



**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

The Inspector General

Office of Inspector General
Washington, D.C. 20590

June 24, 2002

The Honorable Elaine Kaplan
Special Counsel
U.S. Office of Special Counsel
1730 M Street, NW, Suite 300
Washington, DC 20036-4505

Dear Ms. Kaplan:

This is in response to your letter to the Secretary of Transportation of September 12, 2001 (OSC File No. DI-00-2321), concerning allegations of Federal Aviation Administration (FAA) contracting improprieties, which were communicated to your office by David Lantzy, a current FAA employee. The Secretary delegated responsibility to our office for responding to your inquiry. A copy of your correspondence is enclosed for your reference. Presented herein are the results of our investigation of the predicate allegations.

Background

On June 8, 2000, Mr. Lantzy was notified by his management that he was being reassigned from his position as Deputy Program Director for Telecommunications, Airway Facilities, National Airspace System (NAS), based on a financial conflict of interest implicated by his ownership of stock in certain telecommunication firms. The reassignment did not result in a reduction in grade or pay.¹

At the time of his reassignment, Mr. Lantzy served as team leader for FAA's Telecommunications Integrated Product Team (TIPT), comprised of representatives from both within and outside FAA's Telecommunications Division, which determines the requirements and scope of telecommunications procurements, and executes contracts upon award. The TIPT established the scope and requirements for FAA's Telecommunications Support Contract (FTSC)—a five-year procurement with a value up to \$100 million—to provide wide-ranging contract staff support for FAA telecommunications applications. The scope of the FTSC provided flexible means by which work could be added as requirements were identified.

¹ Mr. Lantzy is presently an FAA pay band "K" employee with an annual salary of \$116,000, assigned as Special Assistant, National Airspace System Operations Program.

Mr. Lantzy served as the designated source selection official for the award of the FTSC, and was a member of the FTSC Evaluation Team, which reviewed contract bids and made recommendations for the contractor to be awarded the FTSC. In April 1999, FAA awarded the FTSC to Stanford Telecommunications, Inc. (STel), at the time classified as a Small Business. Shortly thereafter, the TIPT decided that it was advantageous to the Government to transition certain existing telecommunications contract work, including that being performed by Universal Systems & Technology, Inc. (UNITECH), to the FTSC through a consolidation process known as "bundling."² The TIPT's decision posed a substantial loss of work for UNITECH—a Small Disadvantaged Business at that time—beginning in December 1999.

UNITECH subsequently complained to FAA and Congress that the TIPT's consolidation of contract work into the FTSC violated the Government's policies for promoting and assisting small and disadvantaged businesses. FAA's Associate Administrator for Acquisition ultimately agreed with UNITECH's position and, on June 6, 2000, entered into an agreement with the firm whereby its contract services were continued.

On June 13, 2000, Mr. Lantzy contacted our office alleging that FAA improperly awarded the above-referenced work to UNITECH, and he subsequently filed a whistleblower complaint with OSC on August 15, 2000, asserting that his reassignment was in reprisal for raising his allegations to OIG. OSC determined that Mr. Lantzy's complaint did not meet its criteria for reprisal investigation because the complaint he registered with OIG about contracting improprieties was subsequent to the June 8, 2000, notification of reassignment he received (i.e., the alleged reprisal). Accordingly, OSC referred the underlying issues of FAA contract improprieties to the Secretary on September 12, 2001.

Although OSC did not investigate Mr. Lantzy's allegation of reprisal, we reviewed the circumstances associated with his reassignment. We found that the telecommunications stock ownership issue initially arose in February 1998, when FAA's Associate Chief Counsel for Ethics formerly cautioned Mr. Lantzy that his telecommunications stock holdings posed a potential conflict based on his involvement in telecommunications procurement matters. The potential conflict of interest issue resurfaced in late 1999, after Mr. Lantzy acquired additional telecommunications stock. The Associate Chief Counsel determined that Mr. Lantzy had not been responsive in addressing and resolving the potential conflicts of interest. Consequently, the Associate Chief Counsel advised Mr. Lantzy's management that they should examine the appropriateness of his continued assignment in a procurement-related capacity. This review, headed by Robert Long, Deputy Director

² Bundling may produce cost savings resultant of fewer contract support services required, less coordination and no duplication of contractor staff, lower contract fees, less time required when working with only one prime contractor, and fewer contract and management staff required.

of FAA's Airway Facilities Directorate, resulted in Mr. Lantzy's reassignment in June 2000.

