



Naval Air Systems Command
and
Department of Defense
Office of the Inspector General
U.S. Army Corps of Engineers
Industry Day Conference

21 October 2005

AGENDA

- Welcome/Introductions/Administrative Comments/Disclaimer
- Overview of DoD OIG audit work for U.S. Army Corps of Engineers Balance Sheet
- U.S. Army Corps of Engineers Systems
- Financial Statement Compilation Process
- 15 Minute Break
- Account Receivable
- Land

AGENDA (cont.)

- Buildings, Structures and Facilities
- Constructions-in-Progress
- Equipment
- Accounts Payable
- Fund Balance with Treasury
- Army Audit Agency
- Lunch

AGENDA (cont.)

- Task Order RFP Structure/Special Contract Requirements
- Task Order Implementation Guidelines/Task Order Requirements Process/Timeline
- Break
- Independence
- Organizational Conflict of Interest
- Questions & Answers
- Closing Remarks

DISCLAIMER

The information we share today reflects the current intentions of the Naval Air Systems Command and the Department of Defense Office of the Inspector General (DoD OIG) contract and task order processes. Nothing said here today will alter the terms and conditions of the contract or the terms and conditions of the task orders Request for Proposal.

PURPOSE

The purpose of this Industry Day Conference is to provide information and to solicit feedback on the upcoming U.S. Army Corps of Engineer task order requirements. This conference will provide an information exchange opportunity between the Government and DoD OIG MAC contractors.

The Way Forward

Where are we going?

DoD OIG commitment

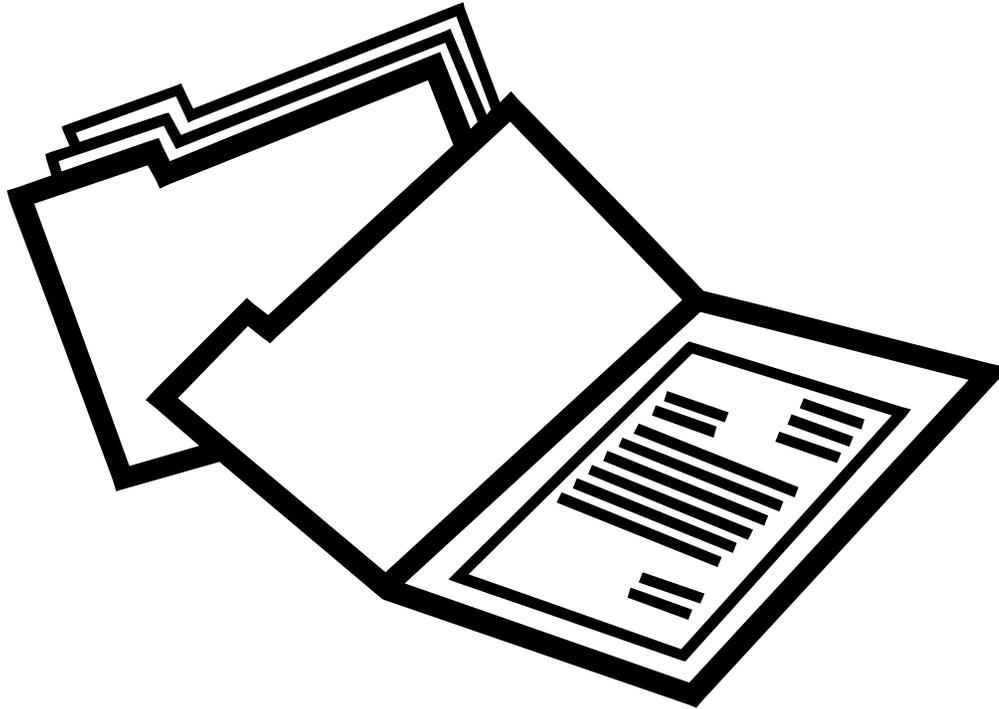


Potential Hurdles

Expected Outcomes

Task order requirements

OVERVIEW OF USACE BALANCE SHEET



USACE ORIGIN AND HISTORY

The USACE originated from an Army organization created by the Continental Congress in 1775 and became a separate entity in 1779.

With the founding of West Point in 1802, the Corps of Engineers began a tradition of military and civil works missions that continues to this day: fortifications, construction, maintenance, and rehabilitation of roads, canals, and river navigation features as well as survey engagement.

MISSION

The USACE mission is to provide quality, responsive engineering services to the nation including:

- » Planning, designing, building and operating water resources and other civil works projects.
- » Designing and managing the construction of military facilities for the Army and Air Force.
- » Providing design and construction management support for other Defense and Federal agencies.

AUDIT REQUIREMENT AND GOAL

This audit is required by the Chief Financial Officers Act of 1990 (**CFO Act**), as amended. In accordance with the CFO Act, the Inspector General of the Department of Defense is the Principal auditor for the U.S. Army Corps of Engineers financial statements.

CORRECTIVE ACTIONS

The purpose of the Corrective Action Review was twofold:

- To determine if the USACE, Civil Works, FY 2005 financial statements were ready for audit by an Independent Public Accountant.
- To determine whether the USACE, Civil Works, has implemented corrective actions to remedy previously identified deficiencies related to selected Balance Sheet line items.

CORRECTIVE ACTIONS

Based on the review of selected balance sheet line items, we did not have reasonable assurance that issues were remedied. *Outstanding issues material to the balance sheet remained and a high magnitude of errors were identified in the review sample.*

USACE “Get Well” Plan

- USACE established teams to assess the progress, status, and to ensure corrective actions are implemented consistently throughout USACE by September 30, 2005.
- Each region must validate completion of CFO corrective actions to ensure readiness for audit.
- Each Commander/Director must submit an assertion letter to HQUSACE asserting their readiness for audit.
- USAAA will visit randomly selected Districts to validate the assertion.

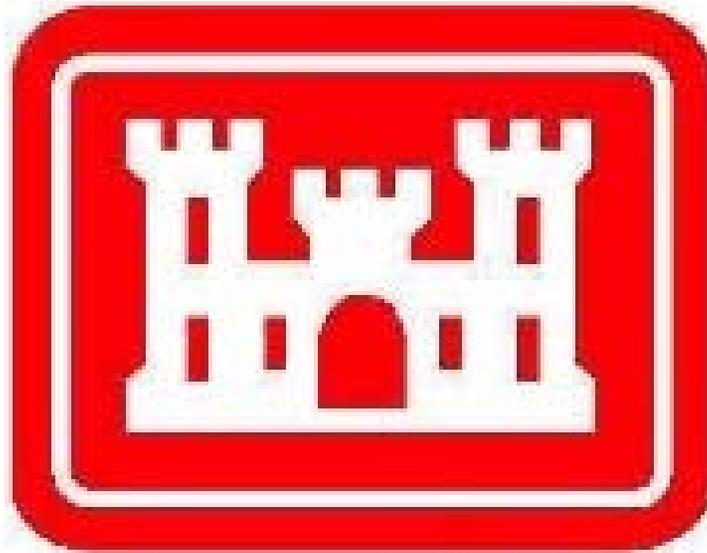


PRIOR AUDIT REPORTS



- During the last five years, the DoD OIG, GAO, and Army Audit Agency (AAA) have issued numerous reports discussing USACE Balance Sheet line items.
- Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/audit/reports>.
- Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>.
- AAA reports are restricted to military domains and to GAO. The AAA and any “For Official Use Only” reports will be provided to the contract awardee upon request.

