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Better Processes Needed to Appropriately Justify and
Document NAVSUP WSS, Philadelphia Site
Sole-Source Awards

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Acronyms

FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data Systems – Next Generation
ITIMP	Integrated Technical Item Management and Procurement
J&A	Justification and Approval
JDRS	Joint Deficiency Reporting System
NAVSUP	Naval Supply Systems Command
NMCARS	Navy and Marine Corps Acquisition Regulation Supplement
WSS	Weapon Systems Support



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

December 21, 2012

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
NAVAL INSPECTOR GENERAL**

**SUBJECT: Better Processes Needed to Appropriately Justify and Document NAVSUP
WSS, Philadelphia Site Sole-Source Awards
(Report No. DODIG-2013-034)**

We are providing this report for your information and use. Naval Supply Systems Command Weapon Systems Support, Philadelphia Site contracting personnel obtained approval of the Justification and Approval from the proper personnel within required time frames. However, technical, source development, and contracting personnel did not consistently follow regulations to appropriately justify and document all 32 sole-source contracts reviewed, with an obligated value of about \$68.5 million. This report is the seventh in a series of audit reports on DoD contracts awarded without competition. We considered management comments on a draft of this report when preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. The recommendations were redirected to the higher level office that could effect the implementation, and comments were received from this office. Therefore, we do not require any additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9077 (DSN 664-9077).

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Jacqueline L. Wicecarver
Assistant Inspector General
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Results in Brief: Better Processes Needed to Appropriately Justify and Document NAVSUP WSS, Philadelphia Site Sole-Source Awards

What We Did

Our objective was to determine whether DoD noncompetitive contract awards were properly justified as sole source. This report is the seventh in a series of reports on DoD contracts awarded without competition and includes contracts issued by the Naval Supply Systems Command Weapon Systems Support (NAVSUP WSS), Philadelphia Site. We reviewed 32 contracts with an obligated value of about \$68.5 million that NAVSUP WSS, Philadelphia Site contracting personnel awarded in FY 2009 and FY 2010.

What We Found

NAVSUP WSS, Philadelphia Site contracting personnel obtained approval from the appropriate personnel in the time frames required for 31 of 32 Justification and Approvals (J&As) for other than full and open competition. However, personnel did not:

- properly justify the award of 13 sole-source contracts because personnel did not explain why there was only one capable source;
- address all content requirements within 31 of the 32 J&As because personnel relied on a standardized J&A template and omitted required information;
- obtain legal reviews before approval of 23 of the 32 J&As because internal guidance improperly limited when they were required;
- adequately document the market research conducted or the results for 29 of 32 contracts because technical personnel did not document the steps taken when reviewing internal and external databases and contracting personnel relied on the sole-source determinations provided; nor

- follow some synopsis requirements for the 27 proposed contracts that required a synopsis because contracting personnel were unaware of a few of the requirements.

As a result, improper sole-source awards could occur. Personnel could not make informed decisions that the proposed contractors were the sole source. Also, interested sources were not aware of future contracting opportunities.

Corrective Actions

The NAVSUP WSS, Director of Contracts, issued a policy memorandum requiring all J&As to be reviewed by the Office of Counsel for legal sufficiency before final approval of the J&A. Also, NAVSUP WSS, Philadelphia Site contracting personnel issued an e-mail to personnel providing details on required synopsis content. Further, personnel created and provided training that addressed how to properly synopsise proposed actions.

What We Recommend

We redirected the recommendations to the Commander, Naval Supply Systems Command to update J&A training and templates and require personnel to fully address J&A content requirements to adequately justify noncompetitive contracts, and require personnel to include adequate documentation of market research in the contract files to support that only one source can meet Government requirements for a given procurement.

Management Comments and Our Response

The Navy agreed with all recommendations. We consider the Navy's comments to be responsive. No further comments are required.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, Naval Supply Systems Command		1 and 2

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Introduction

Objective

Our objective was to determine whether DoD noncompetitive contract awards were properly justified as sole source at the Naval Supply Systems Command Weapon Systems Support (NAVSUP WSS) Philadelphia Site, Pennsylvania. This report is the seventh in a series of reports on DoD contracts awarded without competition. See Appendix A for the scope and methodology and prior coverage related to the objective.

Background

Section 2304, title 10, United States Code requires contracting officers to promote and provide for full and open competition when soliciting offers and awarding contracts. Promoting competition in Federal contracting presents the opportunity for significant cost savings. In addition, competitive contracts can help improve contractor performance, prevent fraud, and promote accountability. Contracting officers may use procedures other than full and open competition under certain circumstances. However, each contract awarded without providing for full and open competition must conform to policies and procedures in Federal Acquisition Regulation (FAR) Subpart 6.3, “Other Than Full and Open Competition.”

FAR subpart 6.3 prescribes the policies and procedures for contracting without full and open competition. FAR Part 10, “Market Research,” prescribes policies and procedures for conducting market research to arrive at the most suitable approach for acquiring, distributing, and supporting supplies and services. FAR Subpart 5.2 “Synopsis of Proposed Contract Actions,” establishes policy to ensure agencies make notices of proposed contract actions available to the public. Appendix B provides additional explanation of FAR subpart 6.3, FAR part 10, and FAR subpart 5.2 requirements.

NAVSUP WSS, Philadelphia Site

According to the NAVSUP website, NAVSUP WSS (formerly known as the Naval Inventory Control Point) provides Navy, Marine Corps, Joint and Allied Forces fleet supply and program support for the weapons systems that keep Naval forces mission ready. According to NAVSUP WSS personnel, NAVSUP WSS supports existing weapon systems and does not have engineering authority to upgrade configurations or introduce new weapon systems. According to the NAVSUP WSS website, fleet supply support includes determining current and projected requirements for repairs and procurements, managing and contracting for repairs, and providing customer support. Program support includes life cycle management, reliability improvement, integrated logistics, maintenance planning, and configuration management. NAVSUP WSS has two locations: NAVSUP WSS, Philadelphia Site, which provides support for Naval aviation weapons systems; and Mechanicsburg Site, which supports ships, submarines, and nuclear propulsion.

According to the *DoD's Competition Report for Fiscal Year 2009*, many aircraft components are considered critical. The items being procured or repaired in the NAVSUP WSS, Philadelphia Site contracts reviewed were critical application or critical safety items, which require source approval and high levels of consistency in the manufacturing and repair methods to guarantee safety. An item is designated as a critical application item if the item's failure could result in minor injuries to personnel (resulting in at least 1 lost workday) or mission loss, or if the assembly contains one or more subcomponents that are critical application items. Critical safety items are a subset of critical application items. They are designated as critical safety items based on the consequence of failure of the item, not the probability that the failure or consequence would occur. According to Defense Federal Acquisition Regulation Supplement 252.209-7010, an aviation critical safety item is:

a part, an assembly, installation equipment, launch equipment, recovery equipment, or support equipment for an aircraft or aviation weapon system if the part, assembly, or equipment contains a characteristic any failure, malfunction, or absences of which could cause – (i) a catastrophic failure resulting in the loss of or serious damage to the aircraft or weapon system; (ii) an unacceptable risk of personal injury or loss of life; or (iii) an uncommanded engine shutdown that jeopardizes safety.

The *DoD's Competition Report for Fiscal Year 2009* and *DoD's Competition Report for Fiscal Year 2010* both identified the approval process and substantial investment and testing required for alternate sources for critical items and maintenance capability as barriers to competition.

Processes Used at NAVSUP WSS, Philadelphia Site

According to NAVSUP WSS, Philadelphia Site personnel, they use electronic databases during the contract procurement process and follow specific procedures during the preparation process for Justification and Approvals (J&A) for other than full and open competition. Personnel use the Integrated Technical Item Management and Procurement (ITIMP) system, an automated procurement system that allows input from many different areas of the procurement process, including input from equipment specialists, item managers, financial specialists, as well as technical, source development, contracting, and small business personnel. ITIMP electronically stores contract documentation as well as information pertaining to similar buys, item descriptions, potential sources for items, and previous award histories. According to contracting personnel, the synopsis, solicitation, and some contracts can be issued from the system. In addition to ITIMP, source development personnel stated that they view numerous databases when preparing J&As. Source development personnel access the Joint Deficiency Reporting System (JDRS), a cross-service, Web-enabled automated tracking system designed to provide a common, seamless solution for deficiency reporting and resolution management across the Aeronautical Enterprise. Source development personnel stated that they can access JDRS to review information pertaining to critical items, such as critical characteristics and manufacturers. This information can be used to determine whether a competitive acquisition is possible for a particular critical item.

NAVSUP WSS, Philadelphia Site technical, source development, and contracting personnel all contribute to the completion of a J&A. According to contracting personnel, technical and source development personnel complete most portions of a J&A template, then forward the J&A to competition advocate office personnel for review before contracting personnel complete the remaining sections of the J&A. Technical personnel are responsible for preparing the J&As with an estimated contract value below \$500,000, and source development personnel are responsible for preparing only two questions on the J&As for contracts with an estimated value above \$500,000. FAR 6.303-2(b)(12) and 6.303-2(c) requires technical personnel and contracting officers to certify that the information in the J&A is accurate and complete to the best of their knowledge.

NAVSUP WSS, Philadelphia Site technical, source development, and contracting personnel use standardized J&A templates. Overall, according to the command evaluation personnel and legal counsel, the high volume of J&As that were once processed at the NAVSUP WSS, Philadelphia Site contributed to the use of a standardized J&A format. Technical, source development, and contracting personnel complete various types of templates, based upon the type of buy or repair and the urgency to the fleet, to justify and authorize a noncompetitive award. Legal counsel approved and supported the use of the standardized templates and a statement was included at the top of each template stating that deviations from the approved templates must obtain legal approval.

