



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

Resources, Community, and  
Economic Development Division

B-276546

May 9, 1997

The Honorable Christopher S. Bond  
Chairman, Subcommittee on  
VA, HUD, and Independent Agencies  
Committee on Appropriations  
United States Senate

The Honorable Lauch Faircloth  
Chairman, Subcommittee on Financial Institutions  
and Regulatory Relief  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Rick A. Lazio  
Chairman, Subcommittee on Housing  
and Community Opportunity  
Committee on Banking and Financial Services  
House of Representatives

Subject: Procurement: Overview of HUD's Contracting Activities

Each year the Department of Housing and Urban Development (HUD) purchases millions of dollars worth of supplies and services through contracts. HUD's downsizing plans and recent allegations of contracting abuses have raised concerns about the Department's ability to effectively manage its contracting workload. As an initial step in evaluating the agency's contracting activities, you asked us to describe (1) the source of HUD's procurement authority and how it is delegated; (2) the offices responsible for contracting and their roles; and (3) the data HUD maintains on its contracting activities, and what these data show regarding the extent of the agency's contracting activities since fiscal year 1990. In particular, you asked us to characterize contracting activities for task-order contracts. In addition, you asked us to explain how HUD obtains the services of experts and consultants, other than those obtained through contracts, and to describe the contracting activities performed by the

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Office of Federal Housing Enterprise Oversight. Enclosure I provides information for each of these objectives that was presented to you in briefings.

### SUMMARY

HUD's procurement authority is contained in the Department of Housing and Urban Development Act (Public Law 89-174), the legislation that created the Department in 1965. Procurement authority is delegated from the Secretary of HUD through the Assistant Secretary for Administration to the Office of Procurement and Contracts (OPC) at HUD headquarters, contracting divisions in three field Administrative Service Centers (ASC), and to the Government National Mortgage Association (Ginnie Mae).

HUD's procurement offices award and administer contracts on behalf of program offices. This process entails receiving descriptions of need, soliciting and receiving offers, awarding contracts, making necessary contract modifications, resolving disputes, and closing out completed contracts. OPC performs these functions for headquarters offices, and the three ASCs (located in New York, New York; Atlanta, Georgia; and Denver, Colorado) perform them for HUD's field offices. Also, OPC is responsible for formulating contracting policy, providing technical assistance, and evaluating contracting activities agencywide. Ginnie Mae has its own procurement office that awards and administers contracts in support of its programs.

Contracting data for the period we reviewed were maintained at each location that performed contracting. The data varied considerably in terms of its completeness and reliability. The headquarters procurement office has maintained its data in the same automated database since 1977, and procurement officials believe that at least from 1991 to the present, the data are generally reliable. In contrast, HUD field offices only began using a common automated database to track contracting activities in 1995, and agency officials consider information from this system incomplete and unreliable. We were consequently unable to develop any reportable information from this database. Ginnie Mae currently does not have an automated system for maintaining its contracting data, although it is developing a system expected to be operational by July 1997. Recognizing the need to improve the completeness and accuracy of information on its contracting activities, HUD is in the process of implementing a new system that will integrate and centralize headquarters and field procurement data. However, the new system does not include data on Ginnie Mae's contracting activities.

Data from the headquarters database indicate that annual contract obligations grew from \$213 million in fiscal year 1991 to \$376 million in fiscal year 1996 (in constant 1996 dollars). The major types of goods and services procured by HUD headquarters during fiscal year 1996 included information technology hardware and software; mortgage accounting and claims processing services; advertising for the sale of HUD properties; and various professional, technical, and administrative management support services. Typical goods and services purchased by the field offices included real estate management services (such as maintenance and repairs, advertising, and real estate closing services) and mortgage insurance-related activities (such as mortgage credit analyses, appraisals, and mortgage insurance endorsement processing).

In addition to the services obtained through contracts, HUD makes a limited number of temporary and/or intermittent appointments of experts and consultants. The Executive Personnel Management Division is responsible for making these appointments on behalf of all HUD offices. Data provided by the Division indicate that HUD makes about 10 to 12 appointments per year and for the past 3 fiscal years obligated an average of about \$171,000 annually for this purpose.

The Office of Federal Housing Enterprise Oversight (OFHEO) is an independent office within HUD. The Housing and Community Development Act (Public Law 102-550), which created OFHEO in 1992, authorizes its director to manage the Office without the review or approval of the HUD Secretary. OFHEO follows the Federal Acquisition Regulations (FAR) but does not follow HUD's Acquisition Regulations (HUDAR) or the internal processes described in enclosure I. OFHEO formulates its own contracting policy and processes and manages its seven open contracts without an automated data system.

#### AGENCY COMMENTS AND OUR EVALUATION

We sent copies of a draft of this report to HUD and OFHEO for review and comment. HUD said in its comments that our characterization of field procurement data as "incomplete and unreliable" should be tempered by the fact that the data were generated by a transitional system that was developed in 90 days and that was recently replaced by a new system that contains both headquarters and field contract data. While HUD acknowledges that our characterization of the flaws in the data provided by the transitional system is accurate, it states that the system was never intended to have the kinds of edits and controls that we would expect to find in a Department-wide procurement management system. Our report recognized that HUD's field procurement system was transitional and was being replaced by an integrated headquarters

and field procurement data system. However, the transitional system's limitations continued to leave the agency in the position of not having reliable information on field procurement activities. In addition, while HUD says that its new procurement data system is operational in headquarters and the field, field contracting officials told us that, as of the end of April 1997, implementation problems have caused them to delay entering new contract data into the system. The officials hoped to resolve these problems within a few weeks.

HUD also said that the information we presented in enclosure I on the type of competition used in agency contracts could lead to a distorted impression that the agency used noncompetitive means for a substantial portion of contracts and task orders. HUD notes that most of the contracts it awarded by other than full and open competition were awarded under the Small Business Administration's 8(a) program, a category that HUD characterizes as "not available for competition." The data we presented were not intended to imply that HUD was making inappropriate use of noncompetitive contract awards. While we did not separately identify HUD's use of set-asides to small, disadvantaged businesses under the 8(a) program, we clearly noted in the report that this type of award is among the statutorily authorized exceptions to the standard of full and open competition, and we included 8(a) awards under the category "authorized by statute." (HUD's comments and our evaluation of them are contained in enc. II.)