U.S. ARMY CORPS OF ENGINEERS SYSTEMS



U.S. ARMY CORPS OF ENGINEERS SYSTEMS

- HQUSACE CIO → CEEIS

Corps of Engineers Enterprise Infrastructure Services

CPC & WPC and WAN (backbone)

- HQUSACE RM → CEFMS

60 instances of CEFMS at CPC & WPC

16 interfaces with CEFMS

U.S. ARMY CORPS OF ENGINEERS SYSTEMS

REMEDIATIONS

- Encryption of direct connections to servers via Secure Shell and web application encryption level
- Improved automation of userid/password management and automated account termination; password aging and automated account disable
- Increased access controls and access request procedures
- Security Audit script in CEFMS runs nightly in every database
- Boundary security improved with CEEIS Network Security Stack (CNSS). Remotely managed IDS, Firewalls and Routers
- Enterprise-wide User and Security Awareness Training, IA personnel training, and DAA training
- Updated CEFMS User Manuals, documentation
- Separation of Duties for administrators and CEFMS functions

U.S. ARMY CORPS OF ENGINEERS SYSTEMS

- Cross checks for electronic signature against time & attendance
- DITSCAP, MOA with interconnecting systems
- HQUSACE personnel dedicated to IA
- WAN on second accreditation; LANs nearing 100%
- Improved incident response capability
- Personnel security investigations, IT-I NOSC personnel, DITYVAP training (do-it-yourself-vulnerability assessment program certifications)
- CAC readers delivered, installed, and usable for network access, encryption, digital signing of E-mail
- Annual HQUSACE scans of sites for IAVA compliance
- Implementation of automated patch management solution at some sites
- Security Plans and COOP being prepared, updated, and tested
- Failover, UPS at WPC and Backup power at CPC (Katrina example)

U.S. ARMY CORPS OF ENGINEERS SYSTEMS

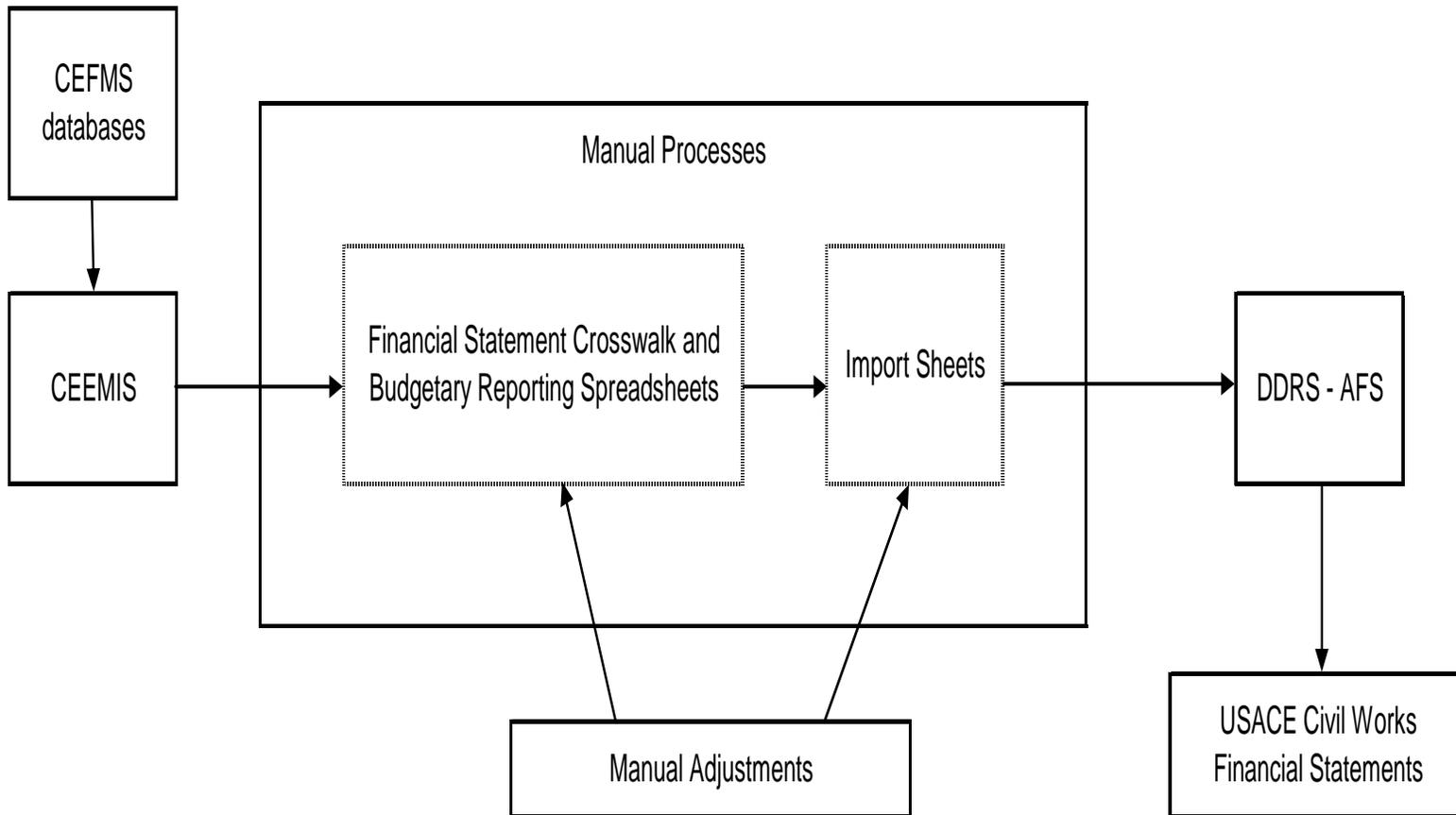
OVERALL SECURITY POSTURE

- 9-layer network security model managed centrally by highly trained, skilled, certified NOSC personnel with SSBI
- User training at all levels; DAA training
- Application security increased
 - cross checks for E-SIG against time & attendance
 - Security Audit Script runs nightly, reports to data managers
- HQ IA personnel implement AR25-2 requirements
- C&A stats up

FINANCIAL STATEMENT COMPILATION PROCESS



FINANCIAL STATEMENT COMPILATION PROCESS



FINANCIAL STATEMENT COMPILATION PROCESS

1. Journal Voucher Support

- During our FY04 Year-End review, there were 38 unsupported journal vouchers with a combined statement effect of \$2.3 billion
- During our Mid-Year FY05 review, there were 16 unsupported journal vouchers with a combined statement effect of \$0.5 billion

2. Undocumented Differences

- There were 59 undocumented proprietary differences and 81 undocumented budgetary differences during the transfer of the FY04 CEEMIS trial balance data into DDRSAFS
- During our Mid-Year FY05 review, there were 10 undocumented proprietary differences and 18 undocumented budgetary differences

3. CEFMS Accounting Processes

- Waiting for correction of Revolving Fund general ledger correlation issues

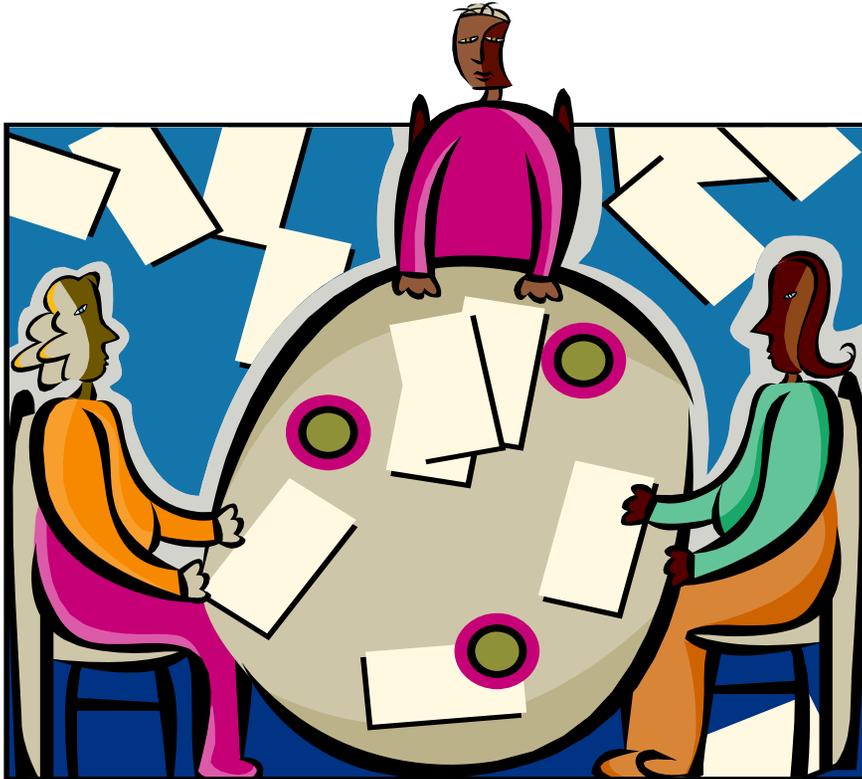
FINANCIAL STATEMENT COMPILATION PROCESS

The examination of the transmission of the CEEMIS data to the financial statements is separated into four comparison levels:

