

GAO

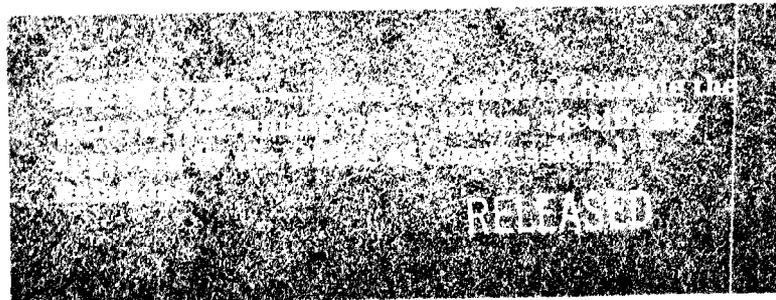
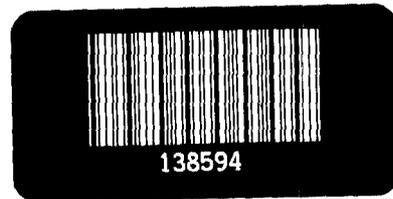
United States General Accounting Office

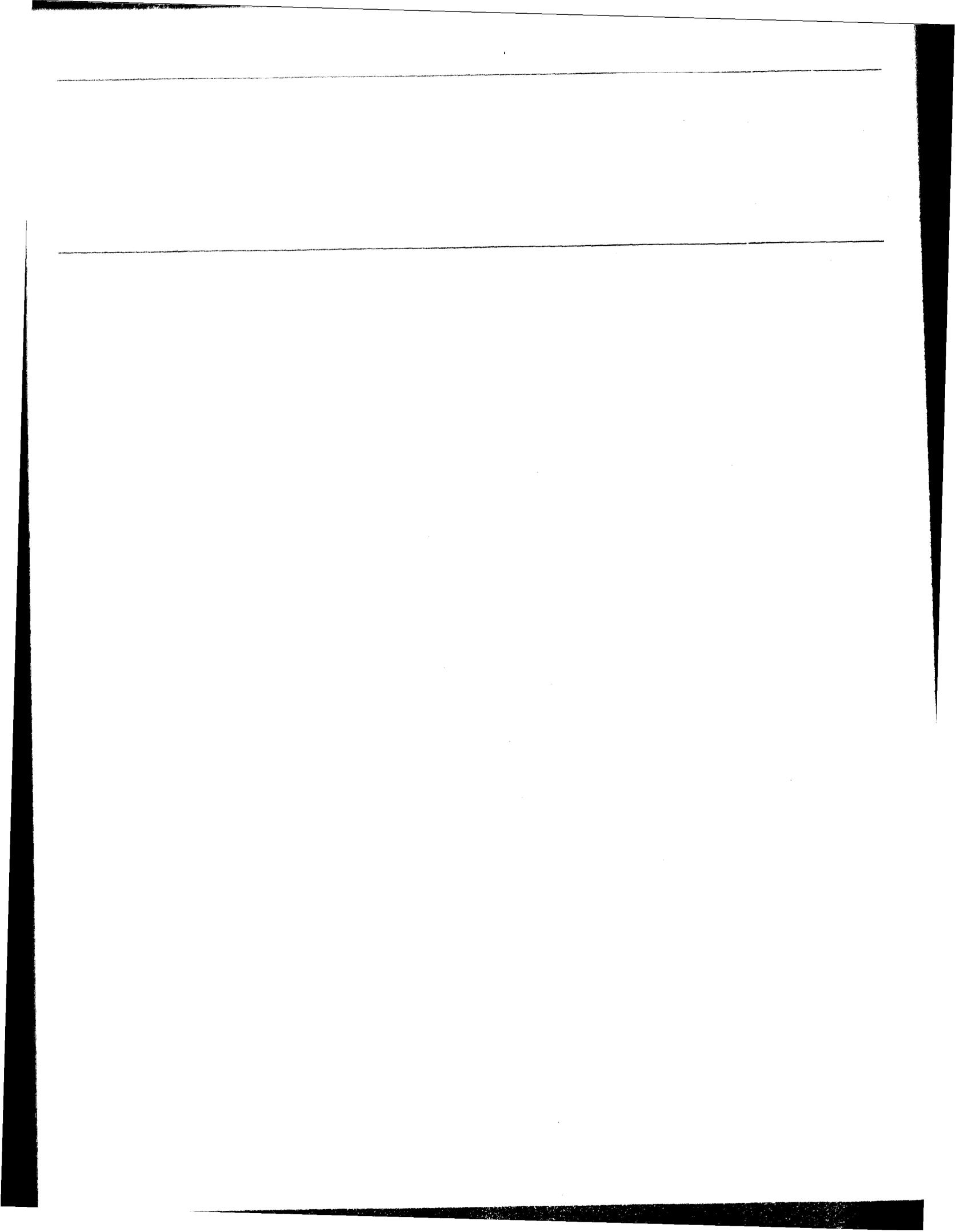
Report to the Honorable
J. Bennett Johnston, U.S. Senate

