



San Francisco, CA
Alexandria, VA
888.576.3330
www.ascginc.com

Stopping Contract Fraud: What Every Government Agency and Government Contractor Should Know

*By Dan Everest, ASC Group Inc.
Steve Blancq, ASC Group Inc.
Joe Ferrero, ASC Group Inc.*

Date October 15, 2007

Contents

Introduction	2
Problem Statement	2
Previous Options	3
ASC Group Solution	4
Implementation	5
Summary	5

Introduction

The role of government acquisition professionals has changed dramatically over the last 20 years. Instead of purchasing infrastructure assets (e.g., buildings, weapons systems, computer centers, etc.), today's acquisition officials are spending the majority of their time purchasing services (e.g., O&M contracts, security services, computer operations, etc.). Rather than negotiating for, receiving, inspecting and paying for a final product, an increasing amount of government contracting dollars are spent on services required to manage day-to-day operations.

Without a change in both process and systems, contract fraud, abuse and mismanagement will continue to increase. Responding by adding layers of management onto out-dated processes decreases efficiency while also further separating the team that selected the contractor from the team that is managing the program.

Excel spreadsheets and paper files are not the answer. A sweeping, integrated application that is used throughout the services procurement life-cycle is required to manage the complexity of today's service contracts.

Problem Statement

Government, at all levels, continues to outsource more and more of their functions to the private sector. Government Contractors, in turn, outsource a significant portion of their work to sub-contractors. The large size of the contracts, the interrupted chain of control and the handoff from procurement contracting officials after the contract has been awarded to managerial contracting officials, often creates opportunities for fraud, waste, abuse and

mismanagement. The root of the problem can be tied to three areas.

First, the process for issuing RFPs, evaluating responses, selecting a winner and awarding the contract is time consuming and expensive. Trying to get key field and technical personnel to participate on bid evaluation teams is difficult and results in the loss of their services to their primary job function. Key proposal details are not understood despite the long and drawn-out length of the evaluation cycle and the time and effort put in.

Second, the transition from the selection team to the program management team must also be improved. The program management team frequently has only the final contract as a document to hold the contractor accountable. The details and calculations supporting the final price can be lost once the selection team is disbanded. This places the program management team at a disadvantage once change requests are proposed by the contractor.

Third, evaluation of the Contractor's performance is typically not done in a consistent measurable manner. Although the contractor offers a quality control plan, the Program Office may not be monitoring the process, or may be using a separate process. Over the life of a five to ten year contract, the Government monitoring team periodically turns over and typically relies on notes and spreadsheets to piece together any long range assessment of the contractor's performance.

Creating obstacles for fraud, waste, abuse and mismanagement can be

instituted from the start of the contracting process to the finish. Using a comprehensive application, not spreadsheets, emails and paper files, will ensure that everyone involved has access to the all project information.

Previous Options

Large services contracts typically take more than a year to propose, evaluate and award. The process starts with an Independent Government Estimate (IGE) and the issuance of a RFP.

Because offerors are usually not required to respond in a consistent format with their price proposals, the evaluation team spends months to a year in trying to understand the differences and assess the risk associated with the different proposals. Contractor efficiencies or innovation can be lost. There is little or no tie to the original IGE. Despite the large amount of time spent evaluating each proposal, the selection team frequently draws upon the reputation and experience of the contractor in making their final decision.

Once a contract is awarded, the selection team disbands, passing the responsibility to the Program Management Team who operates with little or no knowledge of the tone of the evaluation and understanding of the final negotiations. The program team works with the contractor to establish a periodic reporting schedule and coorection action process, but there is typically nothing more than spreadsheets, email and paper presentations to track the Contractor's performance.

When change orders are proposed, they become a sole-source negotiation with the contractor having a distinct advantage. Although the original contracting officer may be involved in the change request, there is often no reference or understanding of why something was not proposed (or was priced improperly) in the first place.

Similarly, the on-going monitoring of the contract is not a level playing field. Because contract monitors do not have access to all the quality assurance records it is impossible to keep a reliable record of contractor performance from month-to-month and year-to-year.