As additional background, on February 21, 2001, Mr. Lantzy filed an Equal Employment Opportunity (EEO) complaint with the Departmental Office of Civil Rights (DOCR).³ Further, following OSC's determination, Mr. Lantzy filed a complaint with the Merit Systems Protection Board (MSPB) on April 25, 2001, seeking to overturn FAA's personnel action in reassigning him on the grounds that it was taken as a reprisal for whistleblowing, and thus constituted a prohibited personnel action.⁴

Summary of Findings

In brief, our investigation did not substantiate the allegations of contracting improprieties. We found that in retaining UNITECH's services, FAA acted to remedy an improper bundling of work under the FTSC, which FAA officials determined did not comply with the Small Business Act.⁵ Specifically, the TIPT had directed the bundling without obtaining the necessary consent of FAA's approval authority, the Associate Administrator for Research and Acquisition. Moreover, we found no evidence that the TIPT, in advance of the bundling action, conducted a proper market research analysis—to include estimated cost savings—which is explicitly required by the Small Business Act.

We interviewed Steven Zaidman, the Associate Administrator for Research and Acquisitions, and Inez Williams, FAA's Small Business Utilization Officer, who related that they were unaware of the TIPT's bundling action until UNITECH registered its objections. After reviewing the bundling, Mr. Zaidman and Ms. Williams determined—in light of the non-compliance with the Small Business Act—that it was not merited and, consequently, Mr. Zaidman directed that it be reversed.

Based on our investigation, which included researching the Small Business Act, we concluded that FAA's actions to reverse the TIPT's bundling were appropriate and reasonable. Partly resultant of this improper bundling, FAA established a formal contract bundling policy in November 2000, specifically incorporating elements of the Small Business Act.

³ DOCR Case 2-01-2064 was closed on 5/22/02. DOCR's investigation found no discrimination in Mr. Lantzy's reassignment by FAA.

⁴ Mr. Lantzy's case remains pending before the MSPB and has involved mediation attempts with FAA.

⁵ The Small Business Act includes provisions which govern bundling actions, including bundling that precludes small business participation as prime contractors.

Methodology

During the course of our investigation, we interviewed Mr. Lantzy at length on several occasions. Further, we interviewed multiple FAA, contractor, and Small Business Administration employees. We also extensively reviewed and analyzed over 500 documents.

Details

Contracting background

The Federal Telecommunications Support Contract (FTSC)—having an estimated value up to \$100 million over five years—is utilized by FAA to provide telecommunications and engineering technical support to FAA lines of business. The FTSC replaced an existing telecommunications support contract being performed by RMS/Intellisource. The FTSC is an Indefinite Delivery – Indefinite Quantity (IDIQ) contract; that is, it is structured to provide flexible means by which future work can be added as requirements are identified. IDIQ contracts permit task orders for required work to be written against the contract throughout the life of contract without having to satisfy competition requirements.

In April 1999, FAA awarded the FTSC to Stanford Telecommunications, Inc. (STel). STel was classified as a Small Business at the time of the contract award. Subsequently, on December 15, 1999, STel was acquired by ITT, and, therefore, lost its Small Business status. However, this change in status did not impact the contractor's eligibility to continue performance on the FTSC.

At the time of the award of the FTSC to STel, FAA had two existing five-year telecommunications support contracts with UNITECH: the Telecommunications Implementation Support Services (TISS) Contract, issued in 1997; and the Broad Information Technology Services (BITS) Contract, issued in 1998. As with the FTSC, these contracts are IDIQ contracts, thus permitting the FAA to place task orders with UNITECH throughout the life of the contracts with no competition requirements.

Effect of contract bundling on UNITECH

Shortly following the award of the FTSC, the TIPT decided to transition certain existing IDIQ telecommunications contract work, including that being performed by UNITECH, to the FTSC through consolidation, known as “bundling,” thereby resulting in a substantial loss of work for UNITECH—a Small Disadvantaged Business—beginning in December 1999.

On December 2, 1999, the TIPT issued a document entitled “Consolidation of Contractor Support,” which set forth and examined recommendations for the

consolidation of work under the FTSC. Four of the ten task areas targeted for consolidation contained support services rendered by UNITECH. On December 8, 1999, UNITECH was notified that its entire TISS task order would be terminated effective December 16, 1999.

In December 1999, UNITECH complained to several Members of Congress that the consolidation of contract work into the FTSC violated the Government's policies and regulations for promoting and assisting small and disadvantaged businesses. UNITECH sought to reverse the consolidation that had already occurred, complaining that it had lost approximately 25 percent of its FAA business due to the bundling.

Small Business Act provisions concerning bundling

We interviewed Inez Williams, FAA's Small Business Utilization Officer, who reviewed the TIPT's bundling actions in early 2000. She first learned of it after UNITECH objected. Ms. Williams told us that she briefed FAA Administrator Jane Garvey and Mr. Zaidman in January 2000 that the TIPT's bundling action was not in compliance with the Small Business Act, namely because the TIPT had not obtained the prior consent of the proper approval official, Mr. Zaidman.

Mr. Zaidman affirmed to us that it is his sole responsibility to decide whether a contract should be bundled. He advised that he was not aware of the TIPT's bundling action until December 1999, when FAA received complaint correspondence from Congress and the law firm representing UNITECH. Mr. Zaidman told us that he asked the TIPT in early 2000 to provide him with its justification for bundling the contract work under the FTSC. In response, the TIPT provided Mr. Zaidman with an after-the-fact prepared estimated cost savings, which he determined—in light of the non-compliance with the Small Business Act—did not justify the bundling. Consequently, in February 2000, he disapproved the bundling.