1. USACE Civil Works Financial Statements [Entered Manually] =
DDRS-AFS Trial Balance
2. DDRS-AFS Trial Balance + Eliminations = DDRS-AFS Import
Sheets + DDRS-AFS Input Changes + DDRS-AFS Adjustments +
Footnote Accounts Correction Log
3. DDRS-AFS Import Sheets = Financial Statement Crosswalk
Spreadsheets
4. Financial Statement Crosswalk Spreadsheets - Crosswalk Adjustments
= CEEMIS Trial Balance + CEEMIS Adjustments

Break Time!!

ACCOUNTS RECEIVABLE



ACCOUNTS RECEIVABLE OVERVIEW

- The Accounts Receivable Line item is material to the USACE Financial Statements.
- The Accounts Receivable Universe involves nearly all USACE district locations.
- USACE personnel and DoD OIG auditors have worked closely to ensure that a proper universe of accounts receivable transactions can be easily provided.
- Previous audits have used site visits to USACE district locations and extensive data calls to perform the review of accounts receivable transactions.
- The major issue facing USACE for receivables is USACE's ability to provide proper supporting documentation.

Previously Identified Deficiencies

The latest review performed by the DoD OIG was limited to the 6 deficiencies addressed in the USACE Information Paper #5.

1. Amounts due USACE must be recorded accurately in the appropriate receivable account in the accounting period during which the transaction occurs.
2. Receivables must be maintained until amounts due are collected or determined to be uncollectible, written-off, or waived.
3. Accounts Receivables must be aged, debt collection pursued, and uncollectible accounts maintained.
4. CEFMS Long Term Agreement module must function to allow standard and non-standard agreements to be entered and generate bills accordingly.
5. All active long-term agreements must be entered into CEFMS.
6. A monthly reconciliation must be performed of the agreement amounts recorded in the long-term module with the amounts in the general ledgers.

Previously Identified Deficiencies cont..

- In FY 04 the DoD OIG sampled from 6 of the highest dollar value districts and found that the previously identified deficiencies have been corrected for the selected sample items.
- The main issue that faces the USACE is providing timely and accurate supporting documentation for all receivables selected for review.
- The Corps has made significant progress is identifying the universe of transactions to provide to the auditors.

LAND



USACE LAND ASSETS

- \$8.6 billion in land assets reported on the USACE Balance Sheet at 9/30/2004 (30% of Total PP&E).
- Approximately \$6.0 billion (70%) are administrative costs – damages, relocations, etc.
- Approximately \$2.6 billion (30%) are actual land acquisition costs.
- Approximately 98% of land costs originated before CEFMS era (pre 1998). CEFMS replaced COEMIS.

Relevant Guidance – Land Assets

- Statement of Federal Financial Accounting Standards (SFFAS) No. 6, “Accounting for PP&E.” For general PP&E in existence before 10/1/98, cost estimates are allowed if historical cost information had not been maintained.
- National Archives and Records Administration (NARA), General Records Schedule No. 3, item 1 requires retention of real property records for up to 10 years after disposal.
- MOA between DoD OIG and USACE, “Support for Recorded Book Cost of General PP&E Assets, USACE, Civil Works,” page 7, June 9, 2004 outlines USACE responsibilities for support of land asset costs.
- USACE Info Paper No. 11, “Land,” March 22, 2004, issued by HQUSACE to ensure district compliance with the MOA.

OIG DoD Reports on Land Assets

Report No. D-2005-051 - USACE land assets could not be validated because the ending balance for land:

- Had unsupported administrative costs;.
- Included donated land costs not assigned a FMV or assigned an unsupported FMV.
- Included costs of disposed land.
- Did not include reservoir costs that were misclassified as other PP&E.

Report No. D-2005-108 – USACE land assets were not ready for audit because USACE did not implement corrective actions specified in the MOA and Info Paper No. 11 for previously identified deficiencies.

USACE “Get Well” Plan

- USACE CFO Workshop held May 4, 2005.
- Army Audit Agency role in the Get Well Plan.
- Improvements/clarifications to Information Paper No. 11.
- Integration of CEFMS and REMIS to automate disposal process.
- Script to populate value data fields for donated land tracts.

BUILDINGS, STRUCTURES AND FACILITIES



USACE Buildings and Other Structures

- **FY 2004 Balance \$16.1 Billion (56% of PP&E).**
 - Includes all tangible real property assets that were placed in service and determined to have a useful life of greater than 2 years, provide an economic benefit, and were above the capitalization threshold of \$25,000.
 - 40,000 buildings and other structures varying from dams and locks to camp sites and comfort stations located at more than 1200 sites.
- **FASAB SFFAS No. 6 Requirements**
 - Estimated Useful Life of 2 or more years
 - Above capitalization threshold of \$25,000
 - In service or available for use by Entity
- **Recorded at book cost including all costs necessary to bring the asset in service.**

BACKGROUND

■ Audit Reports :

- Report No. D-2004-063. “Controls Over U.S. Army Corps of Engineers Buildings and Other Structures,” March 26, 2004
- Report No. D-2005-035 “Existence of U.S. Army Corps of Engineers Buildings and Other Structures, dated February 15, 2005
- Report No. D-2005-046 “Independent Examination of the Rights to U.S. Army Corps of Engineers Buildings and Other Structures”
- Project No. D-2004-037.002 “Independent Examination of the Valuation to U.S. Army Corps of Engineers Buildings and Other Structures”
 - » Reviewed more than 1200 buildings and Other Structures at 43 Sites
 - » Tested for existence, Rights, Valuation, and Completeness Assertions

