



Report In Brief

U.S. Department of Commerce Office of Inspector General

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Why We Did this Review

The mounting problems with the Census Bureau's original Field Data Collection Automation (FDCA) contract prompted the April 2008 decision to modify the contract so as to reduce Harris Corporation's role in providing 2010 decennial systems and services. The renegotiations allowed the bureau to revisit the contract type and fee structure and modify them as appropriate.

To aid the bureau's contract restructuring and negotiations, we audited FDCA's original terms to determine whether (1) award fees paid to Harris for the first two performance periods were appropriate, (2) the incentive fee structure was the most effective for motivating excellent performance, and (3) the cost plus award fee contract arrangement is the most suitable for acquiring the needed systems and services.

Background

The FDCA contract was for a mix of relatively high-risk deliverables and standard IT products and services. Complete requirements for both types of deliverables were unknown at the time of contract award and their costs were therefore difficult to predict. Under the Federal Acquisition Regulation, a cost plus award fee contract is appropriate when high-risk deliverables are involved because they represent new, untested concepts for which the government should bear the greater risk.

This report is one of a series responding to then-Secretary Gutierrez's request that OIG review the bureau's 2010 census plans to determine high-risk areas.

View the full report at <http://www.oig.doc.gov/oig/reports/2009/CAR-18702.pdf>.

U.S. Census Bureau

Census 2010: Revised Field Data Collection Automation Contract Incorporated OIG Recommendations, But Concerns Remain Over Fee Awarded During Negotiations (CAR-18702)

What We Found

Though the cost plus award fee contract was appropriate for FDCA, the award fee structure was not tied to measurable performance criteria or milestones, and Census did not establish fixed pricing for applicable items. As a result:

- ***Award fees were excessive and not supported by technical assessments of Harris's performance.*** Harris received 93 percent (\$3.2 million) and 91 percent (\$11 million) of available fees for periods 1 and 2, respectively, despite serious performance problems noted by Census's technical reviewers. And the fee determination process lacked key features—such as qualitative measures and mid-point assessments—for ensuring awards were appropriate.
- ***The award fee structure did not effectively promote excellent performance.*** Lacking defined performance criteria, the fee structure contained no quantitative goals that dictated potential fee amounts as an incentive for achievement. Contract provisions further allowed unearned award fees to be rolled over to subsequent periods, giving Harris the opportunity to earn any withheld amounts and minimizing the motivational impact that a fee reduction is intended to have.
- ***Census missed opportunities to control costs and manage risk.*** The FDCA Acquisition Plan identified several elements that would be fixed price, such as mobile computing devices and office furniture. The bureau ultimately awarded the contract for full cost-reimbursement but did not document why.

What We Recommended

We briefed Census on our audit findings in August 2008. We made recommendations for improving the FDCA contract by, among other things, establishing measurable criteria for assessing performance and determining fees; modifying the fee structure to promote excellent performance and limit the practice of rolling over fees; and incorporating fixed pricing for deliverables, whenever possible. Census signed the contract modification on November 20, and incorporated a number on our recommendations, including those pertaining to fixed pricing, performance incentives, and fee rollover.

However, Census agreed to a fixed fee amount of 9.5 percent for the contract replan negotiation period that would be invoiced at the time the modification was signed. Although the fixed fee is less than the 13 percent maximum allowed under the original award fee plan, 9.5 percent is a highly questionable amount to guarantee to a contractor the bureau felt was performing poorly.