combination Pre/Post negotiation memorandums were documented, although negotiations were conducted.

***c. Regulatory Compliance***

For this section, no strengths were noted.

The following findings were noted:

(1) Acquisition planning was not always thoroughly documented.

(2) Pre-award procedures were weak or deficient.

(3) A competitive award was made without a required source selection plan, basis for award, nor stated evaluation factors.

(4) RFPs/solicitations missing or incomplete.

(5) No evaluation of past performance (on basic contracts and task orders).

(6) Amendments were not incorporated into the award document.

(7) Liquidated damage rates were incorrectly calculated.

(8) Responsibility determinations not documented with sufficient detail.

(9) Clauses inappropriately added on the task order, not the basic.

(10) Certificate of Cost or Pricing Data was missing.

(11) 8(a) award not synopsized.

(12) The 52.219-14 Limitation on Subcontracting, 52.219-8 Utilization of Small Business Concerns, 52.219-28 Post Award Small Business Program Representation clauses were not incorporated as required.

(13) Some modifications referenced the incorrect authority.

(14) The SAM.gov checks were not consistently checked.

(15) Higher level approval was not obtained on time extensions over 60 days.

**9. Activity 9**

The PMAP audit ending on 30 Jan 2014, resulted in an overall assessment rating of "Satisfactory" with a low risk to the Head Contracting Agency (HCA), using the following focus areas:

***a. Organizational Leadership***

For this section, the following positive notes were identified: "Very good" communication was noted. Improved communication and coordination throughout the PWD after a two year gap in the FEAD Director position. Leadership focused on accountability which was reflected in the staff's sense of responsibility and ownership for their contract actions. In-house training sessions were conducted on various topics. There was a strong commitment to the Small Business programs.

The sole finding was that a greater focus was needed for the military FEAD Director to be certified to the DAWIA Level II.

***b. Management and Internal Controls***

For this section, the following positive notes were identified: The PWD greatly reduced its reliance on 8(a) sole source awards and increased competitive methods. The PWD demonstrated that regular self-assessments were meaningful and beneficial. The COR file and performance reviews were conducted;

The following findings were noted:

(1) The FEAD Director was not warranted and was only DAWIA Level I certified.

(2) The SCS held the sole warrant poses a risk to the activity's ability to effectively execute.

(3) Although improvement was noted, the Internal Business Assessment (IBA) noted weaknesses synopsizing 8(a) awards, missing COR appointment letters and inconsistent filing of contract documentation.

***c. Regulatory Compliance***

For this section, the following positive note was identified: When required, certificates of current cost or pricing data were found.

The following findings were noted:

(1) The acquisition strategy documentation was inconsistent on construction actions; however, prior to the audit, the PWD implemented the use of the Acquisition Development Plan to address this.

(2) Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination.

(3) Higher level approval of business decisions was not consistently obtained, as required.

(4) Cross reviews were conducted on business decision documents prepared by the SCS; however, some were approved by the FEAD Director although he was not warranted.

(5) The 52.219-14 Limitation on Subcontracting clause was not always incorporated into 8(a) sole source contracts.

(6) A contract was issued with insufficient funding. A mod was issued to fund two of the three ELINS. A mod to delete the third ELIN was never performed.

(7) Some modifications referenced the incorrect authority.

(8) Some modifications were issued as administrative (unilateral) when they should have been bilateral.

(9) Although the practice was identified and discontinued prior to the audit, construction contract vehicles were utilized to award services.

(10) A solicitation legal review was not always obtained.

**10. Activity 10**

The PMAP audit ending on 5 Feb 2014, resulted in an overall assessment rating of "Satisfactory" with a low risk to the Head Contracting Agency (HCA), using the following focus areas:

***a. Organizational Leadership***

For this section, the following positive note was identified: Leadership is focused on being responsive to their supported commands and ensuring the highest level of attention is delivered to meet their contracting missions and responsibilities. Communication is good within the activity. 100% of their actions awarded to small disadvantaged businesses under their 8(a) multi-trades, 8(a) BOS, 8(a) JOC and 8(a) IDIQ contracts. Training sessions were conducted on various topics. No indications of vulnerabilities to fraud, waste, and abuse. Appropriate separation of function is occurring, which lessens vulnerability in these areas.

The following findings were noted:

(1) They are experiencing a major staffing shortage.

(2) The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient.

### *b. Management and Internal Controls*

For this section, the following positive notes were identified: The warrant levels are adequate for the workload accomplished. Their interest penalties were minimal. There was zero backlog in contractor performance evaluations.

The sole finding was that the Annual COR file reviews and performance evaluations were not conducted.

### *c. Regulatory Compliance*

For this section, there are no noteworthy accomplishments.

The following findings were noted:

(1) Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination.

(2) Combination Pre/Post negotiation memorandums were documented, although negotiations were conducted.

(3) Certificate of Cost or Pricing Data was missing.

(4) Option documentation was insufficient.

(5) The SAM.gov checks were not consistently checked.

(6) Some modifications referenced the incorrect authority.

(7) 8(a) awards not synopsized.

## 11. Activity 11

The PMAP audit ending on 27 Mar 2014, resulted in an overall assessment rating of “Satisfactory” with a low risk to the Head Contracting Agency (HCA ), using the following focus areas:

### *a. Organizational Leadership*

For this section, the following positive notes were identified: Communication appeared strong; however, surveys from the acquisition workforce were divided between

"very good" and "weak." Formal/informal meetings were continually occurring. There was a strong commitment to the Small Business programs. In-house training sessions were conducted on various topics. A strong confidence in the acquisition workforce skill sets and experience. There was no indication of vulnerability to fraud, waste and abuse. There was appropriate separation of function.

