

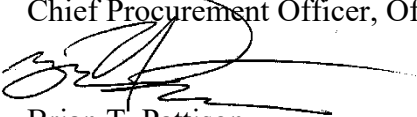
MEMORANDUM

December 20, 2018



U.S. DEPARTMENT
OF HOUSING
AND URBAN
DEVELOPMENT

To: Keith W. Surber
Chief Procurement Officer, Office of Chief Procurement Officer, N

From: 
Brian T. Pattison
Assistant Inspector General for Evaluation, Office of Inspector General, G

Subject: Final Report: HUD's Use of Contractors, 2017-OE-0006

Please see the attached final report on our evaluation of the U.S. Department of Housing and Urban Development's use of contractors. It contains three findings and no recommendations. Your response to our draft report is included.

I appreciate the assistance you and your staff provided throughout the evaluation. Please contact Director Paul Bergstrand at (202) 402-2728 if you have any questions.

Attachment

cc

Jimmy Scott, Deputy Chief Procurement Officer, Office of Chief Procurement Officer, N
Akinsola A. Ajayi, Deputy Assistant Chief Procurement Officer, Office of the Chief Procurement Officer, NS

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U.S. Department of Housing and Urban Development

Office of Inspector General Office of Evaluation



The U.S. Department of Housing and Urban Development's Use of Contractors

Program Evaluations Division



Executive Summary

U.S. Department of Housing and Urban Development's Use of Contractors

Report Number: 2017-OE-0006

December 20, 2018

Why We Did This Evaluation

At the time of our review, the mission of the U.S. Department of Housing and Urban Development (HUD) was to “create strong, sustainable, inclusive communities and quality affordable homes for all.” In fiscal year (FY) 2017, HUD used 1,598 contracts to procure products and services that should help it achieve its mission.

We evaluated HUD’s use of contractors to increase our understanding of its reliance on contractors to achieve its mission and to provide information to help oversee its contract workforce. Our objectives were to determine (1) the number of HUD contracts, (2) the dollar amount of the contracts, (3) the types of contracts used, and (4) how many full-time-equivalent contract employees worked on the HUD contracts in FY 2017.

Results of Evaluation

The Federal Government may choose to outsource for products or services using contracts and contractors. HUD-owned and contractor-supported products and services are core to achieving HUD’s mission. In FY 2017, HUD awarded 2,338 contracts, modifications, and task orders valued at \$3.9 billion. Specifically, HUD awarded 1,598 contracts totaling \$3.1 billion in ultimate contract value for FY 2017. While 19 HUD offices awarded FY 2017 contracts to achieve their goals, 4 HUD offices – the Government National Mortgage Association (Ginnie Mae), the Office of Housing, the Office of Chief Information Officer, and the Office of Administration – accounted for approximately 75 percent of HUD contracts awarded and approximately 97 percent of the \$1.1 billion current contract value.

Contracting officer representatives (COR) are HUD employees who monitor and manage HUD’s contracts. For the period reviewed, HUD had 225 CORs for the 19 offices that awarded contracts. Some of the CORs assisted more than one office, and many CORs were responsible for more than one contract. The COR list provided by the Office of the Chief Procurement Officer (OCPO) did not match Ginnie Mae’s COR list. Although the discrepancy is unusual, OCPO and Ginnie Mae provided reasonable explanations for the inconsistencies, and we do not believe this issue negatively affects either office’s mission.

For FY 2017, HUD’s contracts consisted of 12 types. The vast majority of contracts – 89.7 percent – were firm fixed price.

The exact number of HUD’s full-time-equivalent contract employees remains unknown because HUD does not track that information. OCPO officials stated that OCPO contracts for services and products and HUD pays for the contract’s completion, not for a specific number of employees per contract.

Because HUD does not maintain the number of full-time-equivalent contract employees, we surveyed the CORs to collect this information. However, we received information on only 14 percent of the contracts that HUD had in FY 2017. Further, 120 responses did not provide full-time-equivalent contract employee information. Therefore, we do not consider our survey results for the number of full-time-equivalent contract employees to be a complete representation of HUD’s reliance on contract employees.

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Introduction

Objective

We evaluated the U.S. Department of Housing and Urban Development's (HUD) use of contractors to improve our understanding of HUD's reliance on contractors to achieve its mission and to provide information to help oversee HUD's contract workforce. Our objectives were to determine (1) the number of HUD contracts, (2) the dollar amount of the contracts, (3) the types of contracts used, and (4) how many full-time-equivalent contract employees work on the HUD contracts.