We found no evidence that the TIPT, in advance of the bundling action, conducted a proper market research analysis—to include estimated cost savings—which is explicitly required by the Small Business Act. Market research analysis is essential in determining whether bundling is justified.

FAA's retention of UNITECH's services

In responding to UNITECH's request for a review of its complaint, FAA officials had a series of meetings with UNITECH representatives in the winter and spring of 2000. The meetings resulted in an agreement signed on June 6, 2000, which specified that the FAA would continue to utilize UNITECH's services under existing contracts in the amount of approximately \$10.5 million per year through fiscal year 2002. The figure of \$10.5 million represented the approximate amount that UNITECH was scheduled to receive before the TIPT-directed bundling of work into the FTSC.

Both Mr. Zaidman and Thomas Gassert, former Director of FAA's National Airspace System (NAS) Operations Program,⁶ stated that UNITECH had actually asked for considerably more than it received per the June 6th agreement. For example, UNITECH had requested that FAA award it at least 50 percent of FAA's new telecommunications support requirements. In his letter to the law firm representing UNITECH, dated May 9, 2000, Mr. Zaidman stated, "FAA has carefully reviewed the proposal and finds that it raises significant issues for us. We believe we have limited ability to respond to most of the proposal as it involved making future funding commitments." He stated that FAA "...will continue to work with UNITECH to identify possible future opportunities, which they may compete for, or where FAA has requirements and funding which can be legitimately added to tasks on their existing contracts."

FAA's goal was to make UNITECH "whole" again by meeting the approximate amount of contract work originally scheduled to be accomplished by UNITECH. Mr. Gassert maintained that FAA's criteria for the additional work for UNITECH specified that the work (a) would not be taken away from FTSC; (b) was not a duplication of work already being accomplished through another contract; (c) was properly budgeted; and (d) was an actual requirement for necessary work.

Establishment of FAA formal bundling policy

Ms. Williams advised that when the FAA replaced the Federal Acquisition Regulations (FAR) with its Acquisition Management System (AMS) in 1997, the agency failed to include a policy on contract bundling. She noted that although the AMS did not address the issue of contract bundling, personnel involved in contracting should have known that they were required to comply with the Small Business Act.

Ms. Williams advised us that due to this and other contract bundling issues that arose between 1997 and 1999, FAA revised the AMS in November 2000, to include an explicit policy on contract bundling that incorporates elements of the Small Business Act. The current AMS Contract Bundling Policy states:

"... if an IPT determines that contract bundling is to be used, the IPT shall so inform the Administrator and include written justification in the file (a part of the acquisition strategy plan, separate memo, etc.) outlining the need for bundling and documenting the impact on attaining the FAA socioeconomic goals. Additionally, if bundling would result in any adverse impact to achievement of the agency's socio-economic goals, . . . the bundled procurement must be approved by the FAA Acquisition Executive [presently

⁶ Mr. Gassert retired from Federal service in January 2001.

Steve Zaidman]. In addition, the IPT shall notify the local FAA Small Business Office . . .”

Additional Allegations

Mr. Lantzy alleged that on June 6, 2000, he was instructed by Mr. Gassert to issue a \$1.5 million task order to UNITECH for FTS2001 transition work. He alleged that this action was illegal because it constituted an impermissible single-source selection in violation of the AMS. We determined that the additional contract work subsequently provided to UNITECH was in the form of a task order under its existing BITS contract. Consequently, procedures prescribed in the AMS source selection policy were not applicable.

Mr. Lantzy further alleged that the \$1.5 million task order for UNITECH was a gross waste of Government funds because another contractor was already obligated under a pre-existing contract to perform the tasks that were being assigned to UNITECH. Mr. Lantzy related that in an agreement signed between the FAA and MCI WorldCom Government Markets on April 5, 2000, MCI WorldCom agreed to pay for certain FTS2001 system transition expenses, up to \$3.0 million. Our interviews with Sue Handy, Contracting Officer, FAA Office of Acquisitions, Mr. Gassert, and Suzanne Stoehr, an FAA Acquisition Telecommunications Specialist involved in this action, disclosed that the \$1.5 million task order issued to UNITECH under the BITS contract was for essential additional FTS 2001 system transition work not being accomplished by MCI WorldCom.

Mr. Lantzy also asserted that ITT lost work under the FTSC due to FAA's decision to give additional contract work to UNITECH. We interviewed John Kefaliotis, Vice President of Network & Transportation Systems, CSI Group, ITT Industries, who has served as the contractor's FTSC Program Manager since the contract was awarded. He maintained that no work was removed from the FTSC and given to UNITECH to satisfy the June 6, 2000, agreement between FAA and UNITECH.