The following findings were noted:

(1) Due to significantly decreased construction, the workforce was reduced which caused frustration to workload management.

(2) Work-life balance was a concern due to dwindling resources.

***b. Management and Internal Controls***

For this section, the following positive notes were identified: The ROICC demonstrated a high focus on internal reviews and regular self-assessments. There was minimal backlog on contractor performance assessments. Their interest penalties were minimal.

The following findings were noted:

(1) Some COR appointment letters were found; however, official COR files were not established.

(2) Annual COR file reviews and performance evaluations were not conducted.

***c. Regulatory Compliance***

For this section, the following positive note was identified: When required, certificates of current cost or pricing data were found.

The following findings were noted:

(1) Business decisions lacked sufficient detail to support decision and price not always substantiated.

(2) The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient.

(3) Time extensions were not well justified or discussed.

(4) Templated language was used with no back-up documentation to support the decision.

**12. Activity 12**

The PMAP audit ending on 10 Apr 2014, resulted in an overall assessment rating of "Satisfactory" with a low risk to the Head Contracting Agency (HCA), using the following focus areas:

***a. Organizational Leadership***

For this section, the following positive notes were identified: Moral is 'excellent' to "very good." Communications between acquisitions and technical is also 'very good'. . Informal training sessions were conducted on various topics.

No findings were noted.

***b. Management and Internal Controls***

For this section, the following positive notes were identified: Leadership, including military, holds appropriate warrant levels. A Management Assist Visit (MAV) was conducted in December 2013 and numerous weaknesses were identified with the development of independent government estimates (IGE), technical analyses, and business decisions. Since then they have aggressively taken action to correct their deficiencies. There was zero backlog in contractor performance evaluations. They had a largely reduced contract-closeout backlog. Their interest penalties were minimal.

The following findings were noted:

(1) Contracts were awarded as construction when Service Contract or Walsh-Healy Public Contracts Acts applied.

(2) Acquisition planning is lacking.

### *c. Regulatory Compliance*

For this section, the following positive notes were identified: SAM.gov checks were being accomplished at the required intervals.

The following findings were noted:

(1) Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination.

(2) Profit not always discussed in the business decision documents. A standard 10% profit was given without justification.

(3) Satisfaction and accord language was often missing in bilateral modifications.

## 13. Activity 13

The PMAP audit ending on 24 Apr 2014 resulted in an overall assessment rating of “Marginal” with a medium risk to the Head Contracting Agency (HCA), using the following focus areas:

### *a. Organizational Leadership*

For this section, the following positive notes were identified: Good communication with supervisor—varied with senior leadership. Rotational assignments were planned to enhance skill sets. There was a strong commitment to the Small Business programs. In-house training was scheduled. There was no indication of vulnerability to fraud, waste and abuse. There was appropriate separation of function.

The following findings were noted:

(1) Unbalanced workload and accountability identified as significant concerns.

(2) There was a strong focus on mission, sometimes at the expense of compliance.

(3) Prior training appears to be ineffective.

### *b. Management and Internal Controls*

For this section, the following positive note was identified: There was minimal backlog on contractor performance assessments.

The following findings were noted:

(1) The PWO was not warranted, but was in the process of obtaining one.

(2) Their contract toolbox was insufficient.

(3) There were expiring contracts which caused potential for gaps in requirements.

(4) A pre-PMAP assessment conducted by FEAD indicated little improvement since 2010 PMAP.

(5) Multiple violations not identified during higher level reviews.

(6) COR file/performance annual review informally conducted for FSC but not documented.

(7) Inappropriate COAR designations made for construction contract or task orders.

(8) Interest penalties assessed due to customer obligation errors.

### *c. Regulatory Compliance*

For this section, the following positive notes were identified: Acquisition planning was documented in most files reviewed. When required, certified current cost or pricing data was found. SAM.gov and completed CARs were found in files. Davis-Bacon payroll verification, interview and invoice process was structured.

The following findings were noted:

(1) Proprietary items specified without a J&A.

(2) An out of scope mod was issued without a J&A.

(3) A potential ADA violation occurred.

(4) Funds were obligated without fund availability statement.

(5) There was inconsistent synopsis of 8(a) sole source awards.

(6) Performance and payment bonds were obtained without signatures or seals and no evidence of review.

(7) There were commercial service contracts without a commercial service determination.

(8) Excessive clauses were included in solicitations without approval.

(9) A commercial service contract included Davis-Bacon Act wages.

(10) Generally lacking market research.

(11) Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination.

(12) Insufficient analysis was conducted for sole source negotiations. Lump sum evaluations were conducted by accepting proposals with no discussion of labor rates, material costs, indirect rates or profit.

(13) The IGEs included contingency and Supervisory, Inspection and Overhead (SIOH) which can skew analysis.

(14) RFP lacked basis of evaluation for task order award.

(15) The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient.

(16) Profit analysis was performed; however, not always used or discussed in the business decision document.

(17) The NAVFAC Form 4330 was incorrectly used for basic contract awards.

(18) Planned modifications inappropriately referred to as options.

## 14. Activity 14

The PMAP audit ending on 24 Apr 2014 resulted in an overall assessment rating of “Marginal” with a medium risk to the Head Contracting Agency (HCA), using the following focus areas:

### *a. Organizational Leadership*

For this section, the following positive notes were identified: Good communication is occurring; formal/informal meetings were continually occurring; a strong commitment to the Small Business programs; weekly in-house training sessions were conducted on various topics; a strong confidence in the acquisition workforce skill sets and experience; acquisition strategy and planning includes mitigations to vulnerability to fraud, waste and abuse due to remote location.