ASC Group Solution

Both government organizations and government contractors need to put in place systems and processes that manage the services procurement cycle from proposal to re-compete. Change requests in Year 8 of a ten-year contract need to be evaluated with the same level of scrutiny as changes submitted in Year 1. Service delivery quality metrics must be consistent and understandable. Change orders should be evaluated based on the original proposal.

ASC Group offers two products, Tabular Format (TF!) and SeeSOR. TF! is used in the pre-award phase of the lifecycle while SeeSOR is used for the post-award phase. The products are integrated so that no data is lost during the entire lifecycle of the contract.

A Real Application, not Spreadsheets or Email

Both TF! and SeeSOR use standard Microsoft technologies. They have built in security, password control, audit trails and reporting. Both the contracting agency and the contractor share the same application.

Because there is only one source of truth, any disagreements about what version of the spreadsheet is current,

or what emails were actually sent are quickly resolved. Every change to the underlying data in the application is password protected and has a full audit trail. Both TF! and SeeSOR have passed comprehensive government security audits.

Most importantly, TF! and SeeSOR offer a reliable platform to improve how organizations award and manage service contracts. Changing business process and organizational structures alone do not guarantee success. TF! and SeeSOR will ***increase productivity*** while simultaneously ***increasing quality*** of the procurement and program management functions.

Contract Evaluation and Selection in Weeks not Months

TF! requires that contractors submit technical and price proposals in a consistent format, allowing direct comparison. The evaluation team can quickly see where contractors are proposing innovation or productivity enhancements and generate valuable risk assessments. Use of TF! reduces the time required of evaluation teams from months to weeks, generating both ***time and cost savings***, while also ***increasing the pool of technical talent*** available for the evaluation.

Lower Cost, Better Quality Contract Monitoring

SeeSOR dramatically reduces the amount of effort required to compile inspection results. More importantly, both the contracting organization and the contractor can immediately determine where corrective action is required and implement changes quickly.

Time spent on performance disagreements is minimized. Time and effort are instead spent agreeing on corrective actions.

Implementation

ASC can get involved in any stage of the procurement lifecycle. For example, prior to the issuance of the RFP, ASC works with the Contracting Officer to develop the SOO/PWS and IGE and load them into TF!. A sample RFP with TF! can be found at:

<http://www.fbo.gov/spg/DON/NAV/SUP/N00604/N0060407PMRF/Modification%2001.html>

SeeSOR is often introduced in the RFP stage as the preferred method for monitoring the contract. Doing so allows the prospective contractors to bid SeeSOR as their quality assurance tool as part of their proposal. SeeSOR can also be introduced during a current contractor as a way to get better visibility on contract performance.

Government contractors can bid SeeSOR independently of the contracting agency. Other government contractors have found that adding SeeSOR to their technical proposal enhances the quality assurance portion of their proposal and provides a competitive differentiator. The incremental cost of SeeSOR is typically less than 0.5% of the total contract price.

Summary

Government acquisition has significantly changed due to the increased number of services being contracted out to the private sector. Current systems, processes and organizations were set up to purchase assets, not services. Lack of consistent, reliable, auditable information has led to fraud, waste

and mismanagement in services contracting.

In order to efficiently meet the needs of services acquisition, the methods for both procuring and managing contracted services needs to change.

ASC Group offers two products that allow services contracts to be proposed, evaluated, awarded and managed with one set of facts, available to all parties involved. The easy access of detailed information throughout the contract life cycle allows the contractor and the contracting agency to work on a level playing field and deliver the expected services at a fair price.

In order to best understand your organization and how ASC may be of assistance, ASC Group has developed a “60 Minute Contract Management Tune-Up” which we conduct over the telephone with Contracting Officers and Program Managers.

The 60 Minute Contract Management Tune-Up is conducted by one of the principals of our company, both of whom have worked on over 100 service contracts throughout the world. Please be assured that this consultation will not be a thinly disguised sales presentation; it will consist of the best intelligence we can supply in a sixty minute time span. There is no charge for this call, but please be advised that the call must be strictly limited to 60 minutes.

This consult will typically take place within 1-2 weeks of your call. To secure a time for this consultation, please call Elaine Everest at 888.576.3330 x4 or email elaine.everest.com and she will advise you regarding available time slots. She will also provide you with a pre-consultation questionnaire that will prepare both you and us to get maximum value in the shortest amount of time.