



Report In Brief

U.S. Department of Commerce Office of Inspector General

February 15, 2011



Background

In October 2005, the Census Bureau awarded a \$483 million cost-plus-award-fee contract to Lockheed Martin Corporation to develop and implement DRIS, an information system that would assist in 2010 Census data collection and analysis.

The contract has a 6-year performance period, which includes designing and developing the system, conducting the census dress rehearsal that occurred in 2008, conducting 2010 census operations, and archiving data and disposing of equipment after the census is completed. These final activities are scheduled for completion in September 2011.

Why We Did This Review

In September 2007, Census awarded Lockheed Martin an approximately \$264.6 million modification to the DRIS contract. Most of the cost for the modification was for increasing outbound telephone coverage follow-up (in which households were contacted by telephone to verify the information provided in mailed-back Census forms).

As part of our oversight of the 2010 census, the Office of Inspector General (OIG) performed an audit to determine whether Census's contracting officer appropriately awarded the contract modification number and used the appropriate contract type for the initial DRIS award.

Census Bureau

2010 Census: Contract Modifications and Award-Fee Actions on the Decennial Response Integration System (DRIS) Demonstrate Need for Improved Contracting Practices (OIG-11-020-A)

What We Found

The Census Bureau did not have adequate contract pre-award practices in place to ensure that a modification to the DRIS contract (modification number 21, in the amount of \$264.6 million) was properly awarded. Specifically, Census did not

- perform the required review for legal sufficiency before issuing the solicitation;
- retain essential documentation as part of the contract file to support the contracting officer's price reasonableness decision; and
- have the acquisition plan—which reflected significant changes resulting from modification number 21 that affected the DRIS program—approved by the Department of Commerce's Senior Procurement Executive before issuing the solicitation.

The lack of well-defined pre-award processes may have resulted in the bureau's inability to promote and provide for full and open competition and ensure a fair and reasonable price in awarding this modification.

We also found that the bureau's justification for the contract type and payment structure it chose for DRIS did not conform to federal guidance:

- Census did not adequately justify the contract type for the initial award; and
- the contract's payment structure could have allowed the contractor to receive substantial payments for less-than-satisfactory performance, leaving little in the award-fee pool to encourage the contractor to meet or exceed desired outcomes.

What We Recommended

We recommend that the Census Bureau's Chief, Acquisition Division

1. develop and implement internal controls to ensure that, going forward, pre-award policies and processes are adhered to;
2. direct the DRIS contracting officer to obtain the proper reviews, support, and approval before issuing contract solicitations;
3. ensure determination and findings on future contracts contain supporting details;
4. conduct and document a cost-benefit analysis when deciding whether to use this contract type in the future; and
5. require the contracting officer to revise the award-fee payment structures of the final phase of the DRIS contract to provide incentives for excellent contractor performance, and prohibit the contractor from receiving award fees for less-than-satisfactory performance.