No findings were noted.

### *b. Management and Internal Controls*

For this section, the following positive notes were identified: COR files were found. COR file/performance reviews were conducted annually. There was zero backlog in contractor performance evaluations. They had a largely reduced contract-closeout backlog. Weekly in-house joint technical and acquisition training was ongoing. A technical package checklist and a pre-award status spreadsheet were instituted.

The following findings were noted:

(1) The PWO is DAWIA Level II certified; however, could not obtain a warrant due to his designation as an active reservist. He was set to retire so no action was recommended.

(2) The teamwork between acquisition and technical personnel was varied between “weak” and “very good.”

(3) The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient.

(4) Interest penalties assessed due to customer obligation errors.

### *c. Regulatory Compliance*

For this section, the following positive notes were identified: PWD is compliant when exercising options and various post award documents such as bond approvals, invoicing and labor interviews.

The following findings were noted:

(1) Acquisition planning was not clearly documented.

(2) Many of the DD 2579s were signed after award; however, many of the reviewed actions were initiated prior to their new acquisition strategy process was implemented to address acquisition planning.

(3) The SAM.gov checks were not consistently checked.

(4) Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination.

(5) Contractor responsibility determination not made.

(6) MACC task order selection methodology not well understood.

(7) Technical analyses did not address specific aspects of the technical factors in the RFP.

(8) Business decisions did not contain sufficient documentation to clearly address elements of LPTA evaluation factors.

(9) Many modifications referenced the incorrect authority.

(10) Key elements missing or untimely regarding awarding 8(a) sole source actions. (i.e. SBA offer/acceptance letters, post award synopses not published and no evidence of ensuring compliance with Limitation on Subcontracting clause)

### 15. Activity 15

The PMAP audit ending on 29 Jan 2014 resulted in an overall assessment rating of “Marginal” with a medium risk to the Head Contracting Agency (HCA), using the following focus areas:

#### *a. Organizational Leadership*

For this section, the following positive notes were identified: Communication and morale averaged overall as “excellent.” Collaboration between the technical and acquisition team rated as “good.”

The following findings were noted:

(1) Lack of accountability on technical team which results in extensive acquisition involvement.

(2) No defined work acceptance process which has resulted in customer sending requirements directly to acquisition.

(3) Lack of separation of function.

(4) In-house training appears to be ineffective.

(5) Potential vulnerabilities to Fraud, Waste, and Abuse (i.e., bulk funding).

#### *b. Management and Internal Controls*

For this section, the following positive notes were identified: The warrants coverage was sufficient. There was a minimal contractor evaluation backlog. Their interest penalties were minimal.

The following findings were noted:

(1) Not all COARs are utilized and CORs were not being appointed.

(2) Their contract toolbox was insufficient.

(3) Internal review checklists in some files were ineffective.

### *c. Regulatory Compliance*

For this section, the following positive notes were identified: Exceeded Small Business Goals in FY14, confirmed by FEC

The following findings were noted:

(1) Task orders were modified to bulk fund without defined requirements, without a price reasonableness determination and without inclusion of the procured services.

(2) Solicitations issued without defined requirements.

(3) Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination.

(4) Certificate of Cost or Pricing Data was missing.

(5) The SAM.gov checks were not consistently checked.

(6) Commercial Items included inappropriate clauses and lacked determination.

(7) No OFCCP notifications

(8) Limited VETS 100 verifications.

(9) LD clauses included in RFP but not included in award document.

(10) 8(a) awards were not synopsized.

(11) A modification to exercise an option was issued after contract completion date.

(12) Only funded 1 of 8 ELINs; no direction to not perform remaining ELINs (potential ADA).

(13) Modification unilaterally awarded option even though a change was made to the ELINs.

### 16. Activity 16

The PMAP audit ending on 30 Jan 2015 resulted in an overall assessment rating of “Highly Satisfactory” with a low risk to the Head Contracting Agency (HCA), using the following focus areas:

#### *a. Organizational Leadership*

For this section, the following positive notes were identified: Overall, the acquisition workforce responded that leadership provided “good” communication. The acquisition staff and project execution meetings are occurring on a bi-weekly basis and all hands meetings are held bi-monthly. Acquisition personnel are committed to accountable performance, which was validated in the well documented actions. They contribute well to the overall success of NAVFAC Southwest SB Program objectives.

The following findings were noted:

(1) Morale: The acquisition workforce rated morale as “fair” partly due to lack of teamwork, furloughs, and the loss of several seasoned employees.

(2) Continued improvement between the technical and acquisition workforce was needed.

(3) The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient.

(4) The SGE was vacant causing delays in technical input in a timely manner due to minimal oversight.

#### *b. Management and Internal Controls*

For this section, the following positive notes were identified: Feedback from the workforce surveys and actions reviewed did not indicate any potential or vulnerability to contract fraud, waste, and/or abuse. Warrants are sufficient for the value and type of actions executed and the military leadership is appropriately warranted. There was minimal backlog on performance evaluations. Their interest penalties were minimal. The

contract toolbox is sufficient to meet execution with a variety of contracts to executed mission requirements (FFP, JOC, BOA, and MACC).

No findings were noted.

### *c. Regulatory Compliance*

For this section, the following positive notes were identified: Acquisition strategy and planning was consistently and thoroughly documented in all reviewed files. They conduct very comprehensive market research. The office has an annual legal review approval of their task order RFP template. The majority of business decisions were overall compliant with very detailed price analyses, responsibility determinations, and past performance research.

The following findings were note:

(1) There was no mechanism to track the 52.219-14 Limitation on Subcontracting clause.

(2) Modifications were being issued after the contract completion date.