The Director of OFHEO's Office of Finance and Administration agreed with the facts presented in our draft but suggested some organizational changes to clarify that OFHEO's contracting authority and functions are entirely distinct from those of HUD. We made these changes in the report, as appropriate.

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We performed our review from January through April 1997 in accordance with generally accepted government auditing standards. We reviewed relevant statutes and regulations. We also interviewed procurement officials in OPC, the three ASCs, Ginnie Mae, and OFHEO, as well as officials in the Executive Personnel Management Division. We analyzed data extracted from HUD's procurement databases and data provided to us by officials in Ginnie Mae, OFHEO, and the Executive Personnel Management Division. However, we did not verify the data contained in the HUD databases or provided to us by HUD and OFHEO officials. Because HUD considered field procurement data to be incomplete and unreliable, we focused on headquarters data to summarize trends that occurred during fiscal years 1991 through 1996.

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We are sending copies of this report to the appropriate congressional committees; the Secretary of HUD; the Director, Office of Management and Budget; and other interested parties. We will also make copies available to others on request. If you have any questions or need additional information, please call me at (202) 512-7631. Enclosure III lists major contributors to the report.

A handwritten signature in black ink, appearing to read "Judy A. England-Joseph". The signature is fluid and cursive, with the first name "Judy" being particularly prominent.

Judy A. England-Joseph  
Director, Housing and Community  
Development Issues

Enclosures - 3

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GAO Housing and Community  
Development Issues

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**The Department of Housing and Urban  
Development**

Overview of HUD Procurement

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## GAO Objectives

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- What is the source of HUD's procurement authority, and how is it delegated?
  - Which HUD offices are responsible for contracting, and what are their roles?
  - What data does HUD maintain on its contracting activities, and what do these data show regarding the extent of current contracting activities and trends in contracting since fiscal year 1990?
  - Other than through contracts, how does HUD obtain the services of experts and consultants?
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**GAO** Source of HUD Procurement Authority  
and How It Is Delegated

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- The Department of Housing and Urban Development Act, Public Law 89-174 (1965), contains HUD's contracting authority.
  - The Federal Acquisition Regulations (FAR) System, contained in title 48 of the Code of Federal Regulations (C.F.R.), establishes policies and procedures for acquisitions by all executive agencies.
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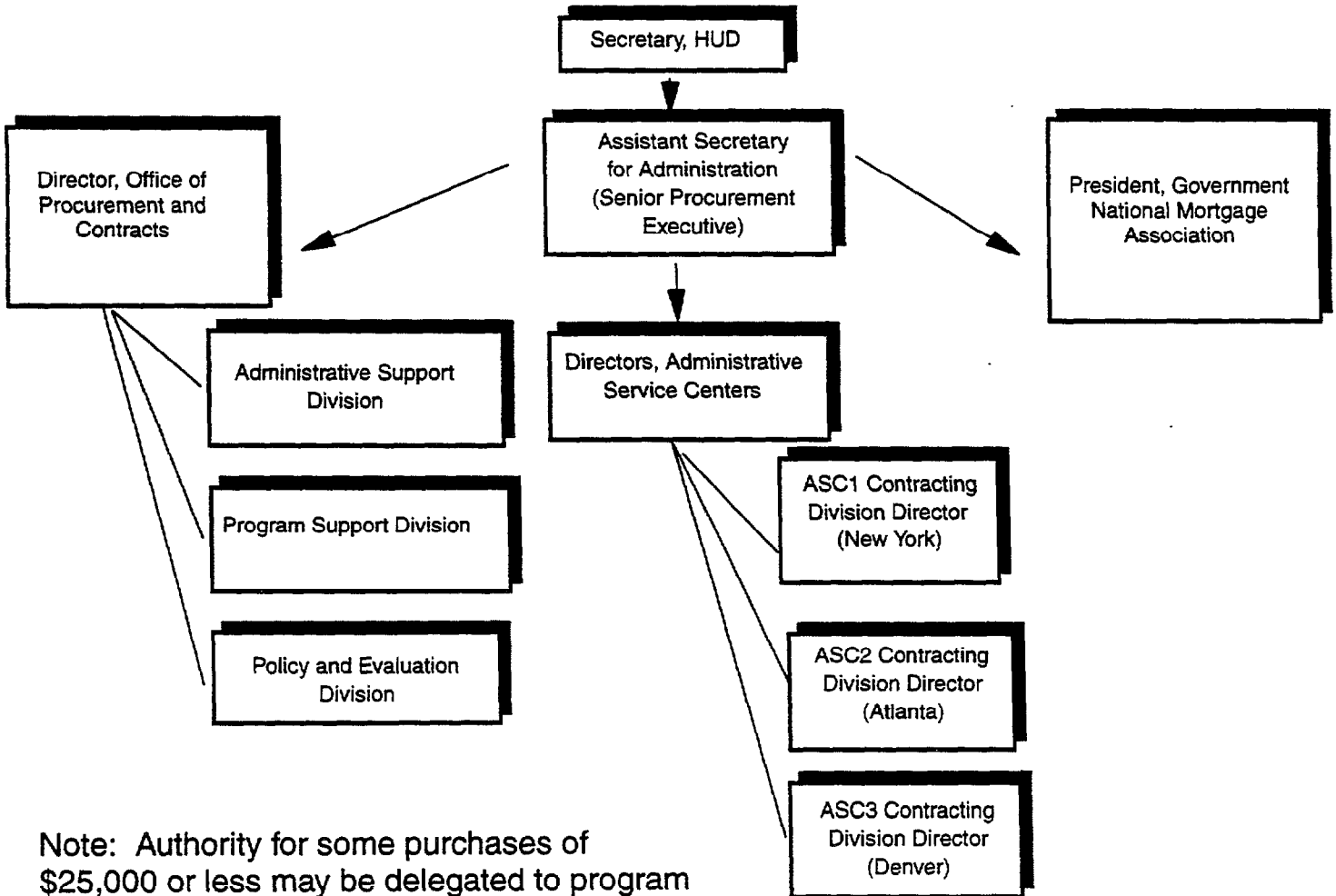
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GAO Source of HUD Procurement Authority  
and How It Is Delegated, continued

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- HUD Acquisition Regulation (HUDAR), 48 C.F.R. chapter 24, prescribes the agency's procurement policies and procedures under the FAR system.
  - All procurement by HUD must comply with HUDAR and FAR, except as may be otherwise authorized by law.
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# Delegation of HUD Procurement Authority



Note: Authority for some purchases of \$25,000 or less may be delegated to program staff.