Contracts Reviewed at NAVSUP WSS, Philadelphia Site

Our Federal Procurement Data Systems – Next Generation (FPDS-NG) queries identified that NAVSUP WSS, Philadelphia Site contracting personnel awarded 344 noncompetitive C and D type contracts,¹ with an obligated value² of about \$572.7 million during FY 2009 and FY 2010, that met the scope³ of our review. We selected a nonstatistical sample of 43 contracts with an obligated value of about \$79.6 million to review. We excluded 10 of the 43 contracts initially selected because they were outside the scope of our audit:

- seven contracts were awarded under limited competition,
- one contract was awarded under full and open competition,
- one contract was transferred to the Defense Logistics Agency, and
- one contract was awarded under the simplified acquisition procedures.

¹ Defense Federal Acquisition Regulation Supplement 204.7003, “Basic PII Number,” defines C type contracts as “[c]ontracts of all types except indefinite delivery contracts, sales contracts, and contracts placed with or through other Government departments or agencies or against contracts placed by such departments or agencies outside the DoD,” and D type contracts as “[i]ndefinite delivery contracts.”

² Data obtained in FPDS-NG is reported on an individual action basis (that is, single modification). As a result, we combined all actions identified for a given contract to determine the number of contracts awarded during FYs 2009 and 2010 and their respective obligated amounts during those fiscal years.

³ Our scope was limited to actions issued on contracts that were awarded during FYs 2009 and 2010. Actions were coded as either a “noncompetitive delivery order” or “not competed” in FPDS-NG and did not receive more than one offer as identified in FPDS-NG.

In addition, NAVSUP WSS, Philadelphia Site personnel could not locate one of the requested contract files; therefore, we excluded the contract from our review because documentation was not available for review. In total, we reviewed 32 contracts with an obligated value of about \$68.5 million. See Appendix C for additional details on the noncompetitive contracts reviewed.

Review of Internal Controls

DoD Instruction 5010.40, “Manager’s Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses pertaining to the audit objective for NAVSUP WSS, Philadelphia Site for the 32 contracts reviewed. NAVSUP WSS, Philadelphia Site personnel consistently did not appropriately justify or document the support for sole-source awards. Specifically, NAVSUP WSS, Philadelphia Site personnel awarded sole-source awards based on inadequately supported and incomplete justifications, and inadequately documented market research. Also, personnel did not obtain legal review of the justifications. Additionally, NAVSUP WSS, Philadelphia Site personnel did not provide detailed information in the J&As or document the market research completed. Personnel followed guidance that established inappropriate limitations on legal review and were unaware of some synopsis requirements. We will provide a copy of the report to the senior official(s) responsible for internal controls at NAVSUP WSS headquarters.

Finding. Better Processes Needed to Appropriately Justify and Document NAVSUP WSS, Philadelphia Site Sole-Source Awards

NAVSUP WSS, Philadelphia Site contracting personnel obtained approval from the appropriate personnel within required time frames for 31 of 32 J&As for other than full and open competition as required by FAR 6.304, “Approval of the Justification.” However, personnel inadequately justified noncompetitive contract awards in the J&A and did not comply with additional requirements to adequately document sole-source awards for the 32 contracts, with an obligated value in FYs 2009 and 2010 of about \$68.5 million. Specifically, NAVSUP WSS, Philadelphia Site personnel did not:

- properly justify the award of 13 noncompetitive contract awards, with a base value of about \$3.1 million at award, because technical and contracting personnel did not adequately explain in the J&A why the proposed contractor was the only source capable of meeting the Navy’s requirements;
- fully address in 31 J&As all the elements required by FAR 6.303-2 and Navy and Marine Corps Acquisition Regulation Supplement (NMCARS) 5206.303-2, “Content,” because technical, source development, and contracting personnel relied on a standardized J&A template, inadequately addressed content requirements, and omitted required information when preparing the J&As;
- obtain legal review before approval for 23 of the 32 J&As as required by NMCARS 5206.303-90, “Legal Reviews,” because internal guidance inappropriately limited the requirement for legal review of the J&As;
- adequately document the market research conducted or the results in 29 contract files as required by FAR part 10, “Market Research,” and FAR Subpart 4.8, “Government Contract Files,” to support sole-source determinations because technical and source development personnel did not document the steps taken to conduct market research and their results when reviewing internal and external databases, and contracting personnel relied on the sole-source determination provided by those personnel and did not conduct additional market research; nor
- follow some synopsis requirements for the 27 proposed contracts that required a synopsis as required by FAR subpart 5.2, “Synopsis of Proposed Contract Actions,” because contracting personnel were unaware of a few of the requirements.

As a result, these problems could lead to the improper award of sole-source contracts. Specifically, contracting personnel could not make informed decisions concerning whether the proposed contractors were the only available or capable source. Also, interested sources were not made aware of future contracting opportunities.

Approval Obtained From the Proper Officials for Sole-Source Contracts

NAVSUP WSS, Philadelphia Site contracting personnel obtained approval from the appropriate official in the time frames required for 31 of the 32 J&As. The contracting officer incorrectly approved the remaining J&A for contract N00383-09-C-D016, with an estimated value of \$639,450; during that time period, FAR 6.304 required competition advocate approval for J&As valued between \$550,000 and \$11.5 million.

FAR 6.304 defines the proper approval authority at various thresholds for the estimated dollar value including options. Between FYs 2009 and 2010, the FAR authorized the procuring contracting officer to provide the final approval for proposed contract actions with an estimated value up to \$550,000 and the competition advocate of the procuring activity to provide the final approval for proposed contract actions with an estimated value of more than \$550,000 but not exceeding \$11.5 million. The FAR authorized the general or flag officer, if a member of the military, or a civilian in a position above GS-15 under the General Schedule, to provide the final approval for proposed contract actions with an estimated value of more than \$11.5 million but not exceeding \$78.5 million. The FAR authorized the senior procurement executive of the agency to provide the final approval for proposed contract actions with an estimated value exceeding \$78.5 million. NAVSUP WSS, Philadelphia Site contracting personnel obtained the proper approval from the contracting officer for 23 J&As and from the Competition Advocate for 5 J&As. Contracting personnel also obtained approval from the appropriate officials for two J&As with estimated values of more than \$11.5 million but not exceeding \$78.5 million and for one J&A with an estimated value exceeding \$78.5 million.

Inadequate Justification in J&As for the Sole-Source Authority Cited

NAVSUP WSS, Philadelphia Site technical and contracting personnel did not adequately justify the sole-source authority cited in 13 of the 32 J&As because personnel did not provide adequate rationale explaining why the contractor was the only capable source. However, personnel included other documentation within the contract files to show that

Personnel never stated in the J&As that the contractor was the only source that owned the data or was the only source capable of manufacturing or repairing the items to meet the requirements.

the contracts were sole source. In each J&A, personnel cited FAR 6.302-1, "Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements," and provided the name of the intended source, but never explained why that contractor was the only source capable of meeting the Government's requirements. Personnel provided rationale in the 13 J&As as to why competition would be limited,

such as the Government not owning the technical data or the items needing to meet critical operational and reliability requirements. However, personnel never stated in the J&As that the contractor was the only source that owned the data or was the only source capable of manufacturing or repairing the items to meet the requirements. Although

personnel did not provide adequate rationale within the J&As to justify that the award must be sole source, personnel provided other documentation within the hard copy contract files and ITIMP⁴ showing the contracts were sole source. Personnel procured items through each of the contracts reviewed that were either critical application items or critical safety items. In addition, ITIMP queries showed that the contractors are currently the only approved sources to make or repair the items being procured. Inadequate justifications could lead to the improper award of sole-source contracts. NAVSUP WSS, Philadelphia Site personnel should update the J&A training and templates and require personnel to fully address FAR requirements in J&As to adequately justify that only one source can meet the Government's requirement. See Appendix D for additional information on improper J&A approvals, justifications, content, and legal reviews.

Required Content Elements Missing in J&As

NAVSUP WSS, Philadelphia Site technical, source development, and contracting personnel did not include all required content elements in 31 of 32 J&As. Personnel relied on the standardized J&A template, did not adequately address all the required elements of FAR 6.303-2, "Content," and NMCARS 5206.303-2, "Content," and omitted required information when preparing the J&As. NAVSUP WSS, Philadelphia Site personnel did not fully meet these requirements:

- FAR 6.303-2(b)(5) states the J&A must show "the proposed contractor's unique qualifications or the nature of the acquisition requires use of the authority cited."
- FAR 6.303-2(b)(6) states the J&A must show "a description of efforts made to ensure that offers are solicited from as many potential sources as is practicable, including whether a notice was or will be publicized as required by Subpart 5.2 and, if not, which exception under 5.202 applies."
- FAR 6.303-2(b)(8) states the J&A must describe the market research conducted and the results or the reason market research was not conducted.
- FAR 6.303-2(b)(10) states the J&A must include a list of sources that expressed in writing an interest in the acquisition.
- NMCARS 5206.303-2(a)(ii) states the J&A must include the total estimated dollar value for the acquisition, identified by fiscal year and appropriation.
- NMCARS 5206.303-2(a)(iv) states the J&A must include "an explanation of all actions attempted to make the immediate acquisition competitive and the cost/benefit analysis reflecting costs associated with obtaining competition and anticipated benefits."

NAVSUP WSS, Philadelphia Site personnel used the different J&A templates for the different types of acquisitions. The templates previously limited the amount of information that could be provided in the J&A. Further, personnel relied on pre-populated statements in the templates to address content requirements without providing additional support for the sole-source nature of the acquisition. Personnel also omitted

⁴The electronic contract file documentation contained within ITIMP could not be traced to source documents. For more information, see Appendix A, "Use of Computer-Processed Data."

required information when completing the J&A. See Table 1 for a list of the content requirements not met and the number of J&As that were not in compliance with the specific requirements and Appendix D for the specific contracts that did not meet each requirement.

Table 1. J&As Not in Compliance With Content Requirements

Content Requirement	Number of J&As Not in Compliance*
FAR 6.303-2(b)(5)	13
FAR 6.303-2(b)(6)	22
FAR 6.303-2(b)(8)	26
FAR 6.303-2(b)(10)	4
NMCARS 5206.303-2(a)(ii)	3
NMCARS 5206.303-2(a)(iv)	12

*Personnel did not meet multiple content requirements within many of the 32 J&As.