## B. PRIMARY RESEARCH: WHAT WERE THE RECURRING PMAP FINDINGS IDENTIFIED IN NAVFAC SW AUDITS BETWEEN FISCAL YEAR 2012 AND JANUARY 2015?

The primary research question involves an analysis of PMAP audits conducted within NAVFAC SW to identify recurring findings.

Primary Research Question: What were the recurring PMAP findings identified in NAVFAC SW audits between fiscal year 2012 and January 2015?

As discussed in the scope and methodology section of Chapter I, this research classified a finding as “recurring” if it was repeated four or more times throughout the sixteen audit reports reviewed. Verbatim verbiage was not required for a finding to be considered repeated.

Table 9 displays the recurring findings in order of reoccurrence, the activities that received the finding, and the number of times it was noted, out of the sixteen audits analyzed.

Table 9. Recurring PMAP Findings between Fiscal Year 2012 and January 2015

| | | Activity | | | | | | | | | | | | | | | | Results |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Recurring Finding | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | # of Reoccurrence |
| 1 | Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | | 15 |
| 2 | The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient. | x | x | | x | x | x | | x | | x | x | x | x | x | | | 11 |
| 3 | Annual COR file reviews and performance evaluations were not conducted. | x | x | x | x | x | | x | | | x | x | | | | x | | 9 |
| 4 | 8(a) awards were not synopsized. | | | | x | | | | x | x | x | | x | x | x | x | | 8 |
| 5 | The SAM.gov checks were not consistently checked. | | x | | | | x | x | x | | x | | | | x | x | | 7 |
| 6 | The COR files were not found or maintained as required. | x | x | | | | | | | x | | x | | x | | x | | 6 |
| 7 | Limited or no acquisition planning documentation was found. | | x | | | | x | x | x | | | | x | | x | | | 6 |
| 8 | Combination Pre/Post negotiation memos were documented, although negotiations were conducted. | x | x | | | | x | | x | | x | | | | | | | 5 |
| 9 | There was a lack of warrant coverage. | | | | | | x | x | | x | | | | x | x | | | 5 |
| 10 | Incorrect authority cited on modifications. | | | | | | | x | x | x | x | | | | x | | | 5 |
| 11 | There was missing Certificate of Cost or Pricing Data. | | | x | | x | | | x | | x | | | | | x | | 5 |
| 12 | The 52.219-14 Limitation on Subcontracting clause was not always incorporated into 8(a) sole source contracts. | | x | | | | | | x | x | | | | | x | | | 5 |
| 13 | There was a lack of legal review on solicitation(s). | | x | | | | | x | x | | | | | | | | x | 4 |
| 14 | Insufficient analysis was conducted for sole source negotiations. | | x | x | | | x | | | | | | | x | | | | 4 |

In order of frequency noted, the recurring findings are as follows:

**1. Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination**

This finding was noted in fifteen of the sixteen audit reports. In other words, 94% of the audits reviewed had this finding. The acquisition activities with this finding were: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15.

As required by Federal Acquisition Regulation (FAR) Part 15 (FAR Site. 2015), business decision documentation summarizes the negotiation. It consists of a business clearance, a combination Pre/Post price negotiation memorandum (PNM), or a pre PNM and post PNM. The use of the document depends on the dollar value and whether or not the government intends to conduct negotiations or if they intend to accept the Contractor's proposal entirely. The documentation tells the story of the acquisition scope, the acquisition approach, how the government evaluated the proposal and the final negotiated amount.

Business decision documents require input form the entire acquisition team. Recommendations from the technical analysis are used to develop the business decision documentation. The technical analysis is used to develop the government 's price negotiation objective if negotiations are conducted as well as to determine price reasonableness. If the provided technical deliverables (i.e., IGE and or technical analyses) are weak, it is likely that the business decision documents will be too. Insufficient technical deliverables were commonly discussed in the PMAP reports.

**2. The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient**

This finding was noted in eleven of the sixteen audit reports. In other words, 69% of the audits reviewed had this finding. The acquisition activities with this finding were: 1, 2, 4, 5, 6, 8, 10, 11, 12, 13, and 14.

Independent Government Estimates (IGE) are developed along with the contract requirement. There are many pieces and layers to an IGE. It takes skill and a full

understanding of the contract scope to sufficiently develop an IGE. An acquisition's estimated dollar value shapes the acquisition strategy and acquisition planning. It is also used to as a comparison when evaluating contractor proposals. If the IGE is weak or insufficient, it causes inefficiencies and or inaccurate comparisons during the proposal evaluation phase. Additionally, if the IGE author lacks sufficient skill or industry knowledge, it is likely their technical analysis will be weak and require significant oversight to provide sufficient analysis to develop a government price negotiation objective or to determine price reasonableness.

As stated above, if the technical deliverables are weak, it is likely the business decision documents will be too; therefore, with improved technical deliverables, it is likely that business decision documents will see improvement as well.

### 3. Annual COR file reviews and performance evaluations were not conducted

This finding was noted in nine of the sixteen audit reports. In other words, 56% of the audits reviewed had this finding. The acquisition activities with this finding were: 1, 2, 3, 4, 5, 7, 10, 11, and 15.

COR's assist in the technical monitoring or administration of a contract. FAR 1.602-2(d) (FAR Site. 2015) requires Contracting Officer's to designate and authorize a COR on all contracts and orders other than those that are firm-fixed price, and for firm-fixed-price contracts and orders as appropriate, unless the contracting officer retains and executes the COR duties.