References to HUD in this presentation do not include the Office of Federal Housing Enterprise Oversight.

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**GAO**    **OFHEO Has Separate Procurement Authority**

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- The Office of Federal Housing Enterprise Oversight (OFHEO) is an independent office of HUD, established by the Housing and Community Development Act of 1992 (P.L. 102-550).
  - OFHEO's contracting authority comes directly from the legislation, not from the Secretary of HUD.
  - OFHEO does not follow the HUDAR or internal HUD processes.
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GAO Procurement Offices Responsible for Contracting

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- Office of Procurement and Contracts (OPC) awards and administers headquarters contracts for program offices and provides policy development, technical assistance, and evaluation HUD-wide.
  - Contracting divisions at three field Administrative Service Centers (ASC) award and administer field contracts for program offices.
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**GAO Procurement Offices Responsible for Contracting, continued**

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- Government National Mortgage Association (Ginnie Mae) awards and administers contracts in support of its programs.
- OFHEO awards and administers contracts in support of its programs.

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GAO **Role of Procurement Offices and  
Personnel**

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- Receive descriptions of need from program offices, solicit and receive offers, and award contracts.
- Personnel include:

Contracting Officer: the focal point in the procurement office who is authorized to sign and modify contracts.

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GAO Role of Procurement Office and  
Personnel, continued

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Contracting Specialists: the contracting officer's representatives in procurement matters, such as preparing solicitations or evaluating costs/prices.

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## GAO Role of Program Offices and Personnel in Procurement

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- Program offices identify need to contract and prepare a Request for Contract Services (RCS).
  - Program office personnel involved in procurement include:
    - Government Technical Representative (GTR) acts as the contracting officer's representative in all matters concerning the technical aspects of the contract.
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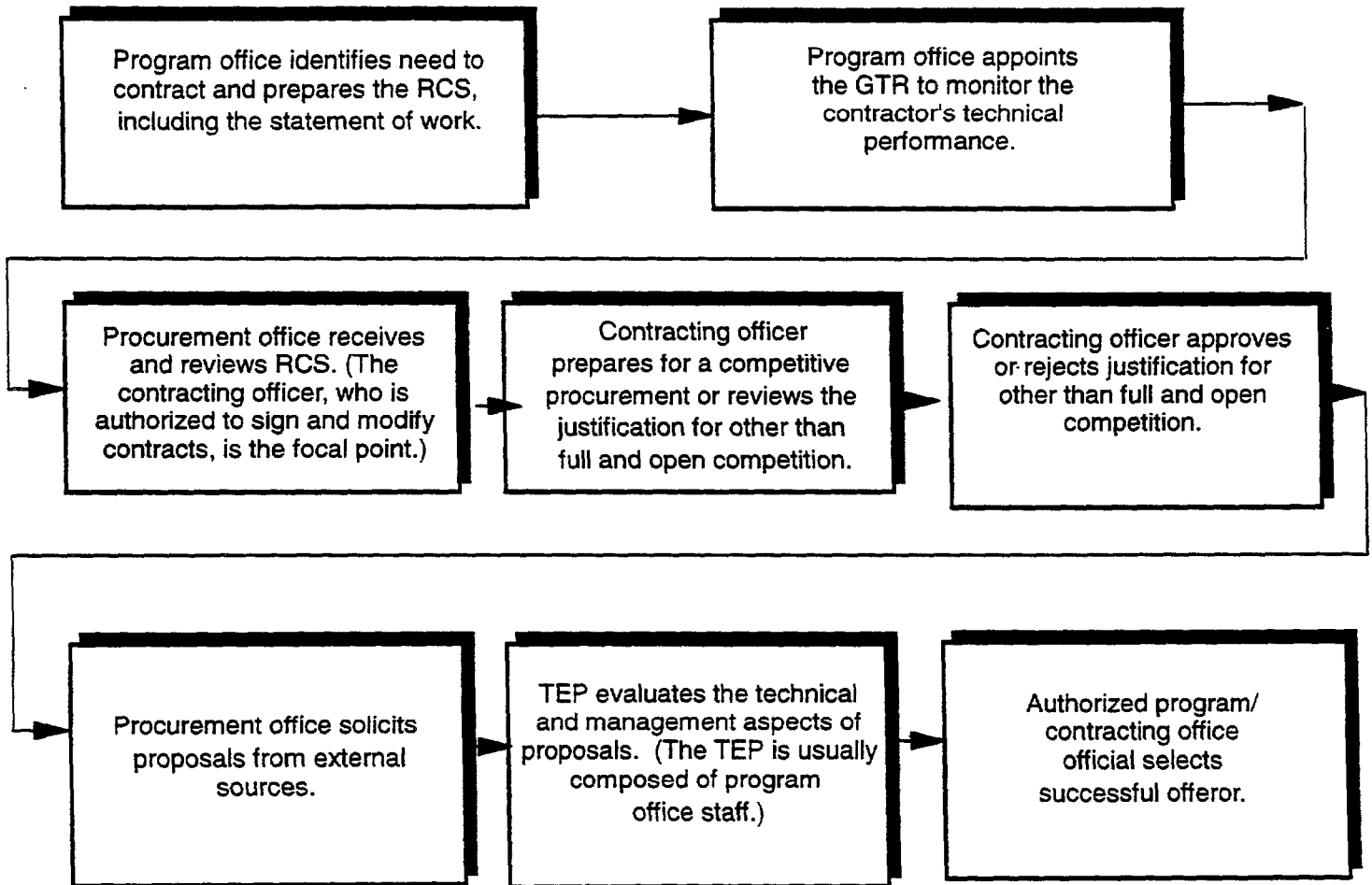
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GAO Role of Program Offices and Personnel  
in Procurement, continued