Background

At the time of our review, HUD's mission was to "create strong, sustainable, inclusive communities and quality affordable homes for all." HUD used 1,598 contracts in fiscal year (FY) 2017 to procure products and services that should help it achieve its mission.¹

OCPO Obtains Contracted Products and Services for HUD Programs

In 1998, HUD created the Office of the Chief Procurement Officer (OCPO) to improve and restructure its procurement operations. OCPO is responsible for obtaining all contracted products and services HUD requires. OCPO should do so in an efficient and cost-effective manner to enable HUD to meet its strategic objectives. Within OCPO, staff in HUD headquarters and five field offices award and manage HUD's contracts.²

Contracting Officers and Contracting Officer Representatives Manage and Monitor HUD Contracts

Contracting officers and contracting officer representatives (COR) are HUD employees who monitor and manage HUD's contracts. According to the Federal Acquisition Regulation (FAR), contracting officers have the authority to enter into, administer, or terminate contracts and make related determinations and findings. Contracting officers authorize CORs to perform specific technical or administrative functions on the contracts. However, the COR is not authorized to make any commitments or changes that will affect price, quality, quantity, delivery, or any other term or condition of the contract.

Contracting officers are responsible for ensuring the performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. To perform these duties, HUD

¹ According to the Federal Acquisition Regulation (FAR), a contract is a mutually binding legal relationship that obligates the seller to furnish the supplies or services (including construction) and the buyer to pay for them. Further, a contractor is one that contracts to perform work or provide supplies.

² Contracting operations' field staff is located in Philadelphia, PA, Atlanta, GA, Denver, CO, Ft. Worth, TX, and Chicago, IL.

allows contracting officers latitude to exercise their business judgment. Contracting officers ensure that sufficient funds are available for obligation and that contractors receive impartial, fair, and equitable treatment. HUD contracting officers and CORs maintain certifications and are to be qualified by training and experience related to their responsibilities. Almost all contracts require a COR, and many contracts require more than one COR. The number of CORs required depends on several factors, such as the place of performance, other duties assigned to the COR, and travel restrictions. It is also possible for one COR to cover many contracts or services, and ultimately the number of CORs required is left to the contracting officer or the office to determine.

HUD's Government National Mortgage Association (Ginnie Mae) uses the U.S. General Services Administration (GSA) for operational contracting support through an interagency agreement. Ginnie Mae uses GSA's contracts or contracting services to obtain products and services, provide acquisition support, and administer contracts for Ginnie Mae's direct use. Ginnie Mae uses GSA to provide optional contracting, project management, and financial management expertise and support.

HUD Has Used Multiple Acquisition Management Systems

In 1997, the HUD Procurement System (HPS) typically tracked large acquisitions, and the Small Purchase System tracked HUD simplified acquisitions. HPS was the acquisition tracking system for contract monitoring that tracked and managed procurement actions through the procurement planning, requests for services, solicitation, award, contract administration, and contract closeout phases. HPS also interfaced with HUD's core financial system to reserve and obligate funds.

From November 2011 until October 2015, OCPO and HUD used the HUD Integrated Acquisition Management System (HIAMS) to manage and store acquisition-related data from acquisition planning through contract completion. HIAMS covered companies conducting business with HUD and included acquisition- and procurement-related data from planning through contract completion. During FY 2016, OCPO still maintained some closeout modifications, such as deobligations, in HIAMS, HPS, and the Small Purchase System.

On October 1, 2015, OCPO replaced HIAMS with the Purchase Request Information System Management (PRISM), which provides acquisition communities with support for the complete acquisition management life cycle, from initial planning and requisitioning through source selection, award, postaward management, and closeout. For FY 2017, OCPO maintained contract information in PRISM and HIAMS. To decommission HIAMS and transition to PRISM, OCPO issued some awards for closeout, and OCPO has merged the FY 2017 awards and other legacy contract awards into PRISM. According to OCPO officials, the contracting information contained in PRISM is also contained in the publicly available Federal Procurement Data System – Next Generation. This system provides public users earlier access to the spending patterns of the Federal Government.