NAVSUP WSS, Philadelphia Site personnel completed and certified 31 of 32 J&As that did not include all required FAR and NMCARS content elements. NAVSUP WSS, Philadelphia Site personnel completed and certified:

- 31 of 32 J&As that did not fully meet at least 1 of the 12 FAR 6.303-2(b) content requirements, and
- 13 of 32 J&As that did not fully meet at least 1 of the 3 applicable NMCARS content requirements.

Overall, NAVSUP WSS, Philadelphia Site source development and contracting personnel fully addressed all of the FAR and NMCARS content requirements for only one J&A, which was for contract N00383-09-D-003N. The Assistant Secretary of the Navy for Research, Development, and Acquisition, reviewed and approved this J&A as required for the high estimated value of the procurement, which was \$121 million. Incomplete and inadequate justifications could lead to the improper award of sole-source contracts. NAVSUP WSS, Philadelphia Site technical, source development, and contracting personnel should update the J&A training and templates to require personnel to adequately address FAR and NMCARS content requirements in J&As so they adequately justify that the contract should be awarded under other than full and open competition.

Additional Details Needed in J&As to Adequately Meet FAR Content Requirements

NAVSUP WSS, Philadelphia Site technical, source development, and contracting personnel completed and certified 13 J&As that did not adequately meet the requirements of FAR 6.303-2(b)(5) and 26 J&As that did not meet the requirements of FAR 6.303-2(b)(8) because personnel did not include adequate detail within the J&As. Specifically, personnel did not include statements providing information that the contractor was the only source capable of meeting the Government's requirements for the 13 J&As. Also, personnel did not provide a description of the market research conducted

and the results of the steps taken or provide a reason market research was not conducted in 26 J&As. In some cases, personnel included this statement in the J&A: “a technical review has been made to determine and identify all known sources.” We do not consider this statement to be adequate to meet the requirements of FAR 6.303-2(b)(8) because personnel did not provide the results of the technical review in the J&A. In addition, personnel did not specify the type of technical review completed; therefore, it cannot be determined how the technical review dealt with market research.

Questions in J&A Template Unanswered

NAVSUP WSS, Philadelphia contracting personnel completed and certified 22 J&As that did not meet the requirements of FAR 6.303-2(b)(6) and 4 J&As that did not meet the requirements of FAR 6.303-2(b)(10) because personnel did not answer the questions provided in the J&A template. To meet the requirements of FAR 6.303-2(b)(6), each of the 22 J&As included a pre-populated statement in the template that said, “the proposed contract was/will be synopsized in the FedBizOpps website for government wide point of entry.” However, personnel did not indicate in any of the 22 J&As whether it was or will be synopsized by circling the appropriate option, crossing out the option not selected, or by answering the question in writing. We consider not selecting one or the other as being inadequate to meet the content requirement because these options are mutually exclusive. FAR 6.303-2(b)(10) states the J&A must include a list of sources that expressed in writing an interest in the acquisition. Contracting personnel did not answer the applicable question provided in the J&A template for four J&As. We do not consider this adequate because contracting personnel should include a list of sources or a statement that none expressed interest to show that the question has been addressed.

NMCARS Content Requirements Insufficiently Met

NAVSUP WSS, Philadelphia Site technical and contracting personnel completed and certified 13 of 32 J&As that did not fully meet the NMCARS content requirements. NAVSUP WSS, Philadelphia Site technical and contracting personnel only partially met the requirements of NMCARS 5206.303-2(a)(ii) in three J&As. Personnel included the total estimated dollar value but did not identify the fiscal year and appropriation. Also, technical and contracting personnel did not adequately meet the requirements of NMCARS 5206.303-2(a)(iv) in 12 J&As. When technical and contract personnel adequately explained in the J&A why the acquisition could not be expected to be competed, we considered this to be adequate; however, the 12 J&As did not provide this explanation or a cost/benefit analysis reflecting costs associated with obtaining competition and anticipated benefits.

Legal Review Needed Before Approval of J&As

NAVSUP WSS, Philadelphia Site contracting personnel did not obtain legal review of the J&A before approval for 23 of the 32 J&As, as required by NMCARS 5206.303-90, “Legal Reviews,” because internal guidance inappropriately limited when legal counsel review of the J&A was required. NAVSUP officials issued internal guidance that established thresholds indicating when to obtain legal review of the J&As. Naval Inventory Control Point Instruction 5800.1G, “Matters for Referral to Counsel,” July 11, 2001, and NAVSUP Instruction 5801.1, “Referral of Contractual Matters to the Office of

Counsel,” September 8, 2009, both required NAVSUP WSS, Philadelphia Site legal counsel to review all J&As for procurements citing sole-source authorities other than FAR 6.302-1, “Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements.” Internal guidance only required legal counsel to review J&As citing FAR 6.302-1 that had an estimated value exceeding \$500,000. In accordance with internal guidance, NAVSUP WSS, Philadelphia Site contracting personnel did not obtain legal review of the J&A before contract award for any of the 20 J&As citing FAR 6.302-1 with an estimated value below \$500,000. In addition, contracting personnel did not obtain legal review of one J&A before approval and did not obtain legal review of two J&As citing FAR 6.302-1 with an estimated value exceeding \$500,000.

Although internal guidance did establish thresholds permitting certain J&As to not be reviewed, NMCARS 5206.303-90 states, “each justification must be reviewed for legal sufficiency by counsel for the activity preparing the justification before its submission for approval.” NMCARS 5201.403(1) states that the Deputy Assistant Secretary of the Navy (Acquisition and Procurement) is the approval authority for individual or class deviations from NMCARS. During reviews of the internal guidance and discussions held with NAVSUP WSS, Philadelphia Site legal counsel, we did not find an approval from the Deputy Assistant Secretary of the Navy

NAVSUP WSS Director of Contracts issued “02 Interwoven Policy and Procedure Memo I-94-05(c),” which requires all J&As, regardless of dollar value, to be reviewed by the Office of Counsel for legal sufficiency before final approval of the J&A.

(Acquisition and Procurement) for a deviation from requiring a legal review of all J&As or a delegation of the authority to approve deviations from NMCARS. We are not making a recommendation to address this problem because on July 18, 2012, NAVSUP WSS Director of Contracts issued “02 Interwoven Policy and Procedure Memo I-94-05(c),” which requires all J&As, regardless of dollar value, to be reviewed by the Office of Counsel for legal sufficiency before final approval of the J&A.

Inadequate Documentation to Support That Market Research Was Conducted

NAVSUP WSS, Philadelphia Site personnel did not appropriately document the market research conducted in the contract file for 29 of the 32 contracts because technical and source development personnel did not document the steps taken to conduct market research and their results when reviewing internal and external databases, and contracting

Personnel did not document market research techniques identified in FAR part 10 for 29 of the 32 contracts.

personnel relied on the sole-source determination provided by those personnel and did not conduct additional market research. FAR 10.002(e) explains that agencies should document the results of market research in a manner appropriate to the size and complexity of the acquisition. Personnel did not document market research techniques identified in FAR part 10 for 29 of the 32 contracts. For example, personnel documented in the J&A that a technical review was conducted to determine and identify all known sources. However, personnel did not discuss both the type of technical review

conducted and their results of the review in the contract file. FAR subpart 4.8, “Government Contract Files,” requires a contract file to include documentation for the basis of the acquisition and the award. In addition, the documentation shall be sufficient to provide a complete background as a basis for informed decisions at each step in the acquisition process. Technical and source development personnel provided examples during multiple discussions of the types of market research that were conducted; however, the market research techniques that were used and the results of their market research were not documented. Contracting personnel could not make an informed decision that the proposed contractor was the only available or capable source, which could lead to inappropriate sole-source awards. However, we did not identify any inappropriate sole-source awards for the 32 contracts reviewed.

NAVSUP WSS, Philadelphia Site source development personnel used information from internal and external databases when preparing J&As. However, source development and technical personnel did not include supporting documentation from the external databases in the contract file to support their sole-source determinations. In addition, current searches show inconsistencies between the contract documentation and external databases. According to source development personnel, technical personnel used the same databases. However, technical personnel were unavailable to discuss information related to the databases. Source development personnel stated that they review these external databases: the JDRS and the Joint Engineering Data Management Information and Control Systems. Source development personnel also stated that they review internal databases, such as Enterprise Resource Program and ITIMP. The external databases determined the criticality of the item and the sources capable of making the item. The information generated from the internal and external databases displays current information rather than information that would have been relevant at the time of contract award. The audit team received access to the JDRS and the ITIMP to support sole-source determinations made within the J&A. We did not identify inconsistencies between external databases and the contract file for 4 of the 32 contracts. In those four contracts, the contract file and external databases identified the same contractor and criticality of the item being procured or repaired. We identified inconsistencies between external databases and the contract file for 8 of the 32 contracts. We did not find any documentation to support the information in the contract file in JDRS for the other 20 contracts. See Table 2 for a list of the 20 contracts that did not have any supporting documentation in JDRS for the parts being procured or repaired.

Table 2. Contracts Lacking Supporting Documentation on Potential Sources From External Databases

N00383-09-C-H004	N00383-09-D-020F
N00383-10-D-001H	N00383-10-C-D002
N00383-09-C-F024	N00383-10-C-F012
N00383-09-C-N048	N00383-10-C-P057
N00383-09-C-P262	N00383-10-C-P224
N00383-09-D-004F	N00383-09-C-F009
N00383-09-C-D016	N00383-10-C-F045
N00383-10-C-D017	N00383-10-C-F017
N00383-09-C-D008	N00383-10-C-D007
N00383-09-C-N003	N00383-10-D-007D

For example, we identified inconsistencies between JDRS and ITIMP for contract N00383-09-C-M012. We performed queries in JDRS and ITIMP that identified different contractors. Further, NAVSUP WSS, Philadelphia Site personnel indicated a change in the acquisition method within ITIMP, which was different than the acquisition method identified in the J&A, but personnel did not provide an explanation or rationale in ITIMP as to why the method changed. We could not determine the cause of the inconsistencies because of a lack of supporting documentation in the contract file, limited data available from outside databases, and the inability to extract from the databases information that would have been relevant at the time of award. NAVSUP WSS, Philadelphia Site technical, source development, and contracting personnel should include adequate market research documentation in the contract files to support the contracting officer's decision that the award is a noncompetitive procurement.