Conclusion

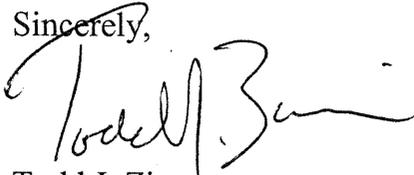
As reflected in the foregoing results of investigation, we did not substantiate the allegations of contract improprieties. While the TIPT's bundling of contract work did not adhere to requirements of the Small Business Act, its actions were not inconsistent with FAA's AMS, which at the time did not include a policy on bundling. This policy deficiency was remedied in November 2000 when the AMS was revised to include an explicit contract bundling policy incorporating elements of the Small Business Act. Accordingly, we anticipate no further action in this matter and are closing our file.

However, during the course of our investigation, subsequent to interviews with Mr. Lantzy, he filed a new complaint with us separate and apart from our investigation

of the contracting issues. Mr. Lantzy alleged that FAA abused its authority by not referring suspected violations of ethics standards to proper investigative authorities. Mr. Lantzy asserted that by handling his alleged financial conflict of interest internally and not referring the matter to our office and the Attorney General for investigation, FAA violated Office of Government Ethics regulations. We are in the process of reviewing this allegation and will respond separately to Mr. Lantzy upon completion.

If I can answer any questions or be of further assistance, please feel free to contact me at (202) 366-6767, or Charles H. Lee, Jr., Assistant Inspector General for Investigations, at (202) 366-1967.

Sincerely,

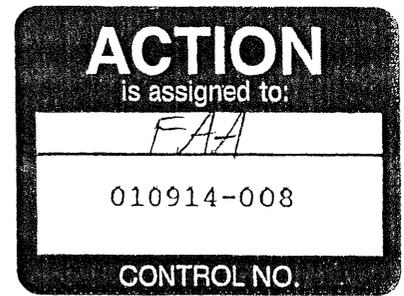
A handwritten signature in black ink, appearing to read "Todd J. Zinser". The signature is written in a cursive style with a large initial "T" and a long horizontal stroke at the end.

Todd J. Zinser
Deputy Inspector General

Enclosure



U.S. OFFICE OF SPECIAL COUNSEL
1730 M Street, N.W., Suite 300
Washington, D.C. 20036-4505



The Special Counsel

September 12, 2001

The Honorable Norman Y. Mineta
Secretary
United States Department of Transportation
400 7th Street, S.W.
Washington, D.C. 20590

Re: OSC File No. DI-00-2321

Dear Mr. Secretary:

The U.S. Office of Special Counsel is authorized by law to receive disclosures of information from federal employees alleging violations of law, rule, or regulation, gross mismanagement, gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety. 5 U.S.C. §§ 1213(a) and (b). As Special Counsel, if I find, on the basis of the information disclosed, that there is a substantial likelihood that one of these conditions exists, I am required to advise the appropriate agency head of my findings, and the agency head is required to conduct an investigation of the allegations and prepare a report. 5 U.S.C. §§ 1213(c) and (g).

For the reasons set forth below, I have concluded that there is a substantial likelihood that information provided to the Office of Special Counsel by Mr. David Lantzy, Special Assistant to the Director of National Airspace System (NAS) Operations, discloses violations of law, rule or regulation and a gross waste of funds arising out of actions by officials at the Federal Aviation Administration (FAA), Airway Facilities Service (AAF) in Washington, D.C. Accordingly, I am referring this information to you for an investigation of the allegations described below and a report of your findings within 60 days of your receipt of this letter.

The Information Disclosed

As noted, the relevant information was provided to the Office of Special Counsel by Mr. David Lantzy, Special Assistant to the Director of National Airspace System (NAS) Operations, who has consented to the release of his name. Mr. Lantzy has been employed by the FAA for over 26 years. He has worked in the area of FAA telecommunications contracts for approximately seven years.

The Honorable Norman Y. Mineta
Page 2

Mr. Lantzy alleges that on June 6, 2000, he was instructed by his then-supervisor Thomas Gassert, Program Director of NAS Operations, to award a contract valued at \$1.5 million to FAA contractor Universal Systems & Technology, Inc. (UNITECH) for unspecified work. Mr. Lantzy contends that, rather than noncompetitively awarding the contract to UNITECH, the agency should have allowed several different contractors to compete for the award. He states that the agency's decision to bypass the competitive process by noncompetitively awarding the contract to UNITECH constituted an impermissible single-source selection, in violation of the FAA Acquisition Management System. He further maintains that the \$1.5 million awarded to UNITECH was a gross waste of funds because another contractor was already obligated under a pre-existing contract to perform the tasks assigned to UNITECH.

The background of Mr. Lantzy's allegations is as follows:

In November 1998, the FAA Telecommunications staff determined that the agency could significantly reduce costs by bundling its many telecommunications support contracts into one consolidated contract, labeled the FAA Telecommunications Support Contract (FTSC). The total cost of the FTSC is limited to \$100 million over five years. From among the five companies who submitted offers, the integrated product team recommended Stanford Telecommunications, Inc. (Stanford) to receive the award. Mr. Lantzy, as the source selection official, made the final decision to award the FTSC to Stanford based on its "superior technical rating and reasonable cost." At the time the contract was awarded, in May 1999, Stanford was a small business. Subsequently, in December 1999, Stanford was purchased by ITT Industries (ITT).