The FAR Governs Procurement and Acquisition Processes, While the HUD Acquisition Regulation Describes FAR Implementation and Deviations

The FAR governs the procurement and acquisition process for executive branch agencies, defines the acquisition process, provides contracting guidance, implements special preference programs, and includes specific language for many of the clauses in Federal Government contracts. Part 2401 of the HUD Acquisition Regulation describes the manner in which HUD implements, supplements, and deviates from the FAR.³ The HUD contract process consists of three phases: (1) need recognition and acquisition planning, (2) contract formation, and (3) contract administration. The FAR defines acquisition as

“...acquiring by contract with appropriated funds of supplies or services (including construction) by and for the use of the Federal government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated.”⁴

Many Types of Contracts and Incentives Are Available

The FAR states that the contract type selected for a given contract is a matter for negotiation and requires the exercise of sound judgment. It also states that the contract type and price should result in reasonable contractor risk and provide the contractor with the greatest incentive for efficient and economical performance. HUD has a wide selection of contract types available to provide flexibility in acquiring the variety and volume of supplies and services required. Contract types differ according to the degree and timing of the responsibility assumed by the contractor for the costs of performance. Generally, the FAR sorts the contracts into two broad categories: fixed price and cost reimbursement. There are various incentive types, which further differentiate the types of contracts available for use.

Scope and Methodology

We completed this evaluation under the authority of the Inspector General Act of 1978 as amended and in accordance with the Quality Standards for Inspection and Evaluation, issued by the Council of the Inspectors General on Integrity and Efficiency (January 2012).

Scope

We conducted fieldwork for this evaluation between May 2017 and April 2018. We reviewed OCPO-awarded actions in PRISM for FYs 2016 and 2017.

Methodology

To address our objectives, we interviewed personnel from OCPO and Ginnie Mae. We reviewed documents and relevant laws, regulations, policies, and guidance. We reviewed

³ The HUD Acquisition Regulation is codified as Chapter 24 of the FAR System (48 CFR (Code of Federal Regulations) Chapter 24).

⁴48 CFR Subpart 2.101

- Relevant agency and organization reports,
- OCPO-awarded actions in PRISM for FYs 2016 and 2017, and
- The memorandum of understanding between Ginnie Mae and GSA.

We also conducted an online survey of CORs to collect information concerning the number of full-time-equivalent contract employees. We conducted the survey from December 12, 2017, to January 26, 2018, and extended the survey for Ginnie Mae until February 9, 2018, to increase the response rate because OCPO did not initially provide all of Ginnie Mae's CORs. For each contract administered, we asked the HUD CORs to provide biographic and contract information, contract number, contract's office, contract's number of full-time-equivalent employees, total number of labor hours, labor hours' total cost, personnel charging time to the contract, and total dollar value.

Limitations

Our ability to answer objective 4 was limited by a lack of reliable information. Because HUD does not track the number of full-time-equivalent contract employees, we surveyed the CORs to collect this information. However, we received 224 responses from 119 respondents (14 percent) out of the 1,598 contracts that HUD had in FY 2017. Further, 120 responses did not provide full-time-equivalent contract employee information, and some contract numbers did not match any numbers on the list of contracts that OCPO gave us. Therefore, we do not consider our survey results for the number of full-time-equivalent contract employees to be a complete representation of HUD's reliance on contract employees.

Findings

HUD Had 1,598 Contracts in FY 2017 Totaling \$3.1 Billion

The Federal Government may choose to buy products or services from companies using contracts. In FY 2017, HUD awarded 2,338 contracts, modifications, and task orders valued at \$3.9 billion.⁵ Not including modifications and duplicated task orders, HUD awarded 1,598 contracts totaling \$3.1 billion in ultimate contract value for FY 2017.

While 19 HUD offices use contracts to achieve their goals, Ginnie Mae, the Office of Housing, the Office of the Chief Information Officer, and the Office of Administration accounted for approximately 75 percent of HUD contracts. Also, these four offices accounted for approximately 97 percent of the \$1.1 billion current contract value of the total dollars for the base contract and any options that have been excised—Ginnie Mae at \$558 million, the Office of Housing at \$422 million, the Office of the Chief Information Officer at \$77 million, and the Office of Administration at \$23 million. Figure 1 summarizes the total number and current contract value of HUD contracts by office.

⁵ For each contract, we included any options when calculating the total value for all contracts. For indefinite delivery vehicles, we included the estimated value for all orders expected to be placed against the vehicle. For modifications, we included the change, positive or negative, in the total contract value.