NAVFACINST 4200.1, 18 Sep 2013, states that the Contracting Officer must conduct an annual review of the COR file and the COR performance. The COR file includes records relating to his or her COR duties during the life of the contract. The COR file is to be maintained on the CORT tool which is an online tool. Until 2 Apr 2015, there was a NAVFAC SW union issue that prevented the implementation of the CORT tool. The union issue may have caused confusion as it related to the COR file reviews and performance evaluations.

### 4. 8(a) awards were not synopsized

This finding was noted in eight of the sixteen audit reports. In other words, 50% of the audits reviewed had this finding. The acquisition activities with this finding were: 4, 8, 9, 10, 12, 13, 14 and 15.

The government can award sole source contracts, under $4,000,000, using the 8(a) Program (15 U.S.C. 637). The award is required to be synopsized when the value exceeds $25,000. As stated, it was a recurring finding that 8(a) awards were not synopsized.

### 5. The SAM.gov checks were not consistently checked

This finding was noted in seven of the sixteen audit reports. In other words, 44% of the audits reviewed had this finding. The acquisition activities with this finding were: 2, 6, 7, 8, 10, 14 and 15.

Contractors debarred, suspended, or proposed for debarment are excluded from receiving government contracts. The SAM.gov system is used to check if a contractor has active or inactive exclusions. FAR 9.405(d) (FAR Site. 2015) states the exclusion check is to be done after receipt of proposal(s) and immediately prior to award. NAVFAC's Business Management System (BMS), which is a centralized system that provided NAVFAC processes, has a BMS process that requires the SAM.gov checks to be conducted prior to issuing solicitations, after receipt of proposal(s), prior to establishing a competitive range and immediately prior to award. The NAVFAC SW Chief of Contracting announced on 17 Mar 2015 that the BMS process will be updated to reflect checking SAM.gov after receipt of proposal(s) and immediately prior to award. This finding should be reduced as a result.

### 6. The COR files were not found or maintained as required.

This finding was noted in six of the sixteen audit reports. In other words, 38% of the audits reviewed had this finding. The acquisition activities with this finding were: 1, 2, 9, 11, 13 and 15.

COR's assist in the technical monitoring or administration of a contract. FAR 1.602-2(d) (FAR Site. 2015) requires Contracting Officer's to designate and authorize a COR on all contracts and orders other than those that are firm-fixed price, and for firm-fixed-price contracts and orders as appropriate, unless the contracting officer retains and executes the COR duties.

NAVFACINST 4200.1, 18 Sep 2013, states that the Contracting Officer must conduct an annual review of the COR file and the COR performance. The COR file includes records relating to his or her COR duties during the life of the contract. The COR file is a COR responsibility and is to be maintained on the CORT tool which is an online tool. Until 2 Apr 2015, there was a NAVFAC SW union issue that prevented the implementation of the CORT tool. The union issue may have caused confusion as it related to the COR file reviews and performance evaluations.

### 7. Limited or no acquisition planning documentation was found

This finding was noted in six of the sixteen audit reports. In other words, 38% of the audits reviewed had this finding. The acquisition activities with this finding were: 2, 5, 6, 7, 8, 12, and 14.

FAR 7.102 requires that acquisition planning and market research be conducted for all acquisitions. The BMS has a process in which the NAVFAC acquisition workforce is required to follow. The BMS gives specific guidance on how and to what magnitude acquisition and market research is required. The dollar threshold and contract requirements (i.e., Service or Construction) will dictate the approval levels and how in depth the planning and research should be. The higher the dollar threshold, the more in depth information is required. The PMAP results indicate there is an inadequate understanding of what's required.

**8. Combination Pre/Post negotiation memorandums were documented, although negotiations were conducted. Therefore, an established government position was not set making it difficult to discern if good value was achieved.**

This finding was noted in five of the sixteen audit reports. In other words, 31% of the audits reviewed had this finding. The acquisition activities with this finding were: 1, 2, 5, 8, and 10.

A combination Pre/Post PNM is used when the government accepts the contractor's proposal in its entirety and negotiations are not conducted. The recurring finding is that this type of PNM was used although negotiations were being conducted. This means negotiations were conducted without first setting a pre price negotiation objective and receiving clearance to negotiate. The appropriate approach is for the Contracting Officer to give clearance to negotiate by signing a Pre PNM which states the government 's a price negotiation objective. Once negotiations are conducted, a Post PNM is written and signed outlining the results of the negotiation.

The PMAP results indicate the combination Pre/Post PNM is being used inappropriately.

**9. There was a lack of warrant coverage**

This finding was noted in five of the sixteen audit reports. In other words, 38% of the audits reviewed had this finding. The acquisition activities with this finding were: 6, 7, 9, 13, and 14.

The recurring finding related to a lack of warrant coverage was largely due to incoming military leadership that was in the midst of their training. Once their training was complete, they would be able to apply and receive a warrant. Reducing this finding may prove to be difficult due to the nature of military leadership changes.

**10. Incorrect authority cited on modifications**

This finding was noted in five of the sixteen audit reports. In other words, 31% of the audits reviewed had this finding. The acquisition activities with this finding were: 7, 8, 9, 10, and 14.

Each modification is required to cite the authority that enables the modification to be issued. The recurring finding was that incorrect authorities were cited. A common example of that was when a modification cited 52.243-4 Changes Clause when the appropriate clause was 52.249-10 Default (Fixed-Price Construction).

### 11. There was missing certificate of cost or pricing data

This finding was noted in five of the sixteen audit reports. In other words, 31% of the audits reviewed had this finding. The acquisition activities with this finding were: 3, 5, 8, 10, and 15.