BUILDINGS & OTHER STRUCTURES CORRECTIVE ACTIONS

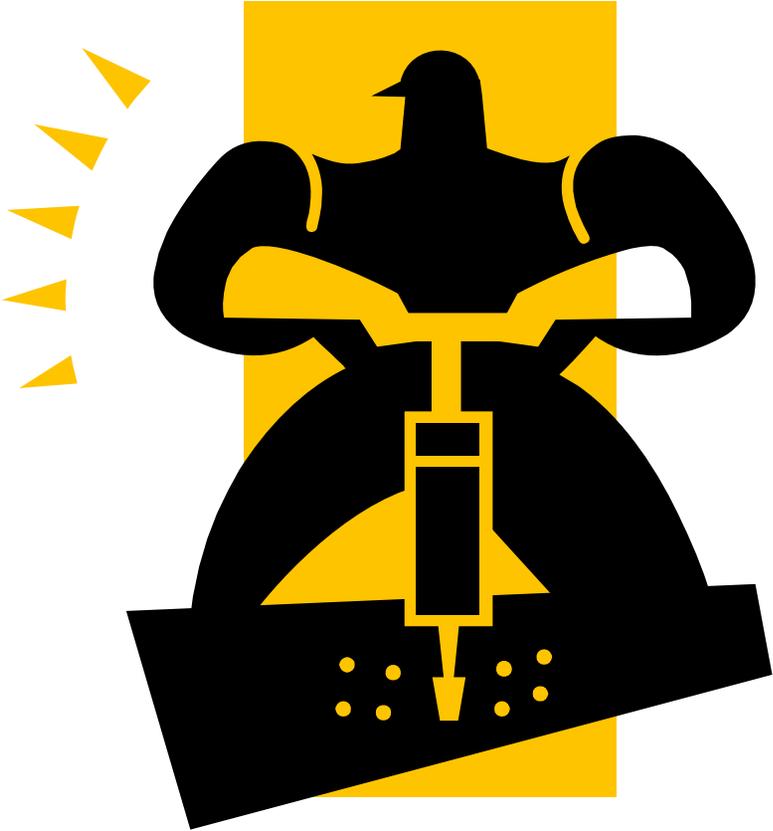
- Building and Others Structures Balance reduced From \$18.3 Billion in FY 2003 to \$14.9 billion for the 1st Quarter, FY 2005.
- USACE revised policy to address audit deficiencies
 - Information paper No. 10 to address audit deficiencies
 - Revision of ER 405-21-2 and ER 37-1-30
 - USACE/ DOD OIG Memorandum of Agreement
- USACE has reviewed all real property assets to ensure that:
 - Supporting documentation exists for the cost of the asset.
 - The useful life of the asset is in accordance with the DoD FMR and USACE tables.
 - The asset exists and is not impaired.
 - USACE has rights to the asset.

BUILDINGS & OTHER STRUCTURES

■ Challenge Areas:

- Gulf Coast Impairments (Katrina and Rita)
- Capital Lease Issues
- Useful Lives of Assets
- Inventories
- Grouping of Assets
- Conversion spreadsheets

CONSTRUCTION-IN-PROGRESS



CONSTRUCTION-IN-PROGRESS

- FY 2004 CIP BALANCE = \$3.8 BILLION (13% OF TOTAL PP&E)
 - 85% OF CIP VALUE AT 10 SITES
- INITIAL CONSTRUCTION & IMPROVEMENTS TO USACE PP&E
 - LOCKS & DAMS, POWER PLANTS, WASHINGTON AQUEDUCT
- MEET FASAB SFFAS #6 REQUIREMENTS
 - ESTIMATED USEFUL LIFE OF 2 OR MORE YEARS
 - NOT INTENDED FOR SALE
 - USED BY ENTITY
- COMPRISED OF VARIOUS TYPES OF COSTS
 - CONSTRUCTION/ENGINEERING CONTRACTS, IN-HOUSE LABOR/NON-LABOR COSTS, REIMBURSABLE ORDERS
- FUNDED BY VARIOUS APPROPRIATIONS
 - CONSTRUCTION GENERAL, OPERATIONS & MAINTENANCE, INLAND WATERWAYS TRUST FUND, BONNEVILLE POWER ADMINISTRATION, REVOLVING FUND, ETC.

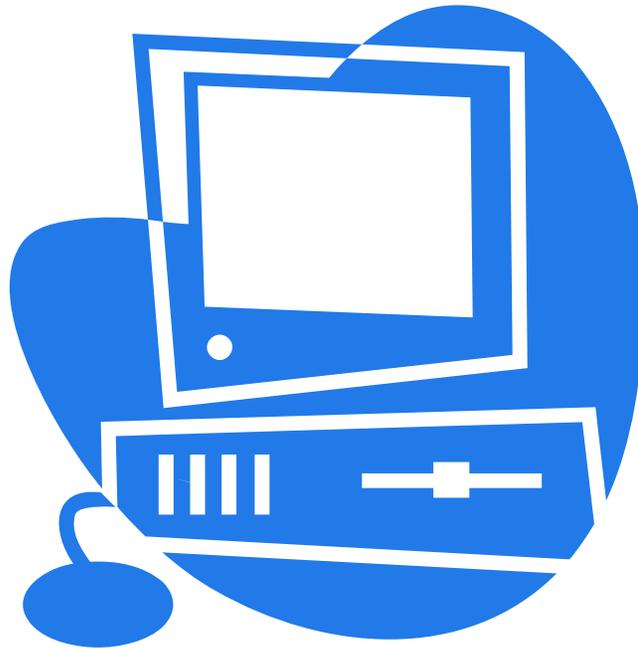
BACKGROUND

- DODIG REPORTS ON FY 2004 (D-2005-108) FY 2003 (D-2005-008) AND FY 2002 (D-2004-017) CIP BALANCES
 - REVIEWED OVER 1000 CIP ASSET ITEMS AT 38 SITES
- PROBLEM AREAS
 - CIP ASSETS NOT USACE-OWNED (COST SHARE PROJECTS)
 - INVALID PRE-CEFMS COSTS
 - INADEQUATE AUDIT TRAILS/LACK OF SOURCE DATA
 - NEGATIVE CIP
 - COLUMBIA RIVER FISH MITIGATION PROGRAM
 - MISSOURI RIVER FISH & WILDLIFE MITIGATION
 - UNTIMELY TRANSFER OF COMPLETED PROJECTS
 - EXPENSE-TYPE EVENTS IMPROPERLY CAPITALIZED

CORRECTIVE ACTIONS

- CIP BALANCE REDUCED FROM \$10.1 BILLION (FY 2002) TO \$3.8 BILLION (FY 2004)
 - USACE REVISED POLICY TO ADDRESS AUDIT DEFICIENCIES
 - » CIP INFORMATION PAPER
 - » USACE/OIG DOD MEMORANDUM OF AGREEMENT
 - CEFMS “CIPREC” REPORT DEVELOPED TO RECONCILE CIP COSTS TO SOURCE DATA
 - DISTRICTS SCRUBBED THE CIP ACCOUNT AND REMOVED INVALID CIP
- MATERIAL OUTSTANDING ISSUES
 - COLUMBIA RIVER FISH MITIGATION (\$637M)
 - MISSOURI RIVER FISH & WILDLIFE MITIGATION (\$93M)

EQUIPMENT



FY 2004 USACE EQUIPMENT

- FY 2004 USACE Financial Statements reported General Equipment value of \$627 million.
- The General Equipment value represents 2% of the \$31.3 billion reported as the value for General PP&E.

PRIOR AUDIT RESULTS

- FY 2003, adequate supporting documentation for a projected \$14.5 million in equipment assets could not be provided. Not a material misstatement.
- FY 2004, for 47 of 160 sample items reviewed the value reported was either incorrect or supporting documents were not provided. Immaterial dollar amounts.

REQUIREMENTS FOR COMPLIANCE

- Every asset on the Corps Balance Sheet must have a historical supporting documentation file. This file should contain documentation through each phase of the asset's life cycle from acquisition to disposal. Each district needs to provide necessary supporting documentation and validate or correct the currently recorded CEFMS information.
- Every capital equipment item meeting the capitalization guidance is recorded in CEFMS and APPMS. Inventories are conducted timely to ensure all required property is recorded. Disposals and deletions/replacements are properly recorded.

REQUIREMENTS FOR COMPLIANCE

- Equipment values accurately reflect the costs or estimate of the asset. Equipment values should be adjusted to reflect additions to and retirements of plant in service, either with or without replacement.
- Reduce the lag periods between receipt of an asset and entry into CEFMS in order to have a correct placed in service date.
- Ensure that supporting documents match the records in CEFMS and also acquisition prices are accurately recorded.
- Undocumented asset costs need to be determined and documented using industry price lists, budget and engineer estimates used for funding/value.