April 1989

PROCUREMENT

Information on Two Soil Conservation Service Contracts in Kansas





Resources, Community, and
Economic Development Division

B-234851

April 7, 1989

The Honorable J. Bennett Johnston
United States Senate

Dear Senator Johnston:

Your letter of September 22, 1988, requested that we examine certain aspects of the award and administration of two contracts within the U.S. Department of Agriculture. The contracts were awarded in 1988 by the Department's Soil Conservation Service (SCS) for services to assist land owners in preparing soil conservation plans for farm lands located in western Kansas. Specifically, you asked us to ascertain the basis for each contract award; how the contract amounts compare with the proposals received from John Ho & Associates, Inc.; whether the delivery of services was on schedule; and whether the quality of work was acceptable. On February 23, 1989, we briefed your office on the results of our work.

Results in Brief

SCS considered both technical evaluation scores and price in selecting the firm that best served the government's interests. John Ho & Associates, Inc.'s best and final offers were significantly higher than the award prices for both contracts. The cognizant SCS officials believe that the contractors selected will complete their work within the scheduled time frames and that the work they have performed to date has been satisfactory.

Background

The Food Security Act of 1985 (16 U.S.C. 3801 et seq.) requires that land owners with highly erodible farm lands must have acceptable soil conservation plans for such lands by 1990 to remain eligible for various Department programs. SCS is responsible for determining which farm lands must be classified as highly erodible in accordance with the provisions of the act and, when requested, for assisting farmers in developing acceptable conservation plans for their lands.

The SCS Kansas State Office had received requests to help prepare conservation plans on over 13 million acres of land. In evaluating its work load, SCS concluded that outside contract support would be needed to help it complete the work by January 1, 1990. Therefore, SCS negotiated three fixed-price service contracts during 1987 and 1988 to develop conservation plans for an estimated 3 million acres in western Kansas.

In September 1987, SCS awarded the first contract to John Ho & Associates, Inc. to prepare the conservation plans for 712,500 acres of farm lands in southwest Kansas at a negotiated price of about \$0.46 per acre. During 1988, SCS awarded two additional contracts: one for about 1 million acres in northwest Kansas at \$0.195 per acre and the other for about 1 million acres in southwest Kansas at \$0.187 per acre.

SCS conducted a technical evaluation on each proposal received. The proposals were scored on the basis of four factors: (1) experience, (2) qualifications of personnel, (3) capacity to perform the work, and (4) price. The contracting officer said that, considering price and the other factors, he selected the firm for each contract he believed was in the best interest of the government.

Northwest Kansas Contract Award

On January 13, 1988, SCS solicited proposals for conservation planning covering about 1 million acres in four counties in northwest Kansas. From this solicitation, SCS requested best and final offers from eight firms. On May 16, 1988, SCS awarded a negotiated contract to North State Resources, Inc. for \$195,000 (an average of \$0.195 an acre). In comparison, John Ho & Associates, Inc. submitted a best and final offer of \$363,875 (an average of \$0.364 an acre). Although the John Ho & Associates, Inc. proposal received a slightly higher technical evaluation score, the contracting officer said that he awarded the contract to North State Resources, Inc. because he believed that the slightly lower evaluation score was outweighed by the savings of \$168,875 and therefore in the best interest of SCS.

Our review of pricing data available at SCS indicated that John Ho & Associates, Inc.'s offer was higher than North State Resources, Inc.'s for two reasons. First, the hourly costs per employee, including overhead costs, were on average, about twice as high. And second, considerably more travel costs were included in the proposal, apparently because John Ho & Associates, Inc. planned to use personnel from Texas, whereas North State Resources, Inc. planned to use personnel living in or close to the counties in Kansas where the contract work was to be performed.