The threshold for obtaining certified cost or pricing data is $700,000. It is required unless an applicable exception exists in accordance with FAR 15.403-1(b) (FAR Site. 2015). The exceptions are: adequate price competition, the prices are set by law or regulation, a commercial item is being acquired, a waiver has been granted, or when modifying a contract or subcontract for commercial items. The PMAP results indicated the certification was missing at the proposal level as well as the final negotiation amount.

### 12. The 52.219-14 Limitation on Subcontracting clause was not always incorporated into 8(a) sole source contracts

This finding was noted in five of the sixteen audit reports. In other words, 31% of the audits reviewed had this finding. The acquisition activities with this finding were: 2, 8, 9, 14 and 16.

The recurring finding is that it was not always incorporated in 8(a) sole source contracts. FAR 19.811-3(e) prescribes that 52.219-14 Limitation on Subcontracting clause shall be inserted in 8(a) sole source contracts, among other small business set-asides.

### 13. There was a lack of legal review on solicitation(s)

This finding was noted in four of the sixteen audit reports. In other words, 25% of the audits reviewed had this finding. The acquisition activities with this finding were: 2, 7, 8, and 16.

The Naval Facilities Acquisition Supplement (NFAS) 1.602-1-100 requires solicitations estimated to exceed the simplified acquisition threshold (SAT) to be reviewed by counsel prior to issuance. For firm-fixed priced contracts with standard provisions and clauses not estimated to exceed $5,000,000, the standardized provisions and clauses can be reviewed by counsel on an annual basis. For applicable contracts, the file needs to have documentation reflecting compliance with this requirement. As the PMAP results indicated, this was not always happening.

**14. Insufficient analysis was conducted for sole source negotiations. Lump sum evaluations were conducted by accepting proposals with no discussion of labor rates, material costs, indirect rates or profit.**

This finding was noted in four of the sixteen audit reports. In other words, 25% of the audits reviewed had this finding. The acquisition activities with this finding were: 2, 3, 6, and 13.

As discussed in the number 1 and number 2 recurring findings, business decision documents and technical deliverables were often insufficient. This was especially evident in sole source negotiations. The PMAP results indicated that lump sum proposals were often accepted without further explanation or analysis. In those circumstances, it is unknown if the government truly received a fair and reasonable price.

## C. SECONDARY RESEARCH: OF THE TOP RECURRING PMAP FINDINGS IN NAVFAC SW, WHAT CONTRACT MANAGEMENT PROCESS PHASE HAD THE MOST FINDINGS?

The secondary question involves categorizing the recurring PMAP findings into the six phases of contract management process phases.

Secondary Research Question: Of the top recurring PMAP findings in NAVFAC SW, what contract management process phase had the most negative findings?

As previously discussed, contract management consists of the following six phases:

1. Procurement Planning
2. Solicitation Planning
3. Solicitation

4. Source Selection
5. Contract Administration
6. Contract Close-out.

The phase with the most recurring findings was the Contract Administration phase. Table 10 will present each phase and the number of recurring findings applicable to that phase.

Table 10. Recurring PMAP Findings between Fiscal Year 2012 and January 2015

| | | Results | |
|---|---|---|---|
| | **Recurring Finding** | **# of Reoccurrences** | **Phase of Contracting** |
| 1 | Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination. | 15 | 4. Source Selection<br>5.Contract Administration |
| 2 | The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient. | 11 | 1.Procurement Planning<br>4. Source Selection<br>5.Contract Administration |
| 3 | Annual COR file reviews and performance evaluations were not conducted. | 9 | 5.Contract Administration |
| 4 | 8(a) awards were not synopsized. | 8 | 5.Contract Administration |
| 5 | The SAM.gov checks were not consistently checked. | 7 | 3. Solicitation<br>4. Source Selection<br>5.Contract Administration |
| 6 | The COR files were not found or maintained as required. | 6 | 5.Contract Administration |
| 7 | Limited or no acquisition planning documentation was found. | 6 | 1.Procurement Planning |
| 8 | Combination Pre/Post negotiation memos were documented, although negotiations were conducted. | 5 | 4. Source Selection<br>5.Contract Administration |

| | | | |
|---|---|---|---|
| 9 | There was a lack of warrant coverage. | 5 | 4. Source Selection<br>5.Contract Administration |
| 10 | Incorrect authority cited on modifications. | 5 | 5.Contract Administration |
| 11 | There was missing Certificate of Cost or Pricing Data. | 5 | 4. Source Selection<br>5.Contract Administration |
| 12 | The 52.219-14 Limitation on Subcontracting clause was not always incorporated into 8(a) sole source contracts. | 5 | 2.Solicitation Planning |
| 13 | There was a lack of legal review on solicitation(s). | 4 | 2.Solicitation Planning |
| 14 | Insufficient analysis was conducted for sole source negotiations. | 4 | 2.Solicitation Planning<br>5.Contract Administration |

As shown in Table 10 there were findings that were classified to be in more than one phase. The reason for that is due to the fact the audit reports did not specify at what phase the finding was noted. For example, the top recurring finding "The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient." was classified to be applicable to phases "1. Procure Planning," "4. Source Selection" and "5. Contract Administration" since technical deliverables are used in each of those phases.

Of the Six Phases of Contract Management, each phase is identified, below, along with the top recurring PMAP findings that were applicable to that phase.

### *a. Procurement Planning*

Out of the fourteen top recurring findings, this phase of contract management had two findings. The applicable findings were as follows: The 52.219-14 Limitation on Subcontracting clause was not always incorporated into 8(a) sole source contracts. Insufficient analysis was conducted for sole source negotiations.

### *b. Solicitation Planning*

Out of the fourteen top recurring findings, this phase of contract management had three findings. The applicable findings were as follows: The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient. Limited or no acquisition planning documentation was found. There was a lack of legal review on solicitation(s).