ACCOUNTS PAYABLE



MAGNITUDE

- Made up approximately 1.9% of the total balance sheet in FY 2004
- Represents both intragovernmental and public accounts payable
- Compiled from 62 data bases/ ~54 locations
- Approximately 60,000 balances annually

PRIOR COVERAGE

- DoDIG conducted audits for FY 2001, FY 2002, and FY 2003
- FY 2004 audit procedures were **ONLY** to determine if corrective actions have been implemented

PRIOR FINDINGS

- Non-compliance with FASAB standards
- Inadequate documentation
- Not recording unfunded liabilities as payables
- Improper recording of estimates at end of period
- Not reviewing aged payables

CORRECTIVE ACTIONS

- CORPS personnel are trained (at the district level) to create accruals
- CEFMS modified to allow recording of unfunded liabilities
- Additional guidance on payables and required documentation

FUND BALANCE WITH TREASURY



DEFINITION OF FBWT

Fund Balance With Treasury (FBWT). The aggregate amount of funds in the agency's accounts with Treasury for which the agency is authorized to make expenditures and pay liabilities. From the reporting agency's perspective, FBWT is an asset because it represents the agency's claim to Federal Government resources. However, from the perspective of the Federal Government as a whole, it is not an asset; and is not considered a liability.

FBWT includes clearing account balances. An entities FBWT is increased by:

- Receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations received;
- Transfers and reimbursements received from other agencies; and
- Collections and credits to appropriation or fund accounts that the entity is authorized to spend or use to offset its expenditures.

FBWT is reduced by disbursements made to pay liabilities or to purchase assets, goods, and services, investments in U.S. securities, cancellation of expired appropriations, transfers and reimbursements to other entities or to the Treasury, and sequestration or rescission of appropriations.

ACRONYMS

CEFMS: U.S. Army Corps of Engineers
Financial Management System

USACE: U.S. Army Corps of Engineers

USACE, CIVIL WORKS FBWT SCOPE OF COVERAGE

We performed Agreed Upon Procedures for FY 2003 for the USACE, Civil Works, FBWT account.

We performed extensive procedures to determine whether significant accounting events were recognized and reported through the USACE financial accounting and reporting systems.

- We performed procedures to verify funding and transfers, collections and disbursements.
- We re-performed U.S. Treasury required reconciliations for the FBWT account.
- We reviewed adjustments to the FBWT account to determine whether they were properly authorized, supported and in accordance with GAAP.

We were not engaged to perform, and did not perform an examination of the subject matter, the objective of which would be the expression of an opinion or a disclaimer of opinion.

USACE, CIVIL WORKS FBWT REPORT FINDINGS

USACE did not comply with generally accepted accounting principles.

- USACE recorded \$361.8 million of noncompliant funding in CEFMS for the Fund Balance With Treasury and Unexpended Appropriations accounts.
- USACE did not establish Fund Balance With Treasury accounts in CEFMS for 7 of 47 expenditure and receipt accounts as required by the United States Code and assigned by Treasury, and omitted \$1.3 billion (absolute value) of transactions applicable to the accounts.
- USACE commingled appropriation warrants and nonexpenditure transfers in the CEFMS subsidiary accounts for Fund Balance With Treasury.

USACE, CIVIL WORKS FBWT REPORT FINDINGS

USACE erroneously reported \$100.2 million of unprocessed interagency transfer collections (that is, USACE reported collections that had not yet occurred) to the Treasury and the Office of Management and Budget as of September 30, 2003. In addition, the USACE revolving fund created \$318.6 million of unreconciled collection and disbursement differences.

USACE, CIVIL WORKS REPORT

Report No. D-2005-026, “Reliability of U.S. Army Corps of Engineers, Civil Works, Fund Balance With Treasury and Unexpended Appropriations,” December 28, 2004.

(<http://www.dodig.mil/Audit/reports/05report.htm>)

USACE, CIVIL WORKS CORRECTIVE ACTIONS

The Commander, USACE concurred with both findings and all 21 recommendations addressed to USACE. To date, no follow-up reviews have taken place. Therefore, all recommendations are open.

ARMY AUDIT AGENCY

Audit and validation work



ARMY AUDIT AGENCY



TOPICS



- Current Review of Corps Balance Sheet Corrective Actions
 - Objective
 - Issue Areas
 - Milestones and audit sites
- FY 04 Review of Selected Financial Statements
 - Objective
 - Review Methodology
 - Products
- AAA Contacts



Current Review of Balance Sheet Corrective Actions



OBJECTIVE



Has the Corps corrected the nine balance sheet deficiencies identified from previous audits?

ISSUE AREAS

- Asset Cost Table Reconciliation
- Construction in Progress
- Abnormal General Ledger Balances
- Project Relocation Costs
- Management of Accounts Receivable
- Accounts Payable /Accruals
- Equipment
- Buildings and Other Structures
- Land

MILESTONES AND AUDIT SITES

Milestones

- Field Work 15 Aug 2005 to 18 Nov 2005
- Final Results to HQ USACE 30 Nov 2005

Audit Sites

- Memphis
- Portland
- Los Angeles
- Baltimore
- Galveston
- Huntington



FY 04 Review of Selected Financial Statements

OBJECTIVE

To perform a review of selected Civil Works financial statements (Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Financing) to assist management in determining whether those statements are ready for an assessment.

REVIEW METHODOLOGY

- Did not address Balance Sheet or Automated Systems issues being addressed by DODIG
- Reviewed selected aspects of the Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Financing
- Identified material statement lines
- Identified related business cycles/processes:
 - Budget Cycle
 - Purchasing Cycle (Expenses)
 - Customer Orders/Billing Cycle (Revenues)
 - Payroll Cycle
- Performed walkthroughs of cycles to document understanding of cycles/processes

REVIEW METHODOLOGY

- At selected districts, tested key controls related to each management assertion by testing a sample (non-statistical) of transactions related to each cycle
- Reviewed form and content of financial statements
- Reviewed USACE chart of accounts and financial statement crosswalks

PRODUCTS

- **Updated Cycle Memos**
 - Budget Cycle
 - Purchasing Cycle
 - Customer Orders/Billing Cycle
 - Payroll Cycle

- **District Reports**
 - Louisville
 - Philadelphia

- **Summary Report to HQUSACE**

Lunch Time!!

TASK ORDERS RFP STRUCTURE



TASK ORDERS RFP PACKAGE

- (1) Transmittal Letter (with proposal due date)
- (2) Draft Section B (CLIN identification)
- (3) Section C – I (Checklist)
- (4) Section J with Attachments
 - SOW(s)
 - CDRLs
 - DD 254 (“For bidding purposes only”)
- (5) Streamline Sections L- Instructions & M – Task Order Evaluation
- (6) DD Form 1707

SECTION L

PROPOSAL INSTRUCTIONS

- Two (2) Volumes to Submit
 - Volume I Section 1: Offer Information
 - Section 2: Price/Cost Supporting Information
 - Volume II: Offeror Capabilities Information/Past Performance
- Proposal instructions will indicate page limitations and evaluation criteria
- The PCO will arrange Base access for RFP Deliveries

SECTION L

PROPOSAL INSTRUCTIONS

- The Government will consider any proposal that takes exception to any term or condition of this RFP, proposes additional terms or conditions, or otherwise fails to manifest your unconditional assent to a term or condition of the RFP, to be unacceptable, unless the solicitation expressly permits the submission of an alternate proposal with regard to a specific term or condition. Any failure to manifest unconditional assent to the terms and conditions of this RFP will constitute a deficiency. The only way to correct a deficiency would be through discussions (see FAR 15.306(d)).

SECTION L

PROPOSAL INSTRUCTIONS

- The Government *intends* to award **without** Discussions
- Therefore:
 - Do **not** submit an offer that takes exception to any term/condition of this RFP, proposes additional terms/conditions, or omits any required information **without** first consulting with the Contracting Officer.