UNITECH, a small, minority-owned business, was among the four unsuccessful bidders for the contract. In Fiscal Years (FY) 1994 through 1999, UNITECH provided telecommunications services to the FAA under annual contracts. Beginning in FY 2000, a significant portion of the services previously performed by UNITECH were consolidated under the FTSC. Consequently, many of UNITECH's duties were scheduled to be phased out in December 1999 and January 2000, during which time ITT was gradually to assume all facets of the FTSC. In a letter to FAA management dated December 14, 1999, UNITECH protested the award of the FTSC to ITT, arguing that the decision was "possibly unlawful" as it prejudiced the interests of small disadvantaged businesses, such as UNITECH. In addition, UNITECH requested that the FAA award "a significant portion (at least 50%) of FAA's new telecommunications support requirements to UNITECH."

On December 22, 1999, UNITECH's attorneys and representatives met with FAA officials to discuss the issues raised in the December 14, 1999 letter. Mr. Lantzy

The Honorable Norman Y. Mineta
Page 3

states that he was excluded from this meeting and subsequent meetings with UNITECH. In a letter dated December 23, 1999, Steve Zaidman, Associate Administrator for Research and Acquisition, reassured UNITECH that "the FAA will take no action to reduce UNITECH's current level of telecommunications contract support to the agency," pending further discussions between the parties. Mr. Lantzy alleges that Mr. Zaidman then instructed him to halt the transition of UNITECH's work to ITT.

FAA executive management held several other meetings with UNITECH's attorneys and representatives during the months of January and February 2000. Mr. Lantzy alleges that David Tuttle, former senior executive in charge of FAA telecommunications, attended one of the meetings as a representative of UNITECH.

In February 2000, FAA management directed Mr. Lantzy to find additional work for UNITECH for the purpose of maintaining UNITECH's funding level at \$10.5 million. The amount of \$10.5 million is the approximate amount UNITECH would most likely have been awarded in FAA contracts during FY 2000, if the FAA had not decided to consolidate under the FTSC a significant portion of the work previously performed by UNITECH.

Mr. Lantzy states that on June 6, 2000, he was directed by his then-supervisor Thomas Gassert, Program Director of NAS Operations, to award a \$1.5 million contract to UNITECH for unspecified work. Mr. Lantzy refused to comply with Mr. Gassert's instructions, explaining that he believed the agency was attempting to bypass applicable contracting procedures.

Mr. Lantzy alleges that, notwithstanding his objections, the FAA awarded the \$1.5 million contract to UNITECH to perform services to assist the agency in its transition from the AT&T FTS2000 Bridge Contract to the new MCI WorldCom, Inc. (MCI) FTS2001 Contract. He contends that this award constituted an impermissible "sole-source task order" because it circumvented the competitive bidding process set forth by the FAA Acquisition Management System (AMS).

Specifically, he alleges that the contract should have been competed in accordance with FAA policy articulated at section 3.2.2.2 of the AMS. He asserts that single-source selection was not appropriate because a single-source justification, as required by section 3.2.2.4, was not present. Furthermore, even if single-source selection had been appropriate under the circumstances, the agency nevertheless failed to file the necessary documentation and neglected to follow the proper procedures for single-source selection, as outlined in sections 3.2.1.3.8 and 3.2.2.4.

Mr. Lantzy further alleges that the \$1.5 million awarded to UNITECH was a gross waste of funds. He explains that, under a pre-existing contract dated April 5,

The Honorable Norman Y. Mineta

Page 4

2000, another contractor, MCI, was already obligated to perform the services later assigned to UNITECH. He alleges that the FAA's decision to transfer this work to UNITECH did not lower the cost of the MCI contract. Thus, according to Mr. Lantzy, this expenditure of \$1.5 million to UNITECH was wasteful, as the agency received no benefit in return.

Copies of the documentation submitted by Mr. Lantzy in support of his allegations are enclosed.

The Special Counsel's Findings

As noted above, if I find that there is a substantial likelihood that information disclosed to my Office reveals violations of law, rule or regulation or a gross waste of funds, I am required to send that information to the appropriate agency head for an investigation and report. 5 U.S.C. § 1213. Given Mr. Lantzy's apparent expertise regarding the matters he has disclosed, the detail he has provided, and his first hand knowledge of many of the incidents he has described, I have concluded that there is a substantial likelihood that he has disclosed violations of law, rule, or regulation and a gross waste of funds in the FAA.

Accordingly, I am referring this information to you for an investigation of the allegations described above and a report of your findings within 60 days of your receipt of this letter. By law, the report must be reviewed and signed by you personally. Should you decide to delegate authority to another official to review and sign the report, your delegation must be specifically stated. The requirements of the report are set forth at 5 U.S.C. §§ 1213(c) and (d). A summary of section 1213(d) is enclosed.