NAVSUP WSS, Philadelphia Site personnel met FAR part 10 market research requirements for 3 of the 32 contracts. Personnel appropriately documented the market research conducted for 2 of the 32 contracts. For example, contracting personnel adequately conducted and documented market research for contract N00383-09-C-M012 because the documentation in the contract file explained that the contracting officer reviewed websites and contacted the program office for information regarding various sources or items that could meet the contract requirements. Contracting personnel documented in the contract file that additional sources or items were not available. Personnel did not conduct market research for 1 of the 32 contracts, specifically contract N00383-09-C-D016, but provided adequate justification in the contract file to meet FAR part 10 requirements. Although the specific steps taken to conduct market research were not explicitly stated for the current procurement, the rationale from recent procurements identified that market research could be conducted, but would not produce useful sources since the Government lacked ownership of the technical data rights.

Synopsis Requirements Must Be Followed

NAVSUP WSS, Philadelphia Site contracting personnel did not comply with some of the requirements when synopsisizing 27 proposed contract actions because they were unaware of a few synopsis⁵ requirements. FAR subpart 5.2, “Synopsis of Proposed Contract Actions,” requires contracting officers to transmit a notice to the Governmentwide Point of Entry for each proposed contract action expected to exceed \$25,000 other than those covered by an exception in FAR 5.202, “Exceptions.” The primary purposes of the notice are to improve small business access to acquisition information and enhance competition by identifying contracting and subcontracting opportunities. In addition, contracting personnel were unable to locate a copy of the synopsis or proof that a synopsis was posted for contract N00383-09-C-H004. Contracting personnel were not required to synopsisize 4 of the 32 proposed contract actions.⁶

NAVSUP WSS, Philadelphia Site contracting personnel did not:

- adhere to synopsis time frames as established in FAR 5.203(a);
- include all required synopsis data elements as outlined in FAR 5.207(a), “Content,” or provide an adequate description of items being procured as explained in FAR 5.207(c), “General Format for ‘Description,’”; and
- use required language as outlined in FAR 5.207(c)(14) and FAR 5.207(c)(15) when synopsisizing proposed contract action.

NAVSUP WSS, Philadelphia Site personnel did not provide sufficient notices to enable interested sources to be aware of future contracting opportunities by not following FAR subpart 5.2 requirements when synopsisizing proposed contract actions. We are not making a recommendation to address these problems because personnel took corrective action to address each of these issues. Contracting personnel issued an e-mail that informed contracting personnel to include the required language outlined in FAR 5.207(c)(14) and (15) and to stop using numbered notes in the synopses. In response to a Procurement Performance Management Assessment Program review and our audit, personnel created a training presentation to address the findings that they were not properly synopsisizing. The training presentation, titled “Publicizing Contract Actions (FAR Part 5),” addressed many requirements in FAR part 5 including these subjects related to the issues we identified: the appropriate time frames between issuance of the synopses and solicitation, required content in synopses, and required synopsis language outlined in FAR 5.207(c)(14) and (15). Contracting personnel attended the training on September 26, 2012 and October 3, 2012. See Appendix E for additional information on synopses that did not adequately meet the FAR requirements.

⁵ FAR subpart 5.2, “Synopsis of Proposed Contract Actions,” uses the terms synopsis and pre-solicitation notice interchangeably.

⁶In accordance with FAR 5.202, “Exceptions,” NAVSUP WSS, Philadelphia Site contracting personnel did not synopsisize two proposed contract actions that cited FAR 6.302-2, “Unusual and Compelling Urgency,” and two proposed actions with initial estimated values below the Simplified Acquisition Threshold that cited FAR 5.202(a)(13). An increase in the estimated values occurred after the solicitations were issued, increasing the values above the simplified acquisition threshold.

Synopsis Time Frame Requirements Were Met

NAVSUP WSS, Philadelphia Site contracting personnel complied with the time frames between posting the synopsis and the solicitation as established in FAR subpart 5.2 for 20 of the 27 contracts that were synopsisized. FAR 5.203(a) states that the notice must be published at least 15 days before issuance of a solicitation or a proposed contract action that the Government intends to solicit and negotiate with only one source. Contracting personnel did not have sufficient documentation for 1 of the 27 contracts that were synopsisized to determine whether the synopsis was published 15 days before the issuance of the solicitation. Contracting personnel did not provide the required 15-day response time when synopsisizing five proposed contract actions. In another instance, contracting personnel did not meet time frames as established in FAR 5.203(a) when synopsisizing contract N00383-09-C-F024, because the Request for Quote was issued before the synopsis. The initial Request For Quote was below the Simplified Acquisition threshold. Contracting personnel manually synopsisized the proposed contract action when an increase in value occurred, after a response was received from the Request for Quote. However, in accordance with FAR 5.202(a)(13) “the contracting officer need not submit the notice required by 5.201 when the contracting officer determines that – the proposed contract is for an amount not expected to exceed the simplified acquisition threshold; will be made through a means that provides access to the notice or proposed contract action through the [Governmentwide Point of Entry]; and permits the public to respond to the solicitation electronically.” Since contracting personnel were not initially required to synopsisize the proposed contract action, we do not consider this to be a problem. See Table 3 for the contracts that did not meet the time frames established in FAR 5.203(a).

Table 3. Contracts Not in Compliance With FAR 5.203(a)

Contract	Number of Days Between Synopsis and Solicitation
N00383-10-C-N024	11
N00383-09-C-D016	5
N00383-09-C-N003	9
N00383-09-C-N041	6
N00383-09-D-020F	6

General Synopsis Content Requirements Were Inadequately Met

NAVSUP WSS, Philadelphia Site contracting personnel did not fully comply with FAR 5.207(a) synopsis requirements and in five instances did not provide an adequate description of the proposed contract actions. Contracting personnel did not fully comply with FAR 5.207(a) requirements in 21 of the 27 proposed contract actions that were synopsisized. Each synopsis transmitted to the Governmentwide Point of Entry must address certain data elements, as prescribed by FAR 5.207(a). Contracting personnel did not identify the sole-source contractor in 13 synopses; did not identify the contractor or the place of performance in 7 synopses; and did not identify the contractor, contracting office zip code, or the place of performance in 1 synopsis.

NAVSUP WSS, Philadelphia Site contracting personnel did not provide an adequate description of the proposed supplies or services needed for 5 of the 27 proposed contract actions that were synopsized. Each of the contracts were procuring more than one item, but contracting personnel only listed one of the items on the synopsis. FAR 5.207(c) states that the synopsis should have a clear and concise description of the supplies or services that is not unnecessarily restrictive of competition and will allow a prospective offeror to make an informed business judgment as to whether a copy of the solicitation should be requested. Contracting personnel used ITIMP to issue synopses to the Governmentwide Point of Entry; however, the system's limitations allow room for only one National Stock Number. To describe more than one item, contracting personnel must add additional stock numbers or a general description of what items are being procured into the remarks section in the system. When only one item is mentioned in a synopsis, potential sources would be unaware of the additional requirements.

When only one item is mentioned in a synopsis, potential sources for additional items would be unaware of the requirements.

FAR 5.207(c)(14) and (15) Content Requirements Were Insufficiently Met

NAVSUP WSS, Philadelphia Site contracting personnel did not include all required language in the synopses as outlined in FAR 5.207(c)(14) and (15)⁷ because personnel were unaware of these requirements. FAR 5.207(c)(14) requires the synopsis for noncompetitive contract actions to identify the intended source and provide a statement justifying the lack of competition. FAR 5.207(c)(15) requires the synopsis for noncompetitive contract actions to include a statement that all responsible sources may submit a capability statement, bid, proposal, or quotation, "which shall be considered by the agency."

NAVSUP WSS, Philadelphia Site contracting personnel did not include all required language as outlined in FAR 5.207(c)(14), as follows:

- neither the intended sole-source contractor nor a statement in the synopsis that justified the lack of competition for 4 of the 27 proposed contract actions that were required to be synopsized, and
- the intended sole-source contractor in 17 of the 27 synopses.

NAVSUP WSS, Philadelphia Site contracting personnel also did not include the language required by FAR 5.207(c)(15) for 20 of the 27 contract actions that were synopsized. NAVSUP WSS, Philadelphia Site contracting personnel did not always encourage potential sources to respond to the notice because contracting personnel did not include the required statement, a statement with similar content, or relied on numbered notes.

⁷Effective May 31, 2011, the Federal Acquisition Regulation Circular contained updates that moved the requirements in FAR 5.207(c)(14) and FAR 5.207(c)(15) to FAR 5.207(c)(15) and FAR 5.207(c)(16), respectively.

According to the Federal Business Opportunities website's "Frequently Asked Questions," contracting officers used numbered notes as a standardized shorthand when advertising Federal solicitations in paper form by the Commerce Business Daily. Commerce Business Daily was replaced by Federal Business Opportunities, which is now an electronic database. The Federal Business Opportunities website no longer supports the use of numbered notes and states, "all contracting officers should work with the full text of statements as required by FAR 5.207 to ensure the information is clearly communicated." The Federal Register states that the Civilian Agency Acquisition Council and the Defense Acquisition Council "believe that information formerly contained in the numbered notes that is valuable to potential offerors should be included in full text in the body of the synopsis where it can be fully explained as it pertains to the proposed acquisition."