SECTION M

EVALUATION FOR AWARD

- “Potential” Evaluation Factors listed in Descending order of Importance
 1. Offeror Capabilities
 - » Understanding of the Work
 - » Implementation Plan
 - » Personnel Resources
 - » Relevant Corporate Experience
 2. Past Performance
 3. Price/Cost

VOLUME I

Section 1: Offer Information

- Submit Original paper copy and e-mail one electronic format copy in Microsoft Windows 2000 compatible format.
- Consists of:
 - Letter of Offer to Government with statement of validity for 90 days.
 - Completed Section B of RFP (Supplies or Services & Prices/Costs)
 - Compliance with Task Order Procedures H-5 Clause
 - Acknowledgement of any/all RFP amendments by signature on each applicable SF 30
 - Submission of any appropriate reps/certs or other required contract compliance outlined in the RFP

VOLUME I

Section 2: Price/Cost Information

- Submit an Original paper copy and e-mail one electronic copy.
 - » Electronic submissions must be compatible with Microsoft Windows 2000 format.
 - » Electronic version must be functional (with formulas, not read-only)
 - » Microsoft Excel 97 (or higher) compatible
 - » No viruses, locked cells, or password protections!
 - » Standard spreadsheets will be provided

VOLUME I

Section 2: Price/Cost Information

Please adhere to Task Order RFP. Not to Exceed (NTE) limitations will be provided for ODCs (Travel and Material) in most requirements. Suggested Labor Category hours may be provided for ease of determining work scope. Fixed Price and Time and Materials Contracts will be found fair and reasonable based on price analysis.

VOLUME I

Section 2: Price/Cost Information

- Cost Reimbursement Task Orders will require a cost realism determination of the cost elements to determine if your company has a realistic understanding of the statement of work in relation to proposed cost. Cost contracts will require NAVAIR to do a Price Analysis and Cost Realism Analysis.
- NAVAIR may require other than cost or pricing data. The information required will be tailored to comply with the requirement of FAR table 15.2.

VOLUME II

Offeror Capabilities Information

- Submit Original, two (2) paper copies and one e-mail electronic copy in Microsoft Windows 2000 compatible format.

VOLUME II

Offer Capability Information

■ **Understanding of the Work**

The Government will evaluate the extent of Offeror's understanding of the work based on the responses or presentations required by Section L. The Government will evaluate the clarity, completeness and realism of the responses.

VOLUME II

Offer Capability Information

■ **Implementation Plan for the SOW**

The Government will evaluate the Offeror's implementation plan based on the narrative required by Section L. The Government will evaluate the clarity, completeness and realism of the response.

VOLUME II

Offer Capability Information

■ **Relevant Corporate Experience**

The Government will evaluate the extent and relevancy of the corporate experience in performing the kind of work that will be required under the prospective task order for competition and the extent of the Offeror's ability to cope with the uncertainties and difficulties associated with the same or similar work.

VOLUME II

Offer Capability Information

■ **Personnel Resources (Staffing)**

- The Government will evaluate the extent that proposed personnel meet or exceed the specific experience and specialized qualifications of their respective labor category in terms of their work experience, education, and whether they are presently employed by the prime or by a subcontractor or whether they are proposed under a letter of intent.

VOLUME II

Offer Capability Information

■ **Small Business Plan/Strategy**

- In accordance with FAR 19.7 offerors shall address their strategy for utilizing Small Business Plan and Small Disadvantaged Business (SDB) concerns in the performance of the task order requirements.

VOLUME II

Past Performance

- **In accordance with DFARS 16.505-70(d)(4)**
 - The contracting officer should consider past performance on earlier orders, under the contract, including quality, timeliness, and cost control.

SPECIAL CONTRACT REQUIREMENTS



SUBSTITUTION OF TEAM MEMBERS

- The Contractor agrees that a partial basis for award was the list of team members (companies) proposed.
- The Contractor may not add or delete any team member from the team without a prior contract modification signed by the Procuring Contracting Officer.
- The Contractor must meet or exceed the small business subcontracting requirements regardless of team changes.
- Requests to add or delete team members will come from the Prime Contractor and will be evaluated by the Office of Inspector General and the Procuring Contracting Officer.

SUBSTITUTION OF TEAM MEMBERS

- Prime contractor's must submit the following to the Procuring Contracting Officer:
 - Statement of the request to add or replace a team member, and the basis of the request
 - Teaming Agreement
 - Specific benefits to the Government, if this request is authorized
 - Revised List of Team members

SUBSTITUTION OF TEAM MEMBERS

- Prime contractor's must submit the following to the Procuring Contracting Officer:
 - Description of services to be subcontracted to the proposed subcontractor
 - Proposed subcontractor's Corporate Experience as related to the Statement of Work
 - Proposed subcontractor's Past Performance
 - Revised Subcontracting Plan incorporating the proposed subcontractor, if prime is a large business

FAIR OPPORTUNITY PROCEDURES

- A fair opportunity will be given to all eligible contractors responding to the Task Order Request for Proposal (TORFP), and every contractor that is a party to the lots under which the work falls.

FAIR OPPORTUNITY PROCEDURES

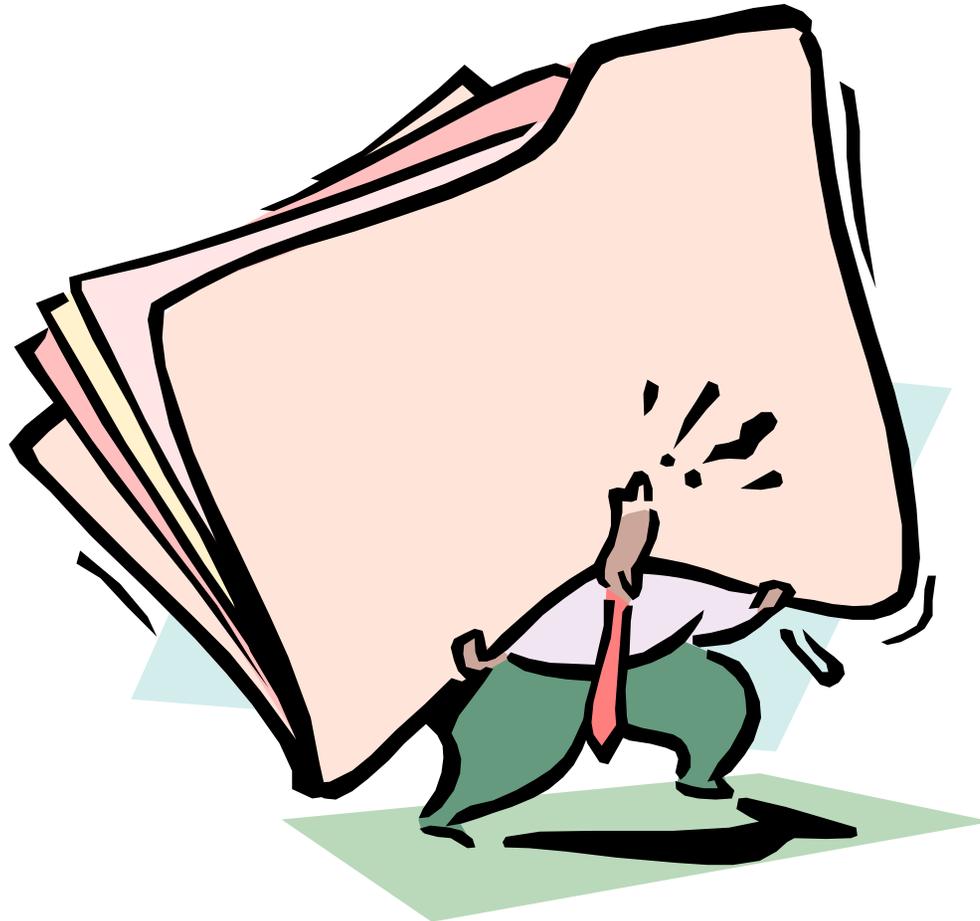
- The PCO will approve any and all exceptions to Fair Opportunity Procedures, unless one of the following statutory exceptions apply:
 - The agency's need is of such unusual urgency.
 - Only one awardee is capable of providing due to the unique, highly specialized nature.