In the event it is not possible to report on the matter within the 60-day time limit, as the statute requires, you may request in writing an extension of time not to exceed 60 days. Please be advised that an extension of time will not be granted automatically, but only upon a showing of good cause. Accordingly, in the written request for an extension of time, please state specifically the reasons the additional time is needed.

After making the determinations required by 5 U.S.C. § 1213(e)(2), copies of the report, along with any comments on the report from the person making the disclosure and any comments or recommendations by me will be sent to the President and the appropriate oversight committees in the Senate and House of Representatives. 5 U.S.C. § 1213(e)(3).

A copy of the report and any comments will be placed in a public file in accordance with 5 U.S.C. § 1219(a).

The Honorable Norman Y. Mineta
Page 5

Please refer to our file number in any correspondence on this matter. If you need further information, please contact Catherine A. McMullen, Chief, Disclosure Unit, at (202) 653-6005. I am also available to you for any questions you may have.

Sincerely,



Elaine Kaplan

Enclosures

Requirements of 5 U.S.C. § 1213(d)

Any report required under subsection (c) shall be reviewed and signed by the head of the agency¹ and shall include:

- (1) a summary of the information with respect to which the investigation was initiated;
- (2) a description of the conduct of the investigation;
- (3) a summary of any evidence obtained from the investigation;
- (4) a listing of any violation or apparent violation of law, rule or regulation; and
- (5) a description of any action taken or planned as a result of the investigation, such as:
 - (A) changes in agency rules, regulations or practices;
 - (B) the restoration of any aggrieved employee;
 - (C) disciplinary action against any employee; and
 - (D) referral to the Attorney General of any evidence of criminal violation.

In addition, we are interested in learning of any dollar savings, or projected savings, and any management initiatives that may result from this review.

¹ Should you decide to delegate authority to another official to review and sign the report, your delegation must be specifically stated.

**Federal Aviation Administration Telecommunication Support Services Contract
Source Selection Official Briefing**

I. Introduction

This briefing summarizes the FTSC Evaluation Team's findings and recommendations for the selection of the FTSC support services contract. The selected contractor will provide technical support to the Telecommunications Integrated Product Team, (TIPT) at Headquarters and at all nine FAA Regional offices. This vehicle will replace the existing contract, DCA200-94-C-0051, which expires in August 1999. The acquisition was conducted through the W.J. Hughes Technical Center Contracts Branch, under the authority of the FAA's Acquisition Management System.

The Acquisition team was comprised of the following individuals:

WJHTC Contracting Officer	Deborah Germak, ACT-51
WJHTC Contract Specialist	Anne Marie Ternay, ACT-51
WJHTC Legal Counsel	William Sheehan, ACT-7
Source Selection Official	David Lantzy, AOP-3
Management Team	David Lantzy, AOP-3 Jay Rupp, AOP-400 Doug Kay, AOP-500 Frank Corpening, AOP-600 Deborah Germak, ACT-51
Technical Evaluation Team	Dave Joyce, AOP-400 Suzanne Stoehr, AOP-400 Stephen Keith, AOP-500 Roger Martino, AOP-500 Richard Granholm, AOP-600 Marilyn Cox, ASW-473 Nick Xidis, ZSE
Recording Secretary	Don Gladding, AOP- 400

II. Acquisition Overview

A. Phase I, Initial Screening and "Downselection."

After reviewing all available contracting options and methodologies, the TIPT determined in early 1998 that the services could be most efficiently procured through the placement of an order under a General Services Administration Federal Supply Service Contract, within the Type 70 Group, (Telecommunications Support Services). On April 14, 1998, the Team issued an Internet announcement, attachment (A), stating its intent to use the GSA schedule, and encouraging all interested firms to contact GSA if they were not already schedule contractors. As explained in attachment (B), *Justification and Approval*, this decision was founded on the fact that the GSA schedule already captured a wide array of telecom support services expertise at fixed, hourly rates. All of the key labor categories needed to fulfill FTSC requirements were already contained within the existing schedules. Further, GSA encouraged agencies to conduct "mini-competitions" among the existing vendors to ensure updated, competitive pricing. Given the existence of these schedule contracts, and the availability of further price competition, the TIPT determined that the requirement could best be met through a GSA Schedule. Accordingly, on November 17, 1998, the FAA Technical Center issued an Internet announcement calling for interested Schedule vendors to submit qualification information upon which an initial assessment could be made. Attachment (C).

The initial assessment, or *Phase I*, requested information from the vendors in the areas of: 1) Technical and Management, 2) FAA Telecommunications Requirements, 3) Personnel, 4) Contract References, and 5) Qualifications. See attachment (D), "*Downselection Plan, Phase I.*" Six offerors responded: ANSTEC, Intellisource, Logicon, SAIC, STel, and Unitech. The evaluation team reviewed the proposals, rated and ranked the vendors in accordance with the established criteria, and submitted a recommended "downselection" decision to the SSO. In the team's view, Logicon's proposal was not competitive with the others received, and thus the team recommended that the company not proceed to Phase II. The SSO reviewed the proposals and the team's findings, and concurred with its recommendation. Logicon was notified and debriefed.