Although NAVSUP WSS, Philadelphia personnel included a numbered note in the synopses that met the intent of FAR 5.207(c)(15), the FAR was amended to delete all references to numbered notes on March 31, 2008. Contracting personnel stated in discussions with the audit team that they were unaware that numbered notes were no longer acceptable. Contracting personnel did not comply with FAR 5.207(c)(15) for 4 of the 27 synopses by not including the required language as set in FAR 5.207(c)(15) or using numbered notes. Contracting personnel used numbered notes in the synopsis for 23 of the 27 contracts and did not include additional statements to meet the requirement for 16 of the 23 synopses. We considered 7 synopses to be adequate because contracting personnel included a similar statement in the synopses in addition to the numbered note, and the similar statement met the intent of FAR 5.207(c)(15). For example, NAVSUP WSS, Philadelphia Site contracting personnel included information in the synopsis for contract N00383-09-C-N048 on how to become an approved source and implied that completed approval packages will be reviewed.

Contracting personnel stated...that they were unaware that numbered notes were no longer acceptable.

Corrective Actions Taken By NAVSUP WSS, Philadelphia Site Personnel

NAVSUP WSS, Philadelphia Site personnel began taking action to correct some of the problems identified during the audit. On July 18, 2012, NAVSUP WSS Director of Contracts issued "02 Interwoven Policy and Procedure Memo I-94-05(c)," which requires all J&As, regardless of dollar value, to be reviewed by the Office of Counsel for legal sufficiency before final approval of the J&A. In addition, NAVSUP WSS, Philadelphia Site contracting personnel issued an e-mail that informed contracting personnel to include the required language outlined in FAR 5.207(c)(14) and (15) and to stop using numbered notes in the synopses. In response to a Procurement Performance Management Assessment Program review and our audit, NAVSUP WSS, Philadelphia Site personnel created a training presentation to address the findings that they were not properly synopsisizing. Contracting personnel attended the training on September 26, 2012 and October 3, 2012. This training addressed many requirements in FAR part 5 including

these subjects related to the issues we identified: the appropriate time frames between issuance of the synopses and solicitation, required content in synopses, and required synopsis language outlined in FAR 5.207(c)(14) and (15).

Conclusion

NAVSUP WSS, Philadelphia Site technical, source development, and contracting personnel did not consistently follow regulations to appropriately justify and document sole-source awards. Contracting personnel generally obtained approval of the J&A from the proper personnel within required time frames. However, personnel inadequately justified the use of other than full and open competition in the J&A for 13 of the 32 noncompetitive contracts. Information within the contract files did show that the acquisitions were sole source. Also, personnel did not always comply with FAR 6.303-2 and NMCARS 5206.303-2 content requirements when preparing the J&As, and contracting personnel did not obtain the required legal review for 23 of 32 J&As before approval. Further, personnel generally did not include documentation within the contract files to support market research conducted for the specific procurement. In addition, contracting personnel did not always comply with some of the synopsis requirements when synopsizing actions that required a synopsis.

Recommendations, Management Comments, and Our Response

As requested by the Naval Supply Systems Command, we redirected the draft report recommendations to the Commander, Naval Supply Systems Command. We recommend that the Commander, Naval Supply Systems Command:

- 1. Update the Justification and Approval training and templates to require personnel to adequately justify noncompetitive awards and fully address Federal Acquisition Regulation 6.303-2, “Content,” and Navy and Marine Corps Acquisition Regulation Supplement 5206.303-2, “Content,” requirements in the Justification and Approval.**

Naval Supply Systems Command Comments

The Commander, Naval Supply Systems Command, agreed with the recommendation and stated that Naval Supply Systems Command is in the process of updating Justification and Approval training and templates. Justification and Approval training is planned for January 16 through February 14, 2013. Specific details of the training are currently being addressed by a Naval Supply Systems Command cross-functional team consisting of personnel from the contracting, technical and engineering directorates. Estimated completion date is March 31, 2013.

Our Response

The Commander’s comments were responsive, and the actions met the intent of the recommendation. No further comments are required.

2. Require personnel to include adequate documentation within the contracting files to support the specific steps taken and the results of market research used to verify that only one source can meet Government requirements for a given procurement.

Naval Supply Systems Command Comments

The Commander, Naval Supply Systems Command, agreed with the recommendation. He stated that Naval Supply Systems Command has established a cross-functional team personnel from the contracting, technical and engineering directorates to address the issue of requiring personnel to include adequate documentation within the contracting files to support the specific steps taken and the results of market research used to verify that only one source can meet Government requirements for a given procurement. Results of this team's efforts will be included in the Justification and Approval training sessions, planned for January 16 through February 14, 2013. Estimated completion date is March 31, 2013.

Our Response

The Commander's comments were responsive, and the actions met the intent of the recommendation. No further comments are required.

Appendix A. Scope and Methodology

We conducted this performance audit from July 2011 through October 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our scope included only noncompetitive contract awards during FYs 2009 and 2010 to determine whether the Naval Supply Systems Command Weapons Systems Support (NAVSUP WSS), Philadelphia Site, Philadelphia, Pennsylvania, noncompetitive contract awards were properly and adequately justified as sole source. Our review focused on the justification and approval (J&A) for other than full and open competition for the base contract award and supporting documentation within the contract file. We did not review contracts that were awarded for national security purposes, foreign military sales, classified contracts, or contracts that were improperly coded in the Federal Procurement Data System – Next Generation (FPDS-NG) as noncompetitive. In addition, we did not review contracts that were not sole source, such as contracts that were competitive one bids or contracts set aside to develop small businesses.

In July 2011, we decided to issue site reports under individual subprojects from the initial project to provide timely reporting for each site. This project was suspended from September 13, 2011, through March 26, 2012, to complete other site audits. We reannounced in October 2011, the revised audit approach of issuing separate audit reports for each audit site as well as the revised audit objective to determine whether DoD noncompetitive contract awards were properly justified as sole source. We removed the specific objective to determine whether negotiated amounts were fair and reasonable.

Universe and Sample Information

We used FPDS-NG to identify noncompetitive contract actions issued by Military Services and Defense agencies during FYs 2009 and 2010. The queries were limited to actions issued on contracts that were awarded during FYs 2009 and 2010 and coded as a “noncompetitive delivery order” or “not competed” in FPDS-NG. The queries also excluded contract actions that received more than one offer as identified in FPDS-NG. We selected the four DoD Components with the highest dollar value of awards, specifically, the Army, Navy, Air Force, and the Defense Logistics Agency to identify specific audit locations.

We focused our site selection for the Department of the Navy on three sites that awarded 20 or more C and D type competitive contract awards* and obligated approximately \$200 million or more during FYs 2009 and 2010. Our site selection excluded sites visited during the review on noncompetitive contract awards for Government Accountability Office Report No. GAO-10-833, “Opportunities Exist to Increase Competition and Assess Reasons When Only One Offer Is Received,” July 26, 2010. In addition, we reviewed reports the DoD Office of Inspector General, Acquisition and Contract Management Directorate, issued from FY 2009 to April 2011 that covered acquisition and contracting procedures and excluded sites that have been visited on numerous occasions.

The initial data obtained from FPDS-NG resulted in a universe of 344 applicable contracts for the NAVSUP WSS, Philadelphia Site. We nonstatistically selected 43 of the 344 contracts by using many different factors, including different dollar amounts and contract types to create a diverse sample. However, we did not review contracts within the 43 selected that were awarded for national security purposes, foreign military sales, classified contracts, or contracts that were improperly coded in FPDS-NG as noncompetitive. In addition, we did not review contracts that were not sole source such as contracts that were competitive one bids or contracts set aside to develop small businesses. In total, we excluded 11 of the 43 contracts selected. Ten of the contracts were outside of the scope of our audit: 7 contracts were awarded under limited competition, 1 contract was awarded under full and open competition, 1 contract was transferred to the Defense Logistics Agency, and 1 contract was awarded under simplified acquisition procedures. In addition, NAVSUP WSS, Philadelphia Site personnel could not locate one requested contract file; therefore, we excluded the contract from our review since documentation was not available. Based on these exclusions, we reviewed 32 of the 43 contracts requested. See Appendix C for additional details on the contracts reviewed.

Review of Documentation and Interviews

We evaluated documentation against applicable criteria including:

- FAR Subpart 4.8, “Government Contract Files”;
- FAR Subpart 5.2, “Synopsis of Proposed Contract Actions”;
- FAR Subpart 6.3, “Other Than Full and Open Competition”;
- FAR Part 10, “Market Research”;
- Defense Federal Acquisition Regulation Supplement 204.7003, “Basic PII Number”; and
- Navy and Marine Corps Acquisition Regulation Supplement 5206.3, “Other Than Full and Open Competition.”

*Defense Federal Acquisition Regulation Supplement 204.7003, “Basic PII Number,” defines C type contracts as “[c]ontracts of all types except indefinite delivery contracts, sales contracts, and contracts placed with or through other Government departments or agencies or against contracts placed by such departments or agencies outside the DoD,” and D type contracts as “[i]ndefinite delivery contracts.”

We interviewed contracting personnel at NAVSUP WSS, Philadelphia Site, to discuss the noncompetitive contract awards and to obtain information regarding the contract files identified in our sample, specifically about the J&A, market research, and supporting documentation. We also held discussions with command evaluation personnel, the Competition Advocate, the Small Business Advocate, Source Development personnel, and legal counsel at NAVSUP WSS, Philadelphia Site, to gain an understanding of their responsibilities and roles in noncompetitive contract awards.

Use of Computer-Processed Data

We relied on computer-processed data from the FPDS-NG to establish the initial universe for this audit by identifying noncompetitive contract actions issued by Military Services and Defense agencies. We also used the data to help determine the contracting organizations to visit and to perform the nonstatistical sample selection. In addition, we used the Electronic Document Access database to obtain contract documentation, such as the contract and modifications to the contract before our site visit to the NAVSUP WSS, Philadelphia Site. To assess the accuracy of the computer-processed data, we verified the FPDS-NG and Electronic Database Access data against official records at NAVSUP WSS, Philadelphia Site. We determined that there were 10 miscodings in the data reviewed from FPDS-NG when compared with contract documentation; however, we used FPDS-NG only to identify the universe, to help determine the contracting organizations to visit, and to identify our nonstatistical sample. We determined the data obtained through the Electronic Document Access database was sufficiently reliable to accomplish our audit objectives when compared with contract records.