SPECIAL PROVISIONS

■ Rolling Admissions

The Government reserves the right to review the contracts annually to determine whether it would be appropriate to reissue this solicitation for the purposes of adding additional ID/IQ holders.

TASK ORDER IMPLEMENTATION GUIDELINES



TASK ORDER IMPLEMENTATION GUIDELINES

- NAVAIR's Standard requirements process will be used.
- Task orders are scaled by need and can be for a base and option ordering periods.
- Task Orders will be competed among MAC offerors within a lot initially.
- Contracting Officer Representatives will be assigned at the task order level.

TASK ORDER IMPLEMENTATION GUIDELINES

- DOD OIG, Small Business Office and the PCO will determine the most appropriate selection criteria (e.g. evaluation factors).
- Seeking to maximize the use of streamlined electronic proposals submission.
- Small Business (DD 2579) and Security Offices (DD 254) will review task order requirements.
- Fee will contain a Small Business Factor in the Award Fee Plan.
- For Task Order competitions in the Unrestricted Lot, there will be an evaluation factor in which contractor's must address their strategy and commitment to use Small Businesses and Small Disadvantaged Businesses.

TASK ORDER IMPLEMENTATION GUIDELINES

- Small Businesses that did not receive an award may still participate as subcontractors
 - Make sure that your information on the CCR website is current. Need to check both CCR Registration as well as the Dynamic SB Search.
 - Register in the NAVAIR SADBU Website at <http://sadbu.navair.navy.mil>. Click on SubNet. Registration problems should be addressed to Ms. Estella Balmaceda at (301) 757-9087.

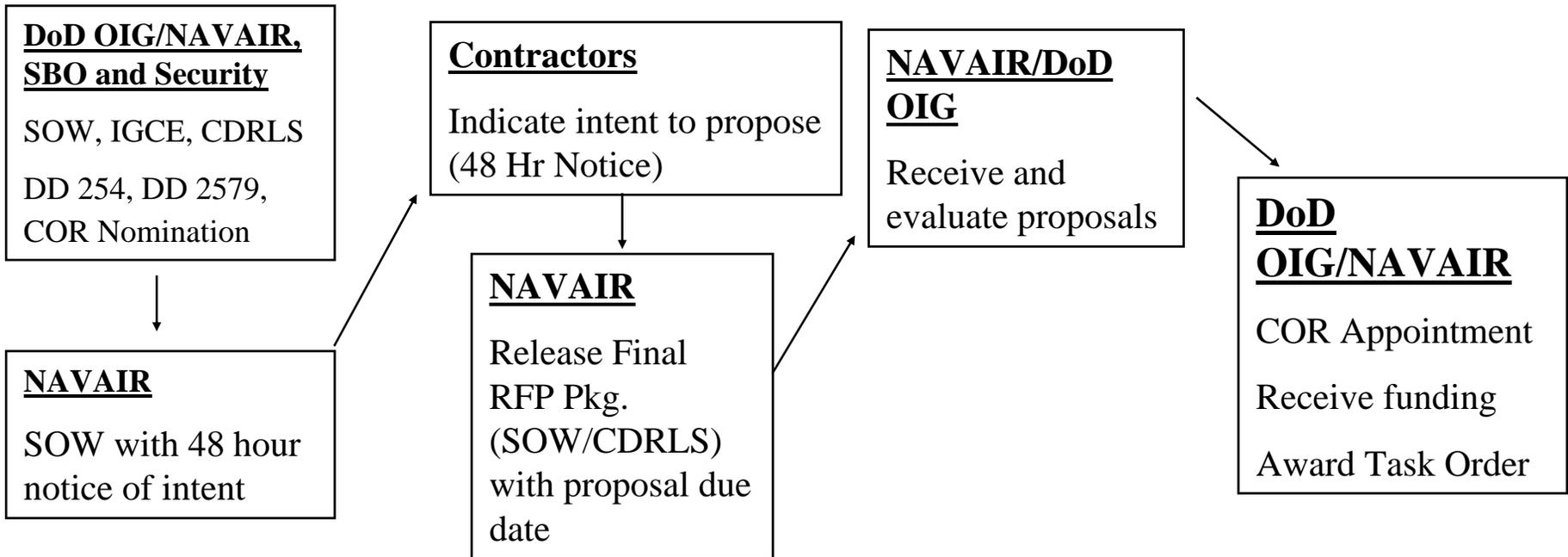
TASK ORDER IMPLEMENTATION GUIDELINES

- Prior to soliciting task orders awardees have forty-eight (48) hours indicating their intent to submit or not to submit.
- If the PCO receives reasonable assurance that two (2) or more companies in Lot I (HUBZone, SDVOSB or 8(a)) will submit a proposal, at the discretion of the PCO the work may be reserved for Lot I. The RFP will not be opened to Lot II (Small Business) or Lot III (Unrestricted). If it appears that only one company from Lot I will propose, the same cascading approach will be used for Lot II.
- Based upon the consensus of the DoD OIG, PCO and NAVAIR Small Business Office a specific task order may be competed in specific lot without using the cascading approach.

TASK ORDER IMPLEMENTATION GUIDELINES

- Prime contractors for Lots I and II are required to perform at least 25% of the proposed task order effort.
- Prime contractors that are large businesses under Lot III are required to submit SB Subcontracting Plan conforming with FAR 19.7 and subcontracting 23% of the total task order value for small business concerns.
- Per DOD directive, seeking to use more PBSW with measurable metrics.
- Use of Performance Questionnaires and CPARS for Past Performance assessments.

TASK ORDER REQUIREMENTS PROCESS



TASK ORDER REQUIREMENTS TIMELINE

Actions:

Days:

DoD OIG prepares requirements w/NAVAIR	60 Days
Release RFP & Receive Proposals	14-45 Days
Evaluate & Award	14-45 Days

Break Time!!

INDEPENDENCE



GAGAS AMENDMENT 3: INDEPENDENCE

In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, should be free both in fact and appearance from personal, external, and organizational impairments to independence.

INDEPENDENCE

Pursuant to Government Auditing Standard 3.03 and 3.04 with respect to the component or Agency, financial management system, or line item identified in the individual task order. In this separate statement, the contractor shall address the following items:

- ✓ Explanation of the firm's current internal quality control system, including such items as work paper review procedures, staff independence requirements, and continuing professional education requirements.
- ✓ Results or a copy of the firm's most recent internal inspection report or equivalent and Peer Review.
- ✓ Results or a copy of the firm's most recent internal inspection report prepared by the Public/Company Accounting Oversight Board.
- ✓ Any existing, ongoing, or planned non-audit services in the past 5 years related to the specific component or Agency, financial management system, or line item identified in the task order.
- ✓ Any related lawsuits.
- ✓ Any relationships with the component or Agency that could impair independence.

INDEPENDENCE (cont.)