Figure 1 – Total number and value of HUD contracts by office

Office	Contract percentage per Office	Number of contracts	Number of CORs ⁶	Current contract value ⁷	Current contract value percentage
Government National Mortgage Association	2.32%	37	9	\$557,645,247.15	50.23%
Office of Housing	39.17%	626	129	422,204,361.83	38.03%
Office of the Chief Information Officer	14.52%	232	27	77,688,493.08	7.00%
Office of Administration	19.15%	306	33	23,080,620.74	2.08%
Office of Public and Indian Housing	5.82%	93	19	6,969,051.59	0.63%
Office of the Chief Human Capital Officer	3.94%	63	14	6,201,298.62	0.56%
Office of Community Planning and Development	0.81%	13	7	4,008,211.69	0.36%
Office of Policy Development and Research	4.07%	65	31	3,713,564.26	0.33%
Office of Fair Housing and Equal Opportunity	1.31%	21	13	2,519,815.35	0.23%
Office of Healthy Homes and Lead Hazard Control	1.69%	27	4	1,943,788.27	0.18%
Office of the Chief Financial Officer	1.00%	16	5	1,299,988.62	0.12%
Office of Strategic Planning and Management	1.38%	22	5	1,249,960.38	0.11%
Office of Inspector General	0.13%	2	2	1,188,940.00	0.11%
Office of General Counsel	1.31%	21	5	518,184.68	0.05%
Office of the Chief Procurement Officer	1.50%	24	4	400,839.00	0.04%
Office of the Secretary	0.25%	4	2	355,473.21	0.03%
Office of Small and Disadvantaged Business Utilization	0.06%	1	1	1,590.00	0.00%
Office of Departmental Equal Employment Opportunity	0.13%	2	1	(14,925.00)	0.00%
Office of Field Policy and Management	0.19%	3	1	(15,165.29)	0.00%
No office provided	1.25%	20		(875,621.69)	(0.08%)
Total	100%	1,598		1,110,083,716.49	100%

⁶ This column adds to more than 225 because several CORs worked on contracts for more than one program office.

⁷ The \$1.1 billion is the current contract value of the total dollars for the base contract and any options that have been exercised. For a new award, this is a total; for a modification, it is a change in value, positive or negative. Negative values, expressed in parenthesis, could reflect deobligated funds, modifications to reduce contract cost, etc.

HUD Had 225 Total CORs; OCPO and Ginnie Mae Provided Inconsistent COR Information

HUD had 225 CORs for the 19 offices that awarded contracts in FY 2017. Some of the CORs assisted more than one office, and many CORs were responsible for more than one contract. The COR list OCPO provided did not include all of the CORs that Ginnie Mae provided. Although the discrepancy is unusual, OCPO and Ginnie Mae provided reasonable explanations for the inconsistencies, and we do not believe this issue negatively affects either office's mission.

HUD Used 12 Different Types of Contracts, but the Vast Majority Were Firm Fixed Price

For FY 2017, HUD used 12 different contract types when awarding contracts. A majority of HUD's contracts—89.7 percent—were firm-fixed-price contracts. Figure 2 below summarizes the contract types HUD used in FY 2017.

Figure 2 – HUD contract types used in FY 2017

Contract type	Number of contracts	Share of HUD contracts
Firm fixed price	1,434	89.74%
Labor hours	89	5.57%
Time and material	25	1.56%
Order dependent ⁸	18	1.13%
Cost plus fixed fee	11	0.69%
Combination ⁹	7	0.44%
Fixed price award fee	5	0.31%
Fixed price incentive	4	0.25%
Other ¹⁰	2	0.13%
Cost no fee	1	0.06%
Cost plus award fee	1	0.06%
Fixed price level of effort	1	0.06%
Total	1,598	100%

⁸ Applies to contracts in which the indefinite delivery vehicle allows the pricing arrangement to be determined separately for each order.

⁹ Applies to contracts in which two or more contract types apply.

¹⁰ Applies to contracts to which none of the other categories applies.

OCPO and CORs Could Not Give Us the Number of Full-Time-Equivalent Contract Employees at HUD

OCPO officials do not track the number of full-time-equivalent contract employees, and they could not provide us with this information. OCPO officials stated that they contract for services and products and pay for the contract's completion, not for a specific number of employees per contract. Therefore, the number of full-time-equivalent contract employees is not maintained in any system.

Because HUD does not maintain the number of full-time-equivalent contract employees, we surveyed the CORs to collect this information. OCPO emailed the CORs on active contracts in FY 2017 and notified them that we would start a survey on December 12, 2017, and the CORs were to complete the survey. Additionally, our email announcing the survey stated that the CORs, as HUD employees, are required to assist us when requested. We sent an email to the CORs on January 23, 2018, to remind them to provide us with the information we requested. However, we received information on only 224 of the 1,598 contracts that HUD had in FY 2017. Further, 120 responses did not provide full-time-equivalent contract employee information, and some contract numbers did not match any on the list of contracts that OCPO gave us. Therefore, we do not consider our survey results for the number of full-time-equivalent contract employees to be a complete representation of HUD's reliance on contract employees.