In addition, we used the Integrated Technical Item Management and Procurement (ITIMP) system to obtain electronic contract documentation through queries. NAVSUP WSS, Philadelphia Site personnel use ITIMP, an automated procurement system, throughout the procurement process, and use the system as an electronic contract file to store contract data. To assess the reliability of ITIMP, we requested to review source documentation; however, source documentation does not exist since data is inputted directly into ITIMP. We also attempted to verify the accuracy of the data by comparing the data to information contained in other databases, such as the Joint Deficiency Reporting System and Web Federal Logistics Information System. These databases, however, contain current information and do not show the history of changes to the information; therefore, we were unable to verify that the information in the contract file at the time of contract award matched the information in the databases due to changes that may have occurred since the award. As a result, we were unable to determine whether the data was sufficiently reliable for the purposes of this report. Although we could not independently verify the reliability of the information, the data within ITIMP was not used as the sole basis for the conclusions and recommendations made in this report.

Use of Technical Assistance

We held discussions with personnel from the DoD Office of Inspector General's Quantitative Methods Division. We determined that we would use FPDS-NG data to select a nonstatistical sample of contracting activities and then use FPDS-NG data to

select a nonstatistical sample of noncompetitive contracts to review. During our site visit, we worked with NAVSUP WSS, Philadelphia Site personnel to verify that selected contracts met the scope limitations of our review and to identify additional contracts that did not meet the selection criteria. Our nonstatistical sample was limited to specific contracts, and our results should not be projected across other contracts issued by NAVSUP WSS, Philadelphia Site or the Navy.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the Department of Defense Inspector General (DoD IG), and the Department of the Army have issued nine reports discussing noncompetitive contract awards. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted Army reports can be accessed from .mil and gao.gov domains over the internet at <http://www.aaa.army.mil/>.

GAO

GAO Report No. GAO-12-263, “Improved Policies and Tools Could Help Increase Competition on DoD’s National Security Exception Procurements,” January 13, 2012

GAO Report No. GAO-10-833, “Opportunities Exist to Increase Competition and Assess Reasons When Only One Offer Is Received,” July 26, 2012

DoD IG

DoD IG Report No. DODIG-2013-003, “Army Contracting Command – Aberdeen Proving Ground Contracting Center’s Management of Noncompetitive Awards Was Generally Justified,” October 19, 2012

DoD IG Report No. DODIG-2012-084, “Air Force Aeronautical Systems Center Contracts Awarded Without Competition Were Properly Justified,” May 10, 2012

DoD IG Report No. DODIG-2012-077, “Naval Surface Warfare Center Crane Contracts Awarded Without Competition Were Adequately Justified,” April 24, 2012

DoD IG Report No. DODIG-2012-076, “Army Contracting Command – Rock Island Contracts Awarded Without Competition Were Properly Justified,” April 19, 2012

DoD IG Report No. DODIG-2012-073, “Natick Contracting Divisions’ Management of Noncompetitive Awards Were Generally Justified,” April 10, 2012

DoD IG Report No. DODIG-2012-042, “Naval Air Systems Command Lakehurst Contracts Awarded Without Competition Were Properly Justified,” January 20, 2012

Army

Army Audit Agency Report No. A-2011-0002-ALC, “Extent of Competition in Army Contracting,” October 12, 2012

Appendix B. Federal Acquisition Regulation Criteria

Federal Acquisition Regulation Subpart 6.3, “Other Than Full and Open Competition”

Federal Acquisition Regulation (FAR) subpart 6.3 prescribes the policies and requirements for contracting without full and open competition. Contracting without full and open competition is a violation of statute, such as Section 2304, title 10, United States Code, unless permitted by an exception provided in FAR 6.302, “Circumstances Permitting Other Than Full and Open Competition.” FAR 6.302 lists seven exceptions for contracting without full and open competition:

- FAR 6.302-1, “Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements”;
- FAR 6.302-2, “Unusual and Compelling Urgency”;
- FAR 6.302-3, “Industrial Mobilization; Engineering, Developmental, or Research Capability; or Expert Services”;
- FAR 6.302-4, “International Agreement”;
- FAR 6.302-5, “Authorized or Required by Statute”;
- FAR 6.302-6, “National Security”; and
- FAR 6.302-7, “Public Interest.”

A contracting officer must not begin negotiations for or award a noncompetitive contract without providing full and open competition unless the contracting officer justifies the use of such action in writing, certifies the accuracy and completeness of the justification, and obtains approval of the justification. FAR 6.303-2, “Content,” requires each justification to contain sufficient facts and rationale to justify the use of the authority cited. At a minimum, each justification must contain the following.

- The name of the agency and contracting activity and identification of the document as a “Justification for other than full and open competition.”
- A description of the action being approved.
- A description of the supplies or services required to meet the agency’s needs, including the estimated value.
- The statutory authority permitting other than full and open competition.
- A demonstration that the contractor’s unique qualifications or the nature of the acquisition requires the use of the authority cited.
- A description of the efforts made to ensure offers are submitted from as many sources as practicable.
- The contracting officer’s determination that the cost to the Government will be fair and reasonable.
- A description and the results of the market research conducted or, if market research was not conducted, a reason it was not conducted.

- Any other facts supporting the use of other than full and open competition.
- A listing of sources that expressed written interest in the acquisition.
- A statement of the actions the agency may take to overcome any barriers to competition before a subsequent acquisition.
- The contracting officer's certification that the justification is accurate and complete to the best of his or her knowledge and belief.

FAR 6.304, "Approval of the Justification," identifies the person responsible for approving the J&A based on the value of the proposed contract.¹ The contracting officer approves the J&A for a proposed contract not exceeding \$550,000. The competition advocate approves the J&A for a proposed contract of more than \$550,000 but not exceeding \$11.5 million. The head of the procuring activity, a general or flag officer if a member of the military, or a civilian in a position above GS-15 under the general schedule approves the J&A for a proposed contract more than \$11.5 million but not exceeding \$78.5 million. The senior procurement executive of the agency approves the J&A for a proposed contract over \$78.5 million.

FAR Subpart 5.2, "Synopsis of Proposed Contract Actions"

FAR 5.201, "General," requires agencies to provide a synopsis of proposed contract actions for the acquisition of supplies and services. The contracting officer must submit the synopsis to the Governmentwide Point of Entry that can be accessed on the Internet at <https://www.fedbizopps.gov>. FAR 5.203, "Publicizing and Response Time," requires the synopsis to be published for at least 15 days before the issuance of a solicitation or proposed contract action; however, the contracting officer may establish a shorter period of time for commercial items. FAR 5.207, "Preparation and Transmittal of Synopses," requires each synopsis submitted to the Governmentwide Point of Entry to include certain data elements as applicable, such as the date of the synopsis, the closing response date, a proposed solicitation number, a description, and the point of contact or contracting officer. In addition, FAR 5.202, "Exceptions," lists circumstances when the contracting officer does not need to submit a synopsis. Examples of instances when the contracting officer does not need to submit a synopsis include the following:

- The proposed contract action is made under FAR 6.302-2, and the Government would be seriously injured if the agency complied with time periods specified by FAR 5.203; and
- The proposed contract action is for an amount not expected to exceed the simplified acquisition threshold, will be made through a means that provides access to the notice of the proposed contract action through the Governmentwide Point of Entry; and permits the public to respond to the solicitation electronically.

¹ On October 1, 2010, the approval thresholds increased. Our review was limited to noncompetitive contract awards during FYs 2009 and 2010; therefore, we used the approval thresholds in place during FYs 2009 and 2010.

Contracting officers are required by FAR 5.207 to also include statements in the synopses of noncompetitive contract actions stating their intent to award a noncompetitive contract and notifying interested sources of actions they can take if interested in the noncompetitive contract. FAR 5.207(c)(14)² requires the synopsis of noncompetitive contract actions to identify the intended source and a statement of the reason justifying the lack of competition. FAR 5.207(c)(15)(ii) requires the synopsis of noncompetitive contract actions using FAR 6.302-1 as the authority cited to include a statement that all responsible sources may submit a capability statement, proposal, or quotation, which will be considered by the agency. For other proposed contract actions made under FAR 6.302, FAR 5.207(c)(15)(i) requires the synopsis to include a statement that all responsible sources may submit a bid, proposal, or quotation, which shall be considered by the agency.

FAR Part 10, “Market Research”

FAR part 10 prescribes policies and requirements for conducting market research to arrive at the most suitable approach for acquiring, distributing, and supporting supplies and services. Agencies are required to conduct market research appropriate to the circumstance before soliciting offers for acquisitions with an estimated value over the simplified acquisition threshold. Agencies are required to use the results of market research to determine whether there are appropriate sources or commercial items capable of satisfying the agency’s requirements. The extent of market research the agencies conducts varies depending on factors such as urgency, estimated dollar value, complexity, and past experience. Agencies use market research techniques, such as contacting knowledgeable individuals in Government and industry, reviewing results of recent market research, publishing formal requests for information, querying database, participating in on-line communication, obtaining source lists of similar items, and reviewing available product literature. Agencies should document the results of market research in a manner appropriate to the size and complexity of the acquisition.

² Effective May 31, 2011, the Federal Acquisition Regulation Circular contained updates that moved the requirements in FAR 5.207(c)(14) and FAR 5.207(c)(15) to FAR 5.207(c)(15) and FAR 5.207(c)(16), respectively.