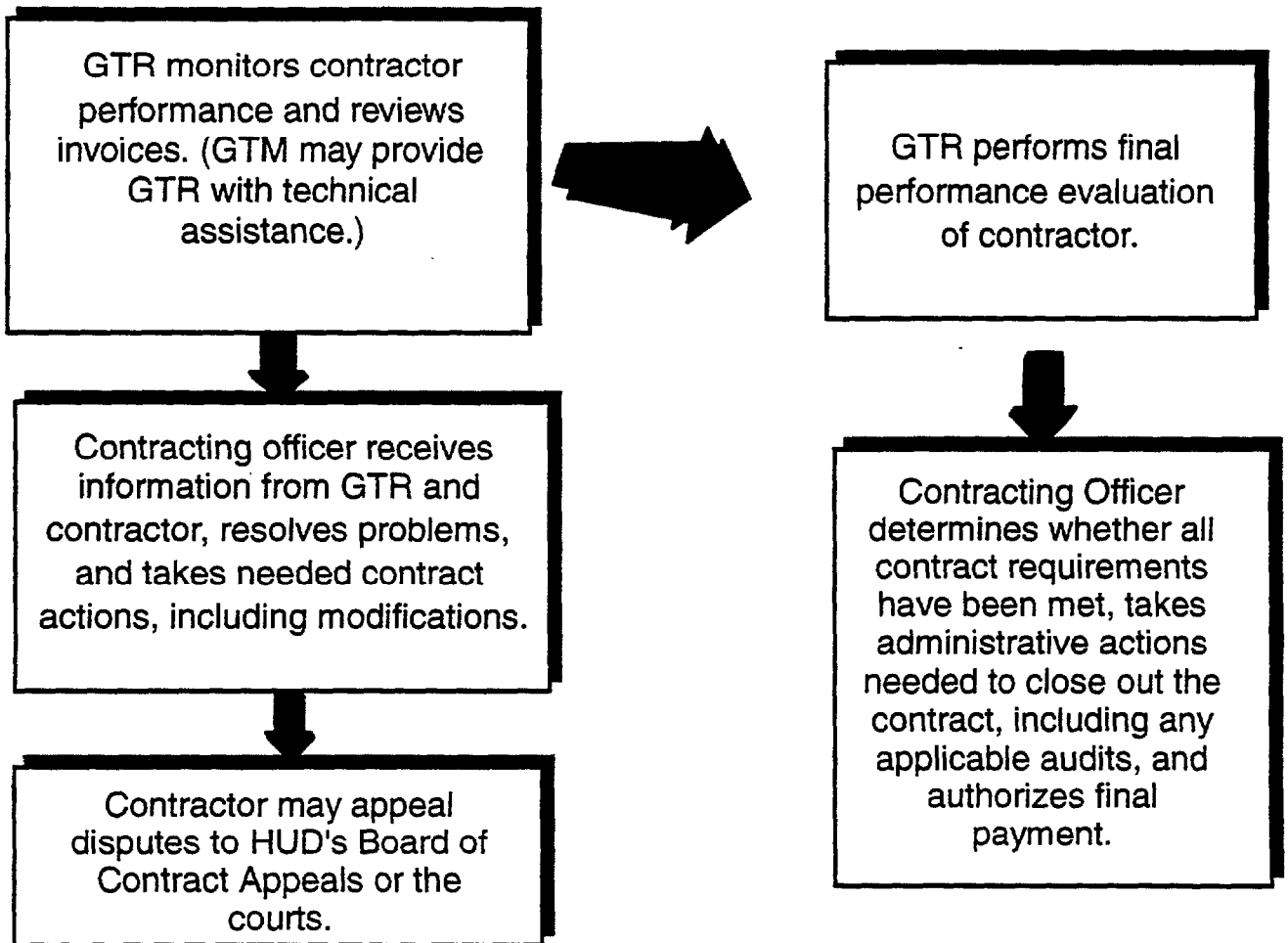
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- Government Technical Monitor (GTM) may be delegated many of the GTR's duties, usually a narrower range of technical expertise than a GTR.
  - Technical Evaluation Panel (TEP) provides expert, impartial, comprehensive evaluation of the technical and management aspects of proposals. Appointed by the head of the program office.
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## Key Steps in Contract Award



## Key Steps in Contract Administration



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**GAO** Overview of HUD's Procurement Data

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- Between fiscal years 1990-96 (the scope of our review), HUD did not maintain uniform, centralized procurement data.
  - HUD is working to integrate and centralize data on headquarters and field offices' procurement (although these efforts do not include Ginnie Mae).
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**GAO HUD Headquarters Procurement  
Information Database**

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- Management Information System (MIS/pc) tracks headquarters-directed contracts.
- Contains data from fiscal year 1977 to present.

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**GAO** Other Headquarters Procurement  
Information

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- Numerous other information systems track pieces of headquarters procurement information, such as
  - purchase requisitions,
  - preaward planning documents, and
  - audit information.

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**GAO** Summary Statistics on Headquarters  
Contracting From Fiscal Years 1991-96

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- There were 572 open contracts (398 awarded during the period and 174 previously awarded).
- The total amount obligated under these contracts was \$1.7 billion.

Note: Dollars reported are nominal.