Overall, CORs indicated, via the survey responses, that the contracts procured a set output for a fixed price, similar to what OCPO told us. For fixed-price contracts, the amount HUD paid did not change based on the number of hours or staff members the contractor applied to the project. According to HUD, it is the contractor's responsibility to ensure that there are enough employees to complete the contract requirements. Although HUD contracts for services and products and not employees, the number of contract employees would indicate the level of effort needed to provide the service or product, whether HUD receives good value for the price it pays to receive the service or product, and the number of HUD staff members that would be required to perform the same function if HUD did not contract for the service or product.

Agency Comments and OIG Response

Summary of OCPO Comments

OCPO said that HUD does not track the full-time equivalents for all contractors, specifically those associated with fixed-priced contracts. It believes that there is no requirement to do so and it does not make sense to do so. Rather, HUD focuses on obtaining the stated outcomes based on specific performance standards in the contract.

OIG Response to OCPO Comments

None.

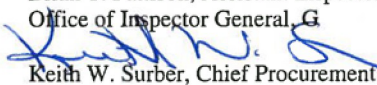
OCPO Comments to the Draft Report



U.S. Department of Housing and Urban Development
Washington, D.C. 20410

CHIEF PROCUREMENT OFFICER

MEMORANDUM FOR: Brian T. Pattison, Assistant Inspector General for Evaluation,
Office of Inspector General, G

FROM: 
Keith W. Surber, Chief Procurement Officer, N

SUBJECT: HUD's Use of Contractors

REFERENCE: Draft Evaluation Report Number: 2017-OE-0006, October 5, 2018

Thank you for the opportunity to address the evaluation report regarding HUD's reliance on the use of contractors. As noted in your report, you sought to address four specific objectives and you reported on your findings associated with each objective. You had no recommendations in your report. However, we do have some comments on the evaluation report to ensure the readers of the report have a full understanding.

While you achieved the first three objectives, the ability to address the fourth objective was limited because HUD does not track full time equivalents (FTE) for all contractors, specifically those associated with fixed price contracts. This is not unique to HUD; no agency would normally track a contractor's use of FTE on a fixed price contract. There is no requirement to do so nor does it make any sense to do so, from our standpoint. A fixed price, performance-based contract is focused on obtaining stated outcomes based on specified performance standards in the contract. HUD is not hiring individual personnel to achieve those outcomes and the contractor is free to use as many or as few as needed to achieve the objectives. The Contracting Officer and the Contracting Officer Representative (COR) focus on assessing the contractors for results against specific performance standards.

The Federal Acquisition Regulation provides a preference for fixed price performance-based contracts whenever possible and, as you noted, nearly 90% of our contracts are fixed price. We regret that more CORs did not respond to your survey, but the results would not have been very different if they had. The only fixed price contracts that would capture the data requested would be for individual contractor staff that had to obtain personal identity verification clearance in order to work on-site in a government facility or to access sensitive HUD IT systems. Even that data would not necessarily cover all the full or part time employees a contractor may use on a contract effort.

If you have any questions, feel free to contact me directly.

Visit our web page at http://www.hud.gov/program_offices/cpo

Appendixes

Appendix A – Acknowledgements

This report was prepared under the direction of Brian T. Pattison, Assistant Inspector General for Evaluation, Paul H. Bergstrand, Director of Program Evaluations, and Lindsay K. Clarke Brubaker, Supervisory Evaluator. The Office of Evaluation staff members who contributed are recognized below.

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Appendix B – Acronyms

ACRONYM	DEFINITION
FY	fiscal year
COR	contracting officer representative
FAR	Federal Acquisition Regulation
Ginnie Mae	Government National Mortgage Association
GSA	U.S. General Services Administration
HIAMS	HUD Integrated Acquisition Management System
HPS	HUD Procurement System
HUD	U.S. Department of Housing and Urban Development
OIG	Office of Inspector General
OCPO	Office of the Chief Procurement Officer
PRISM	Purchase Request Information System Management



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Faxing the OIG hotline: (202) 708-4829

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Office of Inspector General Hotline (GFI)

451 7th Street SW, Room 8254

Washington, DC 20410

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