### *c. Solicitation*

Out of the fourteen top recurring findings, this phase of contract management had one finding. The applicable finding was as follows: The SAM.gov checks were not consistently checked.

### *d. Source Selection*

Out of the fourteen top recurring findings, this phase of contract management had six findings. The applicable findings were as follows: The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient. Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination. There was missing Certificate of Cost or Pricing Data. The SAM.gov checks were not consistently checked. Combination Pre/Post negotiation memos were documented, although negotiations were conducted and there was a lack of warrant coverage.

### *e. Contract Administration*

Out of the fourteen top recurring findings, this phase of contract management had eleven findings. The applicable findings were as follows: The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient. Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination. Annual COR file reviews and performance evaluations were not conducted. The COR files were not found or maintained as required. 8(a) awards were not synopsized. The SAM.gov checks were not consistently checked. Combination Pre/Post negotiation memos were documented, although negotiations were

conducted. There was a lack of warrant coverage. Incorrect authority cited on modifications. Insufficient analysis was conducted for sole source negotiations. And finally, there was missing Certificate of Cost or Pricing Data.

#### *f. Contract Close-out*

Out of the fourteen top recurring findings, this phase of contract management had no findings.

## D. SUMMARY

This chapter discussed the raw data used as the basis of the research. Lastly, it answered the primary research question "What were the recurring PMAP findings identified in NAVFAC SW audits between fiscal year 2012 and January 2015?" and the secondary research question "Of the top recurring PMAP findings in NAVFAC SW, what contract management process phase had the most negative findings?."

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# V. RECOMMENDATIONS, MANAGEMENT FOLLOW-UP AND SUMMARY

This chapter will discuss recommendations for reducing recurring PMAP findings identified in Chapter IV. These recommendations are based on the authors' professional experiences gained through years of being in the DOD acquisition workforce as well as the knowledge gained through attending the Master of Science Contract Management program at the Naval Postgraduate School.

It is noteworthy to state, some of the recurring findings could be perceived as "sensitive in nature" because they involve complex organizational dynamics related to budgets, workforce resources and skillsets. It is likely that these type of findings are already known by NAVFAC SW leadership and are being addressed in ways not documented or known publicly. This Joint Applied Project does not attempt to over-simplify or solve these complex issues. This project is intended to provide NAVFAC SW with a recent and consolidated way to see corporate-wide improvement opportunities. This will enable them to efficiently concentrate their finite resources on those areas.

This chapter will also recommend ways for NAVFAC SW leadership to share these findings with the acquisition workforce with the overall goal of increasing acquisition compliance, reducing PMAP findings and thus reducing the government 's exposure to risk.

## A. RECOMMENDATIONS

In an effort to improve PMAP assessment and risk ratings, the following recommendations are provided to improve the recurring findings identified from the sixteen PMAP audits conducted between fiscal year 2012 and January 2015.

### 1. Business decision documentation did not sufficiently contain the detailed rationale to support a fair and reasonable determination

This finding was noted in fifteen of the sixteen audit reports. In other words, 94% of the audits reviewed had this finding. This finding falls into the Source Selection and Contract Administration phases of contract management.

The recommendation for improvement is to provide targeted training for the entire acquisition workforce that addresses how to properly document business decision rationale. Regular and recurring training should be conducted to further develop and build upon those lessons learned. Additionally, providing best practices and examples of sufficient business decision documentation in a central location could be beneficial on an ongoing basis.

### 2. The quality of technical deliverables (IGE and technical analyses) were in need of improvement or insufficient

This finding was noted in eleven of the sixteen audit reports. In other words, 69% of the audits reviewed had this finding. This finding falls into the Procurement Planning, Source Selection and Contract Administration phases of contract management.

The recommendation for improvement is to require stronger oversight by the technical leadership regarding technical deliverables. Stronger oversight will allow supervisors to give direct guidance and training on areas needing improvement. Although the contract management process is a team effort, the acquisition leadership is resourced to train and supervise the acquisition workforce; however, significant time and effort is being used to address insufficient technical products.

Additionally, focused training opportunities are essential to further develop the technical workforce as they relate to the contract management process. Lastly, providing best practices and examples of sufficient deliverables in a central location could be beneficial on an ongoing basis.

### 3. Annual COR file reviews and performance evaluations were not conducted

This finding was noted in nine of the sixteen audit reports. In other words, 56% of the audits reviewed had this finding. This finding falls into the Contract Administration phase of contract management.

The recommendation for improvement is for mandatory training to be presented to the entire acquisition workforce and CORs within NAVFAC SW. This finding is directly related to the fourth recurring finding “The COR files were not found or

maintained as required." CORs are applicable for most contracts within NAVFAC SW but the data reflects a misunderstanding of the requirements.

As previously discussed, until 2 Apr 2015, there was a long-term union issue within NAVFAC SW that prevented the implementation of the CORT tool. The union issue may have caused confusion as it related to the COR file reviews and performance evaluations. Additional training is recommended.

**4. 8(a) awards were not synopsized**

This finding was noted in eight of the sixteen audit reports. In other words, 50% of the audits reviewed had this finding. This finding falls into the Contract Administration phase of contract management.

The recommendation for improvement is to increase management oversight and for this action item to be listed on the Plan of Action and Milestone (POAM), as a reminder to accomplish.

**5. The SAM.gov checks were not consistently checked**

This finding was noted in seven of the sixteen audit reports. In other words, 44% of the audits reviewed had this finding. This finding falls into the Solicitation, Source Selection and Contract Administration phases of contract management.