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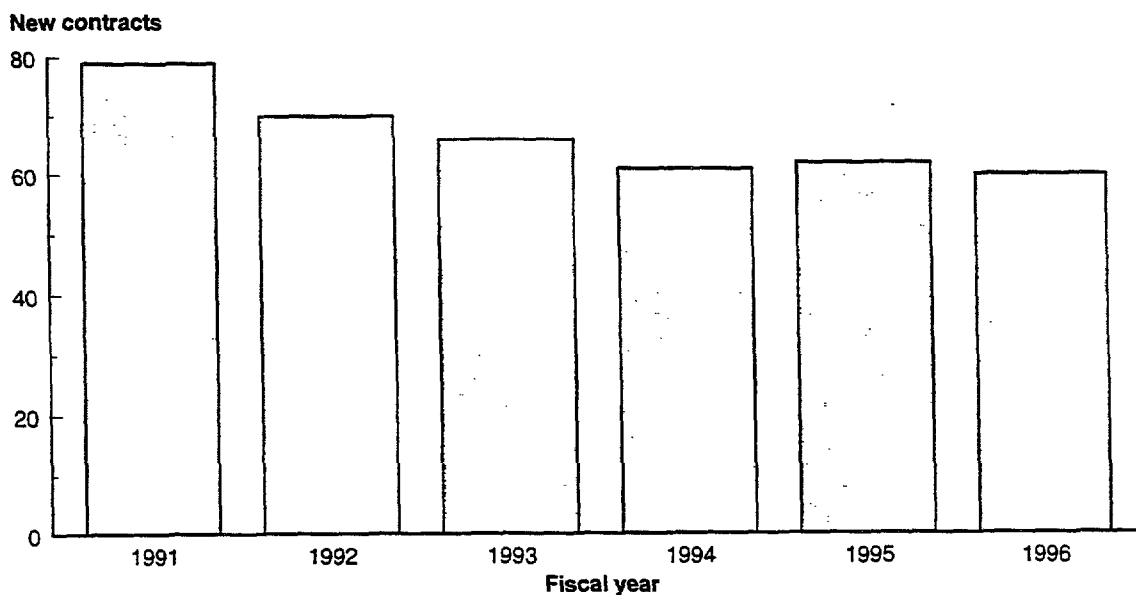
Source: Unverified data from MIS/pc database.

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**GAO** Summary Statistics on Headquarters Contracting From Fiscal Years 1991-96

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398 new contracts were awarded.



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Source: Unverified data from MIS/pc database.

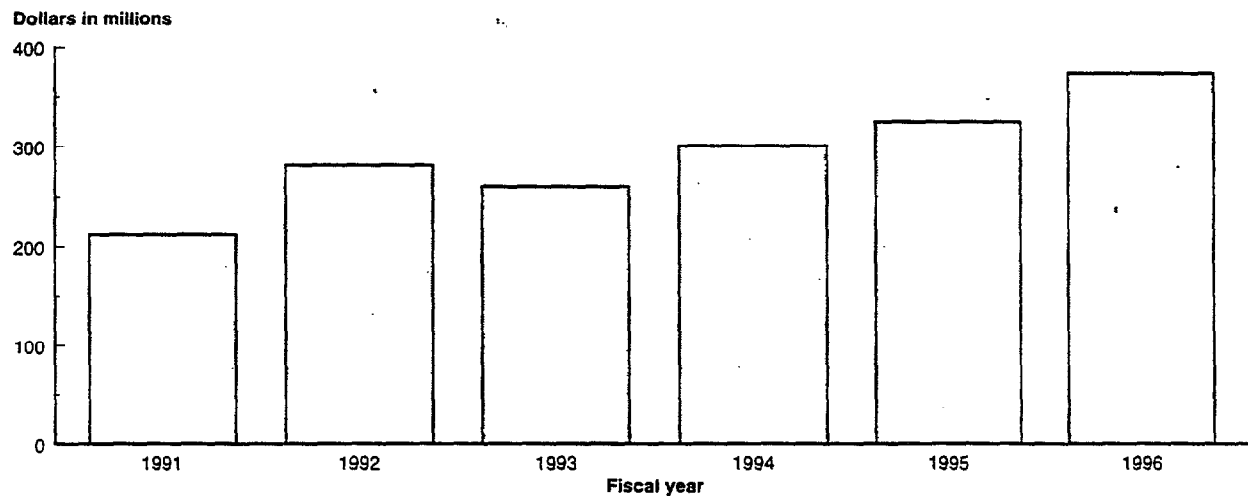


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**GAO** Summary Statistics on Headquarters Contracting  
From Fiscal Years 1991-96, continued

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Annual contract obligations grew from \$213 million in fiscal year 1991 to \$376 million in fiscal year 1996



Note: Includes only purchases over \$25,000. Obligations are expressed in constant 1996 dollars.

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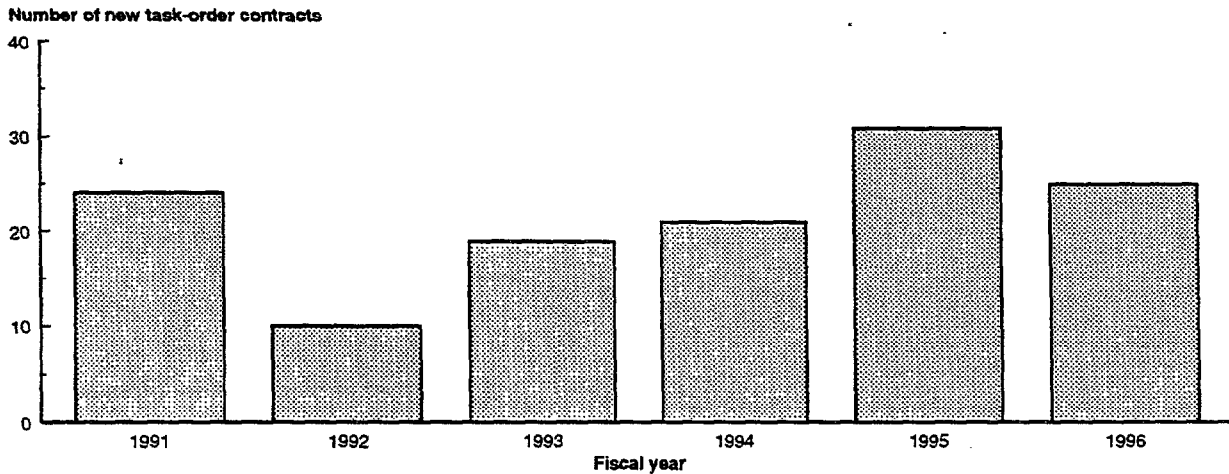
Source: Unverified data from MIS/pc database.

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**GAO** Summary Statistics on Headquarters Contracting  
From Fiscal Years 1991-96, continued

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HUD awarded 130 task-order contracts (indefinite quantity contracts against which orders for specific tasks are issued)



Note: An additional 46 task-order contracts, probably awarded prior to 1991, were also open during the period.