Non-CPA firms that do not have an internal inspection report or inspection report prepared by the Public/Company Accounting Oversight Board will need to provide policies and procedures in the following functional areas;

- Independence, integrity and objectivity
- Personnel management (including recruiting and hiring, advancement, professional development and training and assigning personnel to work)
- Audit performance (including supervision and consultation)
- Acceptance and continuance of assignments
- Monitoring programs
- How quality controls have been implemented or will be implemented

OVERARCHING PRINCIPLES

- Auditors should not perform management functions or make management decisions
- Auditors should not audit their own work or provide nonaudit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

LOOKING AHEAD

- New independence standard questions and answers document and other Yellow Book information is available through GAO's website:

www.gao.gov

www.gao.gov/govaud/ybk01.htm

- For technical assistance, contact GAO at:
yellowbook@gao.gov

ORGANIZATIONAL CONFLICTS OF INTEREST



What is it?

- FAR 2.101 Because of other activities or relationships with other persons, a person is unable or potentially unable to render impartial assistance or advice to the Government, or the person's objectivity in performing the contract work is or might be otherwise impaired, or a person has an unfair competitive advantage.

How can this happen?

- FAR 9.502(c) An organizational conflict of interest may result when factors create an actual or potential conflict of interest on an instant contract, or when the nature of the work to be performed on the instant contract creates an actual or potential conflict of interest on a future acquisition. In the latter case, some restrictions on future activities of the contractor may be required.

How can this happen?

- FAR 9.502(c) An organizational conflict of interest may result when factors create an actual or potential conflict of interest on an instant contract, or when the nature of the work to be performed on the instant contract creates an actual or potential conflict of interest on a future acquisition. In the latter case, some restrictions on future activities of the contractor may be required.

How will this be applied to me?

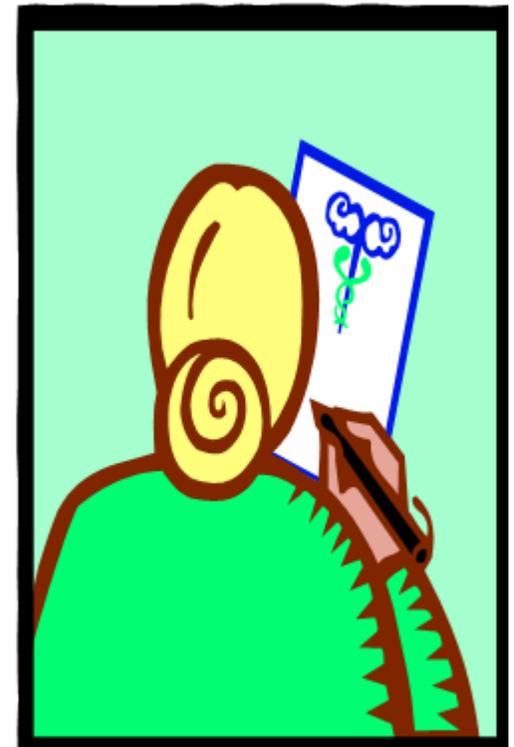
- NAVAIR Clause
 - 5252.209-9510
- OCI Mitigation Plan

What does “Legal” say about that?

- GAO case law analyzes the facts and places most OCI's into three categories:
 - Unequal access to information
 - Biased ground rules
 - Impaired objectivity

Unequal Access to Information

- CSS has access to non-public/proprietary info during performance of contract
- CSS Company gains unfair competitive advantage in a later competition
- Usually resolved via a firewall & NDA's



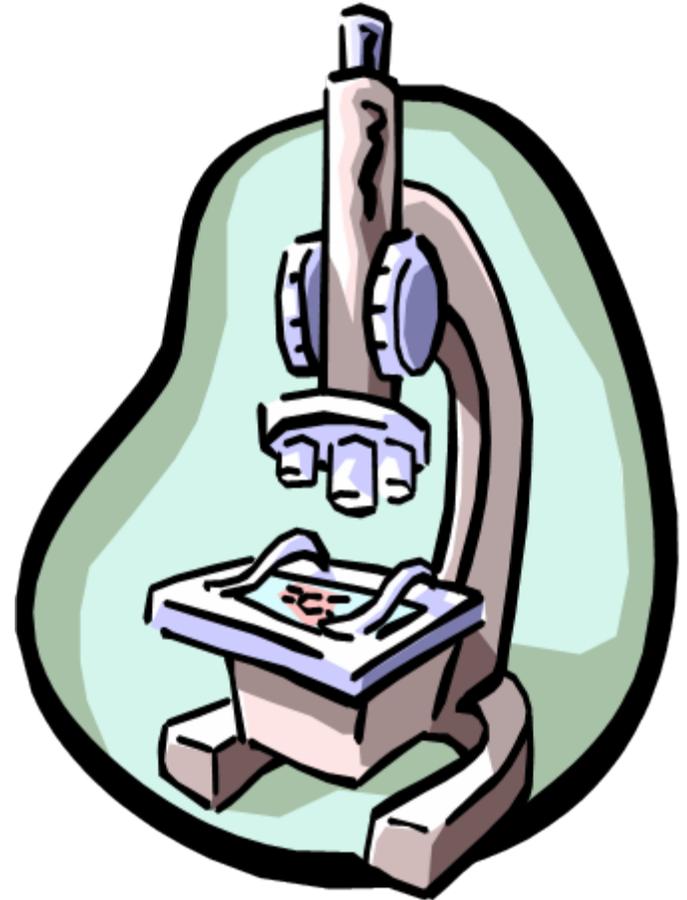
Biased Ground Rules



- CSS writes the SOW or the specifications
- CSS sets the ground rules for the competition and skews it in favor of their own Company – *intentionally or unintentionally*
- This cannot be resolved by a firewall alone.

Impaired Objectivity

- CSS evaluates their own Company's performance or proposal for work.
- Ability of the CSS to render impartial advice and comment is undermined by their relationship with their Company.
- This cannot be resolved by firewall.



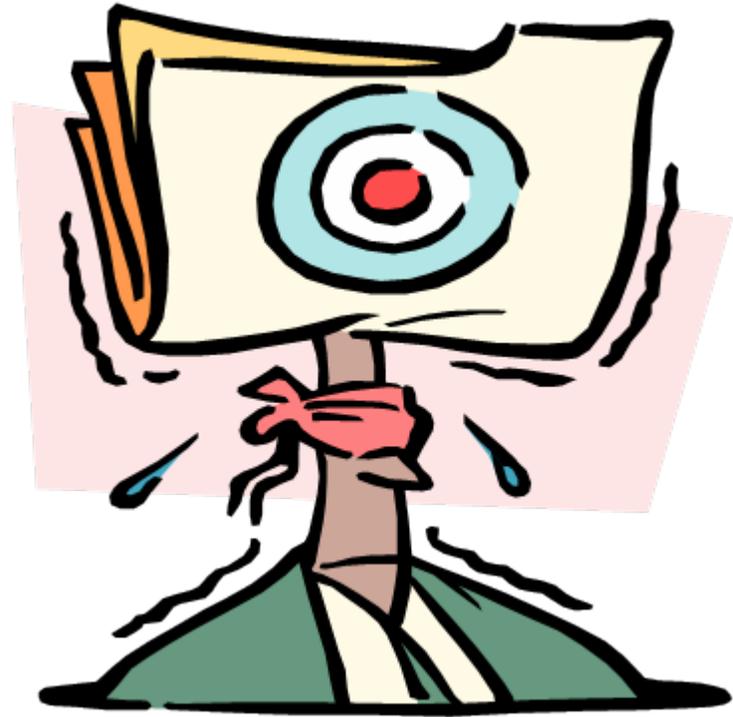
Does this apply to my Teammates?



- YES.
- There is no basis for distinguishing between a Company and its teammates in the areas of biased ground rules and impaired objectivity

What is the bottom line?

- If you have an OCI that involves biased ground rules or impaired objectivity that cannot be resolved – you will be barred from future competitions on that work!



What can I do?

- Identify potential and actual OCI's as soon as possible
- Think about what type of work you want your employees doing that involves competitive procurements
- Work with the Contracting Experts to resolve your issues

QUESTIONS AND ANSWERS