B. Phase II, Establishment of Common Baseline for evaluation

Phase II commenced on January 6, 1999, with the issuance of "FTSC Phase Two Instructions" to the remaining five vendors. See attachment (E). The solicitation contemplated a fixed, hourly rate, indefinite delivery, indefinite quantity contract, and included a comprehensive Statement of Work, (SOW), divided into 14 technical task areas. The solicitation stated that three technical factors combined would be slightly more important than price. Those three factors were: 1) Qualification for major task areas, 2) Personnel/Organization, and 3) Oral presentations. The technical factors were considered to be of equal importance. Ratings would be assigned, along with narrative explanations, for each vendor under each factor. Those ratings were: "Excellent," "Good," "Satisfactory," "Marginal," and "Poor." Attachment (F), the *Phase II Selection Plan*, contained definitions of those ratings for the team's guidance.

For price comparison purposes, the Team developed a *Sample Pricing Matrix*, attachment (G), which projected the TIPT's best estimate of requirements in each of 14 task areas for the full five-year term of the contract. The matrix provided the total estimated manhours for each labor category, and requested the vendor's best labor rates for both *government site* and *contractor site*. Vendors were to submit fully burdened rates that included all direct labor, indirect costs, and profit. The only items permitted to be direct charged to the contract were government-directed travel & training, and special task-related requirements that would be reimbursed on a case by case basis. The purpose of the pricing matrix was to ensure a common baseline among the vendors for evaluation purposes, such that each company would price its proposal to the same mix of labor categories and hours.

The solicitation requested government and contractor site rates because the TIPT wanted to maintain as much flexibility as possible in deciding how many of the vendors' personnel could be accommodated in federal office space. The Team's best estimate is that none of the Washington, DC area personnel could be accommodated, but that most of those in the Regional offices could be. Accordingly, the team used that assumption for price analysis purposes: tasks 1 through 13 would be contractor site, task 14 would be government site. Additionally, vendors were requested to identify any rate "escalation" in their hourly rates for years 2 through 5. Under the existing GSA schedule contracts, escalation was to be determined through a yearly inflation factor adjustment; for purposes of this acquisition however, the team wanted the escalation quantified and fixed at time of award.

A preproposal conference was conducted on January 12, which all five vendors attended. The TIPT discussed various aspects of the acquisition and the program, and invited questions. The team answered as many questions as possible, and on January 15, Amendment 1 was issued with the government's answers to those questions, along with some refinements to the SOW and pricing matrix. Amendment 1 also set dates for the oral presentations. See attachment (H).

The five vendors submitted their technical and price proposals on January 25, and the technical team was assembled and sequestered off-site to concentrate on the evaluation. In the first week of February, after initial review, the evaluators reported back to the Contracting Officer that there were several *pricing* issues and inconsistencies apparent among the proposals that hindered fair comparison. The problems were:

- Several vendors failed to comply with the instructions and did not include all expenses within their burdened rates. For example, Anstec indicated that facilities would be direct charged. Intellisource's price proposal contained footnotes and references indicating that significant management personnel

costs and some facilities costs would be *direct charged*. For example, the introduction to Intellisource's price proposal stated that "all incurred costs, with the exception of fringe benefits, overhead, and G&A expense will be a direct charge to this contract. Therefore, there is no difference between the onsite and offsite rates." This statement alerted the team that there were substantial, unidentified costs in addition to the burdened hourly rates that Intellisource was offering.

- STel noted that there was a standard 1% Industrial Funding Fee charged by GSA under these schedule contracts, and that the fee was not included in its rates. It was not clear which of the other vendors, if any, included that fee, and thus the team wanted to equalize this for evaluation purposes. STel also provided only contractor site rates, and noted that there would be reductions for government site rates.
- Several vendors, including Unitech, proposed handling the indirect expenses of travel, training, and government furnished material in various ways. Since the team expected that there would be travel, training, and GFE in the performance of this contract, it concluded that the vendors needed guidance as to the amount and proper charging methodology.

To address these pricing concerns, on February 8, the contracting officer issued clarifications to all vendors. See attachment (I). Estimates were provided for travel, training, and material handling, and offerors were instructed to include the GSA 1% Industrial Funding Fee in their rates. Further, all offerors were requested to adhere to the pricing matrix and advised that there should be no direct charging of personnel beyond the hours and categories specified in the matrix. The clarification further specified that all management hours beyond those provided for in the matrix were to be built into the vendors' overhead. The overall purpose of these clarifications was to create uniformity in pricing to ensure a common baseline for price evaluation purposes. Revised price proposals were requested by February 16.