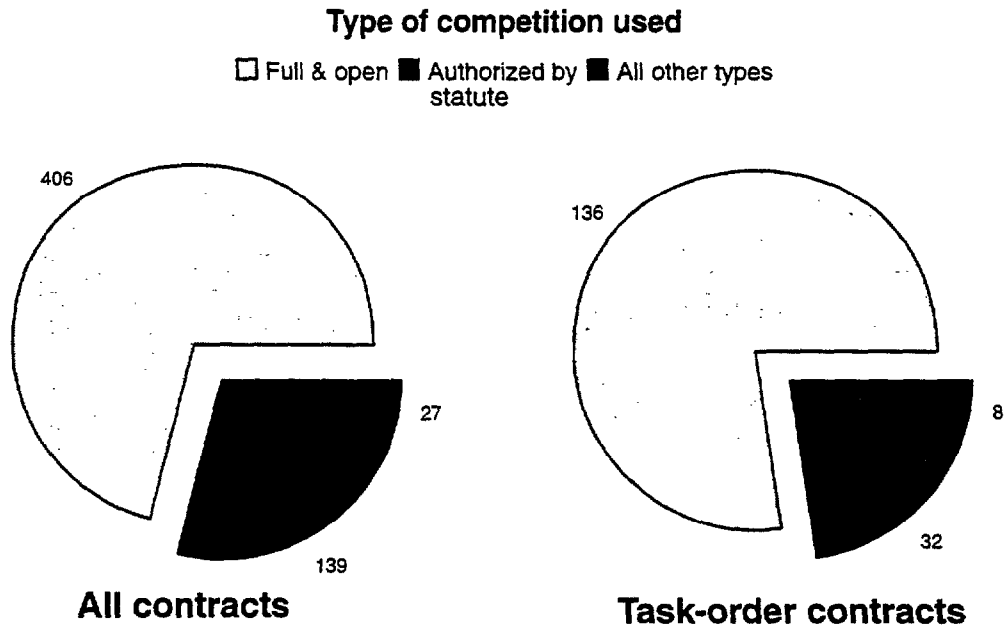
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Source: Unverified data from MIS/pc database.

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**GAO** Summary Statistics on Headquarters Contracting  
From Fiscal Years 1991-96, continued

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Note: Data reflect all contracts open at any time during fiscal years 1991 to 1996, including contracts awarded before that period.

Source: Unverified data from MIS/pc database.

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**GAO** Types of Competition

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- The standard for federal procurement is full and open competition; that is,
    - all responsible sources are permitted to submit offers on a procurement or
    - all responsible sources are permitted to submit offers, after a specific source or class of sources is excluded.
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**GAO** Types of Competition, continued

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- Other than full and open competition is authorized by FAR and other federal procurement laws only under certain circumstances, for example,
    - if there is only one source,
    - if the contract is a follow-on contract, or
    - if use of a noncompetitive award is authorized by statute (e.g., sole-source awards to small, disadvantaged businesses).
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**GAO Typical Goods and Services Purchased by  
Headquarters in Fiscal Year 1996**


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<b>Type of good or service</b>	<b>Dollars in millions</b>
Information technology hardware/ office automation equipment/related services*	\$80.8
Information technology software development/ system maintenance	\$54.4
Mortgage accounting/claims processing	\$47.2
Advertising for sale of HUD properties	\$44.7
Other professional/technical services	\$41.8
Administrative management support services	\$38.9
Technical assistance to HUD funding recipients	\$20.9

Note: This is a partial list of goods and services purchased in 1996, which totaled approximately \$381 million.

\*These services and equipment are being provided under a single major contract (no. HC-14703) with Lockheed Martin Information Systems.

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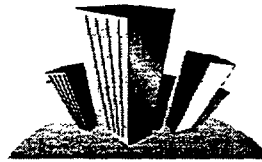
Source: Unverified data provided by HUD.

# Evolution of Field Procurement

(Prior to fiscal year 1992)  
Housing staff in each field office perform contracting



(Beginning in fiscal year 1992)  
10 Regional Contracting Divisions perform  
property disposition contracting



(Beginning in fiscal year 1996)  
3 Administrative Service Centers perform contracting for field offices in their  
geographic region

## ASC1 - New York

Staff located in:  
Boston  
New York  
Philadelphia  
Chicago  
Baltimore  
Richmond



## ASC2 - Atlanta

Staff located in:  
Atlanta  
Ft. Worth  
Oklahoma City  
Houston



## ASC3 - Denver

Staff located in:  
Kansas City  
Denver  
Seattle  
San Francisco  
Salt Lake City  
Phoenix



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**GAO** Field Procurement Databases

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- Prior to 1995, field offices used a variety of systems to track field-directed contracts (ranging from handwritten logs to automated spreadsheets).
  - In 1995, Administrative Service Centers began using the National Contract Administrative Procurement System (NCAPS).
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GAO Field Procurement Databases,  
continued

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- When NCAPS was implemented, offices entered data differently. (Some entered historical data; others only entered new contracts. In some cases, new task orders on contracts initiated prior to 1995 were not entered.)
  - NCAPS is so unreliable that it contains no reportable data.
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GAO Field Procurement Databases,  
continued

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- NCAPS is a transitional system that was replaced during fiscal year 1997 by the HUD Procurement System.

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**GAO** Program Information Systems That Contain  
Some Contracting Data

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- Numerous property management and accounting information systems contain pieces of contracting data, including:
    - Single-family housing's property management and accounting information system.
    - Multifamily housing's property management and accounting information system.
    - The Federal Housing Administration's (FHA) budget and accounting information system.
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**GAO** Program Information Systems That Contain  
Some Contracting Data, continued

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- Data from these systems cannot be pieced together to obtain a complete picture of field contracting because they contain
    - property-specific rather than contract-specific information,
    - data from different time periods, and
    - data of variable reliability and completeness.
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**GAO** Typical Goods and Services  
Purchased by HUD Field Offices

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- Purchases related to real estate management activities, for example,
    - general maintenance and repairs;
    - roofing, plumbing, painting, and electrical work; and
    - appraisals, advertising, and real estate closing services.
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**GAO** Typical Goods and Services Purchased  
by HUD Field Offices, continued

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- Purchases related to mortgage insurance processing activities, for example,
    - appraisals and appraisal reviews;
    - mortgage credit, underwriting, and construction cost analyses; and
    - mortgage insurance endorsement processing.
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**GAO** Ginnie Mae Procurement Information  
Systems

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- As of February 3, 1997, Ginnie Mae did not have an automated system for tracking its contracts.
- An automated tracking system is currently under development and expected to be operational by July 1997.