On February 16, 1989, SCS extended the completion date for the contract from February 21, 1989, to April 2, 1989, and increased the contract price by \$61,268 because of two events beyond the contractor's control. An increase of \$39,589 was needed because additional data input requirements were imposed after the contract was awarded, and an

increase of \$21,679 was awarded because SCS records were not in as good a condition as contract specifications required. Therefore, it was necessary for the contractor to perform additional work. These changes revised the contract amount to \$245,072 for 942,586 acres,¹ or an average of \$0.26 an acre.

When we completed our review in March 1989, the contracting officer said that North State Resources, Inc. had finished the preparation of the conservation plans. Although, at that time, the contractor had not completed the related computerized data input and SCS personnel had not completed their review of all the plans, the contracting officer said he believed the work would be done by April 2, 1989. The contracting officer and district representatives responsible for reviewing and approving the contractor's work said that the work to date was satisfactory.

Southwest Kansas Contract Award

On March 25, 1988, SCS solicited bids for conservation planning covering about 1,050,000 acres in six counties in southwest Kansas. From this solicitation, SCS requested best and final offers from six firms, of which five submitted offers. On July 27, 1988, SCS awarded the contract to R. A. Smith & Associates, Inc. for \$196,350 (an average of \$0.187 an acre). In comparison, John Ho & Associates, Inc. submitted a best and final offer of \$333,153 (an average of \$0.317 an acre). Further, the R. A. Smith & Associates, Inc. proposal received a higher technical evaluation score than any of the other four firms submitting a final offer. Therefore, the contracting officer said that he awarded the contract to R. A. Smith & Associates, Inc.

Because adequate competition was present in the earlier solicitations, SCS did not require the firms to submit detailed pricing data with their proposals for this solicitation. Consequently, we could not determine why R. A. Smith & Associates, Inc.'s final offer was lower than John Ho & Associates, Inc.'s. However, the other three firms submitting final offers submitted prices nearer to R. A. Smith & Associates, Inc.'s than John Ho & Associates, Inc.'s, indicating that all believed they could perform the work at a lower cost than John Ho & Associates, Inc.

On February 16, 1989, SCS agreed to increase the contract price by \$13,650 for additional data input requirements that it imposed after the

¹This is 57,414 acres less than was initially estimated, which reduced the original contract amount to \$183,804.

contract was awarded. This change increased the contract price from an average of \$0.187 to an average of \$0.20 an acre.

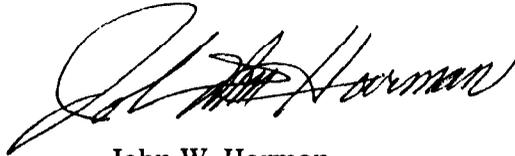
When we completed our review in March 1989, the contracting officer said that R. A. Smith & Associates, Inc. had completed preparing the conservation plans. Although the contractor had not completed the related computerized data input and SCS personnel had not completed their review of all the plans, the contracting officer believed the work would be completed by the contract completion date of June 16, 1989. The contracting officer and district representatives responsible for reviewing and approving the contractor's work said that the work to date has been satisfactory.

To obtain the requested information, we interviewed representatives at SCS headquarters in Washington, D.C., and at the SCS Kansas State Office in Salina, Kansas. We also interviewed, by telephone, officials from the SCS Kansas State Office's conservation districts. We reviewed the SCS solicitations, the contractors' proposals, the best and final offers, the contracts, and other pertinent documentation in the North State Resources, Inc. and R. A. Smith & Associates, Inc. contract files at the SCS Kansas State Office. We performed our work between November 1988 and March 1989.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time we will send copies to the appropriate Senate and House committees; the Director, Office of Management and Budget; the Secretary of Agriculture; and other interested parties. Copies will be made available to others upon request. If you have further questions regarding this information, please contact me at (202) 275-5138.

Major contributors to this report are listed in appendix I.

Sincerely yours,

A handwritten signature in black ink, appearing to read "John W. Harman". The signature is fluid and cursive, with a large initial "J" and "H".

John W. Harman
Director, Food and
Agriculture Issues

Major Contributors to This Report

**Resources,
Community, and
Economic
Development Division,
Washington D.C.**

**John W. Harman, Director, Food and Agriculture Issues (202) 275-5138
Gustave Johanson, Assistant Director**

**Kansas City Regional
Office**

Carl Aubrey, Evaluator-in-Charge

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

United States
General Accounting Office
Washington, D.C. 20548

Official Business
Penalty for Private Use \$300

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100