Appendix C. Noncompetitive Contracts Reviewed

Noncompetitive Contracts Awarded at NAVSUP WSS, Philadelphia Site From FY 2009 Through FY2010

	Contract	Product, Service, or R&D ¹	Description at Award (excluding options)	Award Date	Contract Type	Authority Cited	Contract Value ²
1	N00383-09-C-H004	Product	Evaluate, repair, and/or modify 40 valve assemblies	11/13/2008	FFP	FAR 6.302-1	\$ 296,896
2	N00383-10-D-001H	Product	Repair and/or modification of 132 data interface units and 144 signal data recorders	12/10/2009	FFP	FAR 6.302-1	1,678,477
3	N00383-09-D-003N	Product	Repair and overhaul of various components of the UH-1Y and the AH-1Z	12/17/2008	CPFF	FAR 6.302-1	102,372,611
4	N00383-09-C-F006	Product	49 windshield panels	12/4/2008	FFP	FAR 6.302-1	249,263
5	N00383-09-C-F024	Product	141 proximity switches	5/6/2009	FFP	FAR 6.302-1	184,710
6	N00383-09-C-N048	Product	81 direct current motors	8/7/2009	FFP	FAR 6.302-1	646,766
7	N00383-10-C-N024	Product	81 safety pressure heads	3/22/2010	FFP	FAR 6.302-1	190,075
8	N00383-09-C-P007	Product	459 groove pulleys	10/2/2008	FFP	FAR 6.302-1	146,421
9	N00383-09-C-P262	Product	One air pulse generator, Four digital multimeters, two aircraft power meters, and three aircraft downconverters	8/24/2009	FFP	FAR 6.302-1	304,229
10	N00383-09-D-004F	Product	Repair of the Advanced Imaging Multi-spectral Sensor for the P-3 aircraft	10/29/2008	FFP	FAR 6.302-1	12,619,183
11	N00383-09-C-D016	Product	Evaluate, repair, and/or modify 300 intercommunication controls	6/26/2009	FFP	FAR 6.302-1	648,768
12	N00383-10-C-D017	Product	Evaluate, repair, and/or modify 200 intercommunication controls	4/20/2010	FFP	FAR 6.302-1	432,512
13	N00383-09-C-D008	Product	Evaluate, repair, and/or modify seven aircraft pylons	12/18/2008	FFP	FAR 6.302-2	178,103
14	N00383-09-C-F021	Product	Evaluate, repair, and/or modify 10 cable assemblies	3/19/2009	FFP	FAR 6.302-2	419,530
15	N00383-09-C-M012	Product	19 various items used on the C130J advanced turboprop engines	8/12/2009	FFP	FAR 6.302-1	144,639

Acronyms and footnotes used throughout Appendix C are defined on the final page of Appendix C.

Appendix C. Noncompetitive Contracts Reviewed (cont'd)

Noncompetitive Contracts Awarded at NAVSUP WSS, Philadelphia Site From FY 2009 Through FY2010

	Contract	Product, Service, or R&D ¹	Description at Award (excluding options)	Award Date	Contract Type	Authority Cited	Contract Value ²
16	N00383-09-C-N003	Product	46 aircraft tape cartridges	12/4/2008	FFP	FAR 6.302-1	142,370
17	N00383-09-C-N041	Product	764 plain bearings	6/18/2009	FFP	FAR 6.302-1	408,106
18	N00383-09-D-020F	Product	Repair, overhaul, modification, and reporting efforts in support of Electronic Support Measure systems	7/28/2009	CPFF and FFP	FAR 6.302-1	988,639
19	N00383-10-C-D002	Product	Evaluate, repair, and/or modify 64 windshield panels	11/18/2009	FFP	FAR 6.302-1	2,804,482
20	N00383-10-C-F012	Product	25 metal tube assemblies, reaction pistons, socket screw caps, linear pistons, actuating cylinders, and straight headed pins and 50 machine thread plugs, helical springs, shear bolts, shims, rings	1/25/2010	FFP	FAR 6.302-1	191,730
21	N00383-10-C-F026	Product	300 windshield panels	6/1/2010	FFP	FAR 6.302-1	1,472,300
22	N00383-10-C-F061	Product	196 breathers	7/14/2010	FFP	FAR 6.302-1	414,326
23	N00383-10-C-M011	Product	Evaluate, repair, and modify 50 digital control units	8/6/2010	FFP	FAR 6.302-1	290,125
24	N00383-10-C-P057	Product	96 electric heat guns	12/17/2009	FFP	FAR 6.302-1	541,857
25	N00383-10-C-P224	Product	975 aircraft front tires	9/1/2010	FFP	FAR 6.302-1	190,223
26	N00383-09-C-F009	Product	70 power cable assemblies	6/11/2009	FFP	FAR 6.302-1	102,690
27	N00383-10-C-M008	Product	Evaluate, repair, and/or modify 80 duplex ball bearings	6/8/2010	FFP	FAR 6.302-1	279,600
28	N00383-10-C-F045	Product	20 particle separators	6/29/2010	FFP	FAR 6.302-1	106,040
29	N00383-10-C-F066	Product	52 force load cells	7/23/2010	FFP	FAR 6.302-1	218,140
30	N00383-10-C-F017	Product	2541 gaskets	3/10/2010	FFP	FAR 6.302-1	220,148

Acronyms and footnotes used throughout Appendix C are defined on the final page of Appendix C.

Appendix C. Noncompetitive Contracts Reviewed (cont'd)

Noncompetitive Contracts Awarded at NAVSUP WSS, Philadelphia Site From FY 2009 Through FY2010

	Contract	Product, Service, or R&D ¹	Description at Award (excluding options)	Award Date	Contract Type	Authority Cited	Contract Value ²
31	N00383-10-C-D007	Product	20 data memory units	1/15/2010	FFP	FAR 6.302-1	147,795
32	N00383-10-D-007D	Product	Performance Based Logistics Support of the ALR67(v)(3) system including field support at the Naval Air Stations Lemoore and Oceana and web-based commercial asset visibility reporting	7/30/2010	FFP	FAR 6.302-1	23,716,740

¹Federal Acquisition Regulation 22.1003-6, "Repair Distinguished from Remanufacturing of Equipment," states that contracts principally for remanufacturing of equipment which is so extensive as to be equivalent to manufacturing shall be deemed to be manufacturing when specific criteria is met. The contract shall be deemed to be manufacturing for the major modification of the equipment that is wholly or partially obsolete, which will need to be completely or substantially torn down, will have outmoded parts are replaced, and will be rebuilt or reassembled. In addition, the contract should result in the furnishing of a substantially modified item in a usable and serviceable condition and the work should be performed in a facility owned or operated by the contractor.

²The contract value is the base award value or the maximum ceiling price at award excluding options.

CPFF	Cost Plus Fixed Fee
FAR	Federal Acquisition Regulation
FAR 6.302-1	Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements
FAR 6.302-2	Unusual and Compelling Urgency
FFP	Firm Fixed Price
NAVSUP WSS	Naval Supply Systems Command Weapon Systems Support
R&D	Research and Development

Appendix D. Inadequate Justification and Approvals

Noncompetitive Contracts Awarded at NAVSUP WSS, Philadelphia Site From FY 2009 Through FY2010

	Contract	Estimated Value, Including Options	Not Approved by Proper Personnel	Authority Cited Not Appropriately Applied	Content Requirements Not Met	Proper Legal Review Not Obtained
1	N00383-09-C-H004	\$ 296,896		√	√ ^{1, 2, 3, and 6}	√ ⁹
2	N00383-10-D-001H	3,229,672			√ ³	
3	N00383-09-D-003N	121,000,000				
4	N00383-09-C-F006	203,350		√	√ ^{1, 3, and 6}	√ ⁹
5	N00383-09-C-F024	184,710			√ ²	√ ⁹
6	N00383-09-C-N048	646,766			√ ²	
7	N00383-10-C-N024	303,874			√ ^{2 and 3}	√ ⁹
8	N00383-09-C-P007	135,405			√ ^{2 and 3}	√ ⁹
9	N00383-09-C-P262	259,096		√	√ ^{1, 2, 3, and 6}	√ ⁹
10	N00383-09-D-004F	23,567,003			√ ^{2 and 3}	
11	N00383-09-C-D016	639,450	√		√ ^{2 and 4}	√ ⁸
12	N00383-10-C-D017	430,928		√	√ ^{1, 2, 3, 4, and 6}	√ ⁹
13	N00383-09-C-D008	133,546			√ ^{3 and 5}	
14	N00383-09-C-F021	228,178			√ ³	√ ⁷
15	N00383-09-C-M012	144,639		√	√ ^{1 and 3}	√ ⁹
16	N00383-09-C-N003	144,900		√	√ ^{1, 2, 3, 5, and 6}	√ ⁹
17	N00383-09-C-N041	442,715			√ ²	√ ⁹
18	N00383-09-D-020F	1,018,800			√ ^{2 and 3}	
19	N00383-10-C-D002	4,574,878			√ ³	
20	N00383-10-C-F012	206,532		√	√ ^{1, 2, 3, 4, 5, and 6}	√ ⁹
21	N00383-10-C-F026	1,477,400			√ ^{2 and 3}	
22	N00383-10-C-F061	484,120		√	√ ^{1, 2, 3, and 6}	√ ⁹
23	N00383-10-C-M011	378,079			√ ^{2 and 3}	√ ⁹
24	N00383-10-C-P057	541,857			√ ²	√ ⁸
25	N00383-10-C-P224	190,223		√	√ ^{1, 2, 3, and 6}	√ ⁹

Acronyms and footnotes used throughout Appendix D are defined on the final page of Appendix D.

Appendix D. Inadequate Justification and Approvals (cont'd)

Noncompetitive Contracts Awarded at NAVSUP WSS, Philadelphia Site From FY 2009 Through FY2010

	Contract	Estimated Value, Including Options	Not Approved by Proper Personnel	Authority Cited Not Appropriately Applied	Content Requirements Not Met	Proper Legal Review Not Obtained
26	N00383-09-C-F009	102,690		√	√ ¹ , 3, and 6	√ ⁹
27	N00383-10-C-M008	279,600			√ ² and 3	√ ⁹
28	N00383-10-C-F045	104,380			√ ³	√ ⁹
29	N00383-10-C-F066	236,848		√	√ ¹ , 2, 3, and 6	√ ⁹
30	N00383-10-C-F017	213,544		√	√ ¹ , 2, 3, and 6	√ ⁹
31	N00383-10-C-D007	168,700		√	√ ¹ , 2, 3, 4, and 6	√ ⁹
32	N00383-10-D-007D	30,000,000			√ ³	

√Did not meet requirement

¹ Content required by FAR 6.303-2(b)(5) was not included. FAR 6.303-2(b)(5) requires the justification to include “a demonstration that the proposed contractor’s unique qualifications or the nature of the acquisition requires use of the authority cited.”