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**GAO Summary Statistics on Ginnie Mae Contracting (as of Feb. 3, 1997)**

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- Open contracts totaled approximately \$275.3 million.\*
- Total number of current contracts was 41.
- Of the current contract dollars, 99 percent were awarded using full and open competition.

\*Total value of open contracts includes prior- and future-year obligations.

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Source: Unverified data provided by Ginnie Mae.



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**GAO Typical Goods and Services Purchased by  
Ginnie Mae (as of Feb. 1997)**

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<b>Type of good or service</b>	<b>Dollars in millions</b>
Central paying, factor collection, Real Estate Mortgage Investment Conduit	\$71.3
Issuer monitoring and monthly accounting	\$50.1
Master servicer for manufactured, multifamily, and single family housing	\$26.1
Legal services	\$25.7
Pool processing, certification, and transfer agent	\$24.1
Financial assistance tasks	\$23.9
Compliance reviews of issuers and document custodians	\$22.4
Financial advisor for multiclass securities	\$19.2
Contract audit and compliance reviews	\$5.0

Note: This is a partial list of goods and services purchased by open contracts as of February 1997. Total open contracts were valued at \$275.3 million.

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Source: Unverified data provided by Ginnie Mae.

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**GAO Summary Statistics on OFHEO  
Contracting (end of Mar. 1997)**

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- OFHEO had seven open contracts totaling approximately \$14.4 million.\*
- Three contracts were awarded competitively, three were small business set asides, and one was awarded noncompetitively.

\*Total value of open contracts includes prior- and future-year obligations.

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Source: Unverified data provided by OFHEO.

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**GAO** Typical Goods and Services Purchased  
by OFHEO (as of Mar. 1997)

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<b>Type of good or service</b>	<b>Dollars in millions</b>
ADP-related work	\$6.0
Financial simulation model	4.5
Information systems and technical examinations	1.5
Temporary personnel services	1.0
Analysis of simulated cashflows	0.7
Study of executive compensation	0.5
Credit ratings of enterprises	0.2
<b>Total</b>	<b>\$14.4</b>

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Source: Unverified data provided by OFHEO.

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**GAO How HUD Appoints Experts and Consultants**

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- HUD's Executive Personnel Management Division appoints experts and consultants for all offices.
  - Consultants provide valuable and pertinent advice based on broad administrative, professional, or technical knowledge and experience.
  - Experts have specialized education and experience enabling them to perform difficult tasks in a particular field.
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GAO How HUD Appoints Experts and  
Consultants, continued

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- Appointments are governed by federal law (5 U.S.C. section 3109) and Office of Personnel Management regulations (5 C.F.R. part 304).
  - Appointments must be temporary or intermittent.
  - Appointments may not be made
    - to positions requiring Presidential appointment (unless individual is awaiting final action on a Presidential appointment);
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**GAO** How HUD Appoints Experts and  
Consultants, continued

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- to Senior Executive Services positions;
  - to managerial or supervisory positions;
  - to perform work done by the agency's regular employees;
  - to fill in during staff shortages; or
  - in anticipation of an individual's being given a career appointment.
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**GAO** Summary Statistics on HUD's Use of Experts and Consultants

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- Between September 23, 1990, and February 15, 1997, HUD hired 53 consultants and 37 experts (typically about 10 to 12 per year).
- HUD offices used the following number of experts and consultants during this period: Housing (26), Community Planning and Development (19), Public and Indian Housing (13), Administration (7), Fair Housing and Equal Opportunity (6), Office of the Secretary (5), Planning Development and Research (5), Congressional and Intergovernmental Relations (3), all other offices (6).

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Source: Unverified data provided by Executive Personnel Management Division.

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**GAO** Summary Statistics on HUD's Use of Experts and Consultants, continued

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- About 81% of the appointments were intermittent and about 16% were full-time.\*
- The experts and consultants paid on an hourly basis (62%) averaged about \$39/hour; those paid on a daily basis (33%) averaged about \$173/day; 4% of the experts and consultants were uncompensated.
- Obligations for appointments for fiscal years 1993 to 1996 averaged about \$171,000 per fiscal year.

\*Note: These percentages do not total 100 because these data were not readily available for three experts and consultants.

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Sources: Unverified data provided by Executive Personnel Management Division and the Office of Budget.



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GAO Summary Statistics on OFHEO's Use of  
Experts and Consultants

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- Between September 23, 1990, and February 15, 1997, OFHEO hired nine experts and no consultants.
- The experts were paid on an hourly basis at an average rate of about \$81/hour.

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Source: Unverified data provided by Executive Personnel Management Division.

COMMENTS FROM THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



U. S. Department of Housing and Urban Development  
Washington, D.C. 20410-3000

APR 29 1997

OFFICE OF THE ASSISTANT SECRETARY  
FOR ADMINISTRATION

Ms. Judy A. England-Joseph  
Director, Housing and Community Development Issues  
Resources, Community and Economic Development Division  
United States General Accounting Office  
Washington, DC 20548

Dear Ms. England-Joseph:

This is in response to your letter dated April 10, 1997, which forwarded your proposed report Procurement: Overview of HUD's Contracting Activities (GAO/RCED-97-132R) for review and comment prior to its release. Our comments are enclosed.

We appreciate the opportunity to comment and you can expect our full cooperation on any further audit work that you deem appropriate.

Please direct any questions concerning these comments to me on (202) 708-1290.

Sincerely,

Craig E. Durkin  
Director  
Office of Procurement and Contracts

Enclosure

HUD Comments on Draft GAO Report "Procurement: Overview of HUD's Contracting Activities (GAO/RCED-97-132R).