The recommendation for improvement is for this action item to be listed on the Plan of Action and Milestone (POAM) as a reminder to accomplish. Additionally, targeted training related to this finding is recommended for the acquisition workforce and all Contracting Officer Authorized Representatives (COARs).

**6. The COR files were not found or maintained as required**

This finding was noted in six of the sixteen audit reports. In other words, 38% of the audits reviewed had this finding. This finding falls into the Contract Administration phase of contract management.

The recommendation for improvement is for training to be presented to all the CORs within NAVFAC SW. This finding is directly related to the third recurring finding

"Annual COR file reviews and performance evaluations were not conducted." CORs are applicable for most contracts within NAVFAC SW but the data reflects a misunderstanding of the requirements.

As previously discussed, until 2 Apr 2015, there was a long-term union issue within NAVFAC SW that prevented the implementation of the CORT tool. The union issue may have caused confusion as it related to the COR file reviews and performance evaluations. Additional training is recommended.

**7. Limited or no acquisition planning documentation was found**

This finding was noted in six of the sixteen audit reports. In other words, 38% of the audits reviewed had this finding. This finding falls into the Procurement Planning phase of contract management.

The recommendation for improvement is for training to be presented to the entire acquisition workforce within NAVFAC SW to identify the expectations of sufficient acquisition planning and how to document it. Additionally, providing best practices and examples of sufficient acquisition planning documentation in a central location could be beneficial on an ongoing basis.

**8. Combination Pre/Post negotiation memorandums were documented, although negotiations were conducted. Therefore, an established government position was not set making it difficult to discern if good value was achieved.**

This finding was noted in five of the sixteen audit reports. In other words, 31% of the audits reviewed had this finding. This finding falls into the Source Selection and Contract Administration phases of contract management.

The recommendation for improvement is to first provide training to the acquisition workforce on the variety of business decision documents. The training should address how and when business decision documents are to be utilized, when contracting by negotiation. The PMAP results indicate a misuse and misunderstanding of when it is appropriate to use the combination Pre/Post PNM.

### 9. There was a lack of warrant coverage

This finding was noted in five of the sixteen audit reports. In other words, 31% of the audits reviewed had this finding. This finding falls into the Source Selection and Contract Administration phases of contract management.

The recommendation for improvement is for NAVFAC SW leadership to pole the current warrant coverage to see if improvement has been made since these PMAP audits were conducted. In most cases, this finding was due to military leadership changes. This finding is hard to reduce due to the nature of military leadership changes. It is recommended that the civilian workforce provide warrant coverage as well.

### 10. Incorrect authority cited on modifications

This finding was noted in five of the sixteen audit reports. In other words, 31% of the audits reviewed had this finding. This finding falls into the Contract Administration phase of contract management.

The recommendation for improvement is for training to be presented to the acquisition workforce on identifying the proper authority citations on modifications. Additionally, providing best practices and examples of citations in a central location could be beneficial on an ongoing basis.

### 11. There was missing Certificate of Cost or Pricing Data

This finding was noted in five of the sixteen audit reports. In other words, 31% of the audits reviewed had this finding. This finding falls into the Source Selection and Contract Administration phases of contract management.

The recommendation for improvement is for targeted training to be presented to the acquisition workforce. Additional management oversight is recommended to ensure the acquisition team identifies whether or not Certified of Cost or Pricing Data will be required.

### 12. The 52.219-14 Limitation on Subcontracting clause was not always incorporated into 8(a) sole source contracts

This finding was noted in five of the sixteen audit reports. In other words, 31% of the audits reviewed had this finding. This finding falls into the Solicitation Planning phase of contract management.

The recommendation for improvement is for targeted training to be presented to the acquisition workforce by the NAVFAC SW Small Business Specialists on the current topics, primarily related to the 8(a) Development Program policies

### 13. There was a lack of legal review on solicitation(s)

This finding was noted in four of the sixteen audit reports. In other words, 25% of the audits reviewed had this finding. This finding falls into the Solicitation Preparation phase of contract management.

The recommendation for improvement is for this action item to be listed on the Plan of Action and Milestone (POAM). Additional management oversight is recommended to ensure compliance.

### 14. Insufficient analysis was conducted for sole source negotiations

This finding was noted in four of the sixteen audit reports. In other words, 25% of the audits reviewed had this finding. This finding falls into the Source Selection and Contract Administration phases of contract management.

The recommendation for improvement is to require stronger oversight by the technical leadership regarding technical analyses. Stronger oversight will allow supervisors to give direct guidance and training on areas needing improvement

Additionally, focused training opportunities are essential to further develop the technical workforce as they relate to the contract management process. Lastly, providing best practices and examples of sufficient deliverables in a central location could be beneficial on an ongoing basis.

## B. MANAGEMENT FOLLOW-UP

The research conducted and the analysis provided in this report is valuable information for the NAVFAC SW acquisition community. Identifying areas needing improvement is the first step towards increased quality. Implementing the provided recommendations is the second step. Lastly, a follow-up review to check for improvement will test the effectiveness of the recommendations and or the success of the implementation.

It is recommended that prior to the next PMAP cycle, NAVFAC SW leadership present the findings in this report in a conference or roadshow type format to NAVFAC SW acquisition workforce. In most cases, the PMAP audits are conducted in 24- to 36-month cycles.

## C. SUMMARY

This chapter discussed the PMAP recurring findings identified in Chapter IV and offered recommendations for reducing them. It also stressed the importance of sharing this report with NAVFAC SW acquisition teams so that they are aware of recurring PMAP findings and how to improve them. It was also suggested that in 24 to 36 months, a Naval Postgraduate School student from NAVFAC SW conduct similar research to see if there has been improvement. This report can be used as a baseline for comparison.

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