² Content required by FAR 6.303-2(b)(6) was not included. Specifically, the question in the Justification & Approval template was not completed stating whether the notice of the proposed contract action was or will be publicized as required or stating which exception applied.

³ Content required by FAR 6.303-2(b)(8) was not included. FAR 6.303-2(b)(8) requires the justification to include a description of the market research conducted and the results or a statement explaining why market research was not conducting.

⁴ Content required by FAR 6.303-2(b)(10) was not included. Specifically, the question in the Justification & Approval template was not completed stating any interested sources or that no sources responded in writing.

⁵ Content required by NMCARS 5206.303-2(a)(ii) was not included. Specifically, the fiscal year and appropriation were not identified.

⁶ Content required by NMCARS 5206.303-2(a)(iv) was not included. NMCARS 5206.303-2(a)(iv) requires the justification to include “an explanation of all actions attempted to make the immediate acquisition competitive and the cost/benefit analysis reflecting costs associated with obtaining competition and anticipated benefits.”

⁷ Legal review was not obtained before approval of the Justification & Approval.

⁸ Legal review was not obtained for procurement citing FAR 6.302-1, “Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements” with an estimated value exceeding \$500,000.

⁹ Legal review was not obtained for procurement citing FAR 6.302-1, “Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements” with an estimated value below \$500,000.

FAR Federal Acquisition Regulation
 NAVSUP WSS Naval Supply Systems Command Weapon Systems Support
 NMCARS Navy and Marine Corps Acquisition Regulation Supplement

Appendix E. Synopses Needing Improvements

Noncompetitive Contracts Awarded at NAVSUP WSS, Philadelphia Site From FY 2009 Through FY 2010

	Contract	Required Data Elements Missing [FAR 5.207(a)]	Inadequate Description of Items [FAR 5.207(c)]	Time Frames Not Met [FAR subpart 5.203(a)]	Missing Required Language Outlined in FAR 5.207(c)(14) ¹	Missing Required Language Outlined in FAR 5.207(c)(15) ¹
1	N00383-09-C-H004	Not Applicable - NAVSUP WSS, Philadelphia Site personnel were unable to locate a copy of the synopsis or proof that a synopsis was posted.				
2	N00383-10-D-001H					√ ⁷
3	N00383-09-D-003N					√ ⁷
4	N00383-09-C-F006	√ ⁴			√ ⁵	√ ⁷
5	N00383-09-C-F024	√ ⁴			√ ^{5, 6}	√
6	N00383-09-C-N048	√ ⁴			√ ⁵	
7	N00383-10-C-N024	√ ⁴		√	√ ⁵	
8	N00383-09-C-P007	√ ⁴			√ ⁵	√ ⁷
9	N00383-09-C-P262	√ ⁴	√		√ ^{5, 6}	√ ⁷
10	N00383-09-D-004F					√
11	N00383-09-C-D016			√		
12	N00383-10-C-D017	√ ⁴			√ ⁵	
13	N00383-09-C-D008	Not Applicable - A synopsis was waived in accordance with FAR 5.202(a)(2).				
14	N00383-09-C-F021	Not Applicable – A synopsis was waived in accordance with FAR 5.202(a)(2).				
15	N00383-09-C-M012	√ ²	√		√ ⁵	√ ⁷
16	N00383-09-C-N003	√ ²		√	√ ⁵	
17	N00383-09-C-N041	√ ²		√	√ ⁵	
18	N00383-09-D-020F	√ ³		√	√ ⁵	√
19	N00383-10-C-D002	√ ²			√ ^{5, 6}	√ ⁷
20	N00383-10-C-F012	√ ²	√		√ ⁵	
21	N00383-10-C-F026	√ ²	√		√ ⁵	√ ⁷
22	N00383-10-C-F061	√ ²			√ ⁵	√ ⁷
23	N00383-10-C-M011	√ ²			√ ⁵	√ ⁷

Acronyms and footnotes used throughout Appendix E are defined on the final page of Appendix E.

Appendix E. Synopses Needing Improvements (cont'd)

Noncompetitive Contracts Awarded at NAVSUP WSS, Philadelphia Site From FY 2009 Through FY 2010

	Contract	Required Data Elements Missing [FAR 5.207(a)]	Inadequate Description of Items [FAR 5.207(c)]	Time Frames Not Met [FAR subpart 5.203(a)]	Missing Required Language Outlined in FAR 5.207(c)(14) ¹	Missing Required Language Outlined in FAR 5.207(c)(15) ¹
24	N00383-10-C-P057	√ ²			√ ^{5, 6}	√ ⁷
25	N00383-10-C-P224	Not Applicable - The estimated value of the proposed contract was below the Simplified Acquisition Threshold (FAR 5.202(a)(13)) before the solicitation was issued.				
26	N00383-09-C-F009	Not Applicable - The estimated value of the proposed contract was below the Simplified Acquisition Threshold (FAR 5.202(a)(13)) before the solicitation was issued.				
27	N00383-10-C-M008	√ ²			√ ⁵	√ ⁷
28	N00383-10-C-F045	√ ²			√ ⁵	√ ⁷
29	N00383-10-C-F066	√ ²			√ ⁵	√ ⁷
30	N00383-10-C-F017	√ ²	√		√ ⁵	√ ⁷
31	N00383-10-C-D007					√ ⁷
32	N00383-10-D-007D					√

√Did not meet requirement

¹ Effective May 31, 2011, the Federal Acquisition Regulation Circular contained updates that moved the requirements in FAR 5.207(c)(14) and FAR 5.207(c)(15) to FAR 5.207(c)(15) and FAR 5.207(c)(16), respectively.

² Did not identify contractor

³ Did not identify the contracting office zip code, the contractor, or the place of performance

⁴ Did not identify the contractor or the place of performance

⁵ Did not state the intended sole-source contractor

⁶ Did not justify the reason for the lack of competition

⁷ Used numbered notes

FAR Federal Acquisition Regulation

Naval Supply Systems Command Comments



DEPARTMENT OF THE NAVY
NAVAL SUPPLY SYSTEMS COMMAND
5450 CARLISLE PIKE
PO BOX 2050
MECHANICSBURG PA 17055-0791

TELEPHONE NUMBER
COMMERCIAL
AUTOVON
IN REPLY REFER TO:

7510
Ser N033/0046
DEC 03 2012

From: Commander, Naval Supply Systems Command
To: Department of Defense Office of the Deputy Inspector
General for Auditing, Acquisition and Contract Management

Subj: DODIG DRAFT AUDIT REPORT ON BETTER PROCESSES NEEDED TO
APPROPRIATELY JUSTIFY AND DOCUMENT NAVSUP WSS,
PHILADELPHIA SITE SOLE-SOURCE AWARDS (D2011-0228)

Ref: (a) DoD Directive 7650.3 of 3 June 2004

Encl: (1) Naval Supply System Command comments on DODIG Draft
Audit Report 2011-0228 of 31 October 2012

1. Per reference (a), enclosure (1) provides our comments on
the Audit Results and Recommendations 1 and 2.

2. For any questions, please contact our Chief of Staff,
[REDACTED], DSN 430, or e-mail at
[REDACTED].

M. F. HEINRICH

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NAVAL SUPPLY SYSTEMS COMMAND COMMENTS ON
DoDIG DRAFT AUDIT REPORT
2011-0228 of 31 October 2012 on
Better Processes Needed to Appropriately Justify and
Document NAVSUP WSS Philadelphia Site Sole-Source Awards

Audit Finding (synopsis):

NAVSUP WSS, Philadelphia Site technical, source development, and contracting personnel did not consistently follow regulations to appropriately justify and document sole-source awards. Contracting personnel generally obtained approval of the Justification and Approval (J&A) from the proper personnel within required time frames. However, personnel inadequately justified the use of other than full and open competition in the J&A for 13 of the 32 noncompetitive contracts. Information within the contract files did show that the acquisitions were sole source. Also, personnel did not always comply with FAR 6.303-2 and NMCARS 5206.303-2 content requirements when preparing the J&As, and contracting personnel did not obtain the required legal review for 23 of 32 J&As before approval. Further, personnel generally did not include documentation within the contract files to support market research conducted for the specific procurement. In addition, contracting personnel did not always comply with some of the synopsis requirements when synopsisizing actions that required a synopsis.

We recommend that the Commander, Naval Supply Systems Command Weapon Systems Support, Philadelphia Site:

Recommendation 1: NAVSUP update the Justification and Approval (J&A) training and templates to require personnel to adequately justify noncompetitive awards and fully address Federal Acquisition Regulation 6.303-2, "Content," and Navy and Marine Corps Acquisition Regulation Supplement 5206.303-2, "Content," requirements in the Justification and Approval.

NAVSUP Comment:

Concur. NAVSUP is in the process of updating Justification and Approval (J&A) training and J&A templates. J&A training is planned for 16 January through 14 February 2013. Specific details of the training are currently being

Enclosure (1)

addressed by a NAVSUP cross-functional team consisting of personnel from the contracting, technical and engineering directorates. Estimated Completion Date is 31 March 2013.

Recommendation 2: NAVSUP require personnel to include adequate documentation within the contracting files to support the specific steps taken and the results of market research used to verify that only one source can meet Government requirements for a given procurement.

NAVSUP Comment:

Concur. NAVSUP has established a cross-functional team of personnel from the contracting, technical and engineering directorates to address the issue of requiring personnel to include adequate documentation within the contracting files to support the specific steps taken and the result of market research used to verify that only one source can meet Government requirements for a given procurement. Results of this team's efforts will be included in the J&A training sessions, planned for 16 January through 14 February 2013, during discussions of FAR 6.303-2(b)(5) and (b)(8) and NMCARS 5206.303-2(a)(iv). Estimated Completion Date is 31 March 2013.

Enclosure (1)



Inspector General Department of Defense