Transmittal Letter

1. The characterization of NCAPS data as "incomplete and unreliable" should be tempered by the recognition that it was a transitional system designed in 90 days. Its purpose was to provide the newly created Administrative Service Centers (ASCs) a means to track their contract workload with a common set of data fields and definitions. System edits were minimal in recognition that NCAPS was an incremental step towards ONE system that would contain Headquarters and Field contract data, contain all required data fields and necessary edits (e.g., those established by the Federal Procurement Data System), as well as provide links to program customers and HUD's core accounting system. The new HUD Procurement System (HPS) is now operational for OPC and the three ASC Contracting Divisions. This comment also applies to the slides describing "Field Procurement Databases", pages 27 through 29. See comment 1.  
See comment 2.

Slides

1. The pie charts on page 22 ("Type of Competition Used") may lead to the distorted conclusion that HUD used non-competitive means to contract for 29 percent of its new contracts and 22.7 percent of its task orders. More accurately, 24.3 percent (new contracts) and 18.2 (task orders) were awarded via the SBA-8(a) program, a category viewed as "not available for competition". (This reporting convention was established by the Office of Federal Procurement Policy when agencies were required to file an "Annual Report on Competition" pursuant to the Competition in Contracting Act of 1984. That reporting requirement was eliminated by the Federal Acquisition Streamlining Act of 1994. NOTE: HUD's average performance documented in the reports filed from FY 1991 through 1994 was: ACTIONS COMPETED = 94.25%; DOLLARS COMPETED = 95.75%; EXCLUSIONS = 103 actions obligating \$134 million. These reports are available for review in the Office of Procurement and Contracts.) See comment 3.

Executive agency use of the 8(a) program is authorized by statute (the Small Business Act) and the FAR doesn't require a written justification outlining the rationale for not using competitive procedures. From your pie charts, only 4.7 percent (new contracts) and 4.5 percent (task orders) were awarded based on a required written justification for using "Other than Full and Open Competition" procedures. That is a more accurate portrayal of HUD's competitive contracting performance.

2. Similar to the comments immediately above, the slide on page 24 should indicate that the instances used by HUD to award contract actions using the 8(a) program are "not available for competition". When the 8(a) program is used, the FAR doesn't require competition for acquisitions of services if the anticipated contract award price is not expected to exceed \$3 million. Further, SBA treats this threshold as a requirement, i.e., they do not want 8(a) firms to incur bid and proposal costs for acquisitions under the \$3 million threshold and generally will not accept agency offers to conduct an 8(a) competition below that amount. See comment
3. The slides on pages 27 through 29 concerning "Field Procurement Databases" should be revised to deal with the comments made above concerning the transmittal letter and its discussion of the NCAPS system. NCAPS was designed quickly to meet a pressing need for a Field-only procurement tracking system because there was no existing system. The lack of an existing system was due to a variety of factors that HUD has successfully addressed. Originally, Field contracting in support of FHA's Real Estate Owned (REO) programs was performed by Housing program staff as a collateral duty. During that time, REO contract actions were recorded in the SAMS (single family) and PMS (multifamily) systems which are referenced on the charts on pages 30 and 31. These systems have a property management focus. They were never intended as contract reporting, tracking or management systems (like the OPC MIS, NCAPS or now, HPS). The transfer of the contracting function to a full-time staff of contracting professionals closed a long-standing finding of material weakness (Federal Managers Financial Integrity Act). Once realigned, Field and Headquarters procurement managers worked together to develop a short-term (NCAPS) and long-term (HPS) plan to address HUD's procurement information needs. See comment 1

That plan resulted in the development and implementation of NCAPS within 90 days. NCAPS was an intentional short-term, limited use system (internal procurement tracking and workload management) that would be discarded once the new, single, client-server system (HPS) was developed. While the GAO report is accurate in characterizing the flaws in NCAPS data, it leaves the impression that NCAPS was supposed to address the flaws, which it was not. NCAPS was never intended to have the kinds of edits and controls that GAO would expect to find in a Department-wide procurement management system. HPS does have those features and is now operational in Headquarters and the Field.

4. The charts characterizing the single family and multifamily property management and accounting information systems on pages 30 and 31 imply that these systems (SAMS and PMS, respectively) are contract management systems that are flawed. This is not the case (see comment 4. above). These systems fulfill their intended function-- to track properties in the FHA inventory and their associated costs. They do not contain contract management information, although various "workarounds" have been used over the years to derive or estimate Field contract data because it could not be obtained through any other means. See comment 4.
5. A clarifying comment should be added to the asterisked footnote at the bottom of page 35, as follows:

"Total payments to GNMA contractors averages \$38 million per year."

The following are GAO's comments on the Department of Housing and Urban Development's letter, which was forwarded on April 29, 1997.

### GAO'S COMMENTS

1. HUD acknowledges that our characterization of the data provided from the National Contract Administrative Procurement System (NCAPS) as "incomplete and unreliable" is accurate but states that the system was never intended to have the kinds of edits and controls that GAO would expect to find in a Department-wide procurement management system. Instead, HUD notes that the system was intended to be a transitional system and that it was recently replaced by the HUD procurement system, a system containing both headquarters and field contract data. Our report recognized NCAPS' transitional nature. However, the system's limitations continued to leave the agency in a position of not having reliable information on field procurement activities.
2. HUD states that the new procurement system is now operational in headquarters and the field. However, field contracting officials told us that as of the end of April 1997 they were still resolving problems that arose when NCAPS data were put into the system. They hoped these problems would be resolved quickly, but until then they were not entering data on current contracts into the system.
3. To categorize the type of competition used in HUD contracting, we used the data fields contained in HUD's headquarters procurement information database (MIS/pc). HUD's award of contracts under the provisions of the Small Business Administration's 8(a) program are included in the category "authorized by statute." The data we presented were not intended to imply that HUD was making inappropriate use of noncompetitive contract awards. In fact, our report clearly notes that awards to small, disadvantaged businesses is a noncompetitive award category that is authorized by statute.
4. We disagree. Our report clearly labels the single-family and multifamily property management and accounting information systems as "program information systems that contain some contracting data." We mention them only to highlight the point that, while they contain some limited contracting data, historical information on field contracting comparable to the information available on headquarters contracting does not exist.

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