While the vendors were preparing submissions in response to the *pricing* clarifications, the evaluation team reported two *technical* issues to the C.O. that had just come to light. The first involved an inconsistency between the technical and pricing proposals of the several vendors. STel and Unitech had submitted staffing plans in their *technical* proposal that exceeded the estimated manhours provided in the *pricing* matrix. Conversely, SAIC proposed significantly fewer personnel than shown in the matrix. While the team had initially encouraged the vendors to staff their technical proposals as they deemed appropriate, it now had a concern that these two companies might gain a competitive advantage through a technical proposal that relied upon more personnel than were indicated in their price proposals. For purposes of maintaining a common evaluation baseline, the team decided to request all companies to confine the staffing of their technical proposals to labor categories and hours shown in the pricing matrix.

The second problem was that all of the vendors had proposed at least one key personnel resume which, on initial review, failed to meet the specific educational and/or experience requirements in the SOW. The team's concern was that, while several offerors appeared highly capable overall, everyone was deficient in at least one aspect of the Key Personnel requirements.

These issues were addressed through Amendment #2, issued on February 17. See attachment (J). Amendment #2 asked all offerors to adhere to the specific labor hours spelled out in the pricing matrix for *technical*, as well as for *pricing* purposes. The Amendment also waived the minimum educational and experience requirements from the SOW *for evaluation purposes only*. The rationale for the waiver was the team's belief that the companies had already demonstrated competencies and capabilities indicating the ability to attract and retain appropriate talent; the deviations in most cases were minor. There was no need to declare everyone "technically unacceptable" or to ask for revised technical proposals because of this issue. Vendors were requested to submit any necessary changes by February 24. Only Intellisource made changes in response to the amendment by substituting a new task lead for Task #8. Attachment (K) is a matrix showing the team's review of all key personnel and identifying those individuals who do not meet the stated requirements.

The following day, one vendor posed several questions concerning the intent of Amendment #2. SAIC requested clarification whether all educational and experience requirements were being waived, and whether this could be construed as an opportunity to revise all pricing based on relaxed technical

requirements. To address these points, the Contracting Officer issued a clarification on February 22. She explained that the waiver was for *evaluation purposes only*, and that the education and experience requirements would be enforced in contract performance. As such, it should *not* be viewed as an opportunity to completely revise proposals. See attachments (L) and (M).

Meanwhile, oral presentations were conducted at the vendors' sites from February 9 through 11. The team incorporated its evaluation of those presentations into the ongoing evaluation of the written proposals. On February 16, the revised pricing proposals were submitted and the team began reviewing these in light of the technical proposals. After several days, it was apparent that two final *pricing* issues existed which had to be addressed before an award recommendation could be made. First, at least one price proposal *still* did not contain completely burdened rates, and secondly, another vendor pointed out an ambiguity between the SOW and the pricing matrix that might preclude a common baseline for evaluation purposes.

The first concern stemmed from Intellisource's revised price proposal. Page five contained a matrix entitled "Cost Items and Method of Reimbursement." The matrix listed all possible contract costs and noted which ones would be direct charged. Two particular items on this list gave the team concern: 1) "Program management Costs and Staff," and 2) "Task Management related Expenses and Staff." These notations, along with supporting footnotes on the bottom of the same page, strongly implied that there were still major costs that were *not* included within the proposed rates. In other words, it appeared that Intellisource's revised *pricing* was still unrealistically low by a significant amount when compared to its technical proposal and the other price proposals. See attachment (N). The team's concern was that Intellisource's proposal, upon which its technical score was based, did not accurately reflect the total costs of performance. There appeared to be additional direct charging of management personnel beyond the baseline established for all offerors that needed to be identified and quantified.

The second pricing concern was identified by STel. In essence, the company noted that while the *pricing matrix* did not specify which labor categories and hours would be contractor or government site, the SOW implied certain assumptions. Specifically, Section 3.0 of the SOW stated the government's best estimate that Tasks 1 – 13, which would be largely performed in the Washington DC area, would be *contractor site*, whereas Task 14 would be largely field efforts at *government sites*. The problem was that the pricing matrix made no such distinction or reference to the SOW on this issue. STel noted that it had opted to *assume* the ratio mentioned in the SOW, but that by doing so, it may have overstated its costs for Tasks 1 – 13, or understated them for 14, depending on what the government actually requires. See attachment (O) at page 4. From the team's perspective, the larger problem was that, since no other firm identified its assumptions on this point, further clarification was needed to maintain a common evaluation baseline.

To correct the problem, on February 24, the contracting officer submitted the questions contained in attachment (P) to the vendors. Intellisource was requested to identify specifically the type and amount of any costs it intended to direct charge. Further, all vendors were requested to confirm that their pricing proposals were in line with the common assumption that Tasks 1 – 13 would be contractor site, and Task 14, government site.

These questions were addressed with each of the vendors in teleconferences held on February 25. All companies acknowledged that they understood the contractor site/government site ratio from the SOW would be used for pricing evaluation. With respect to Intellisource, the team asked several specific questions. For example, referring to the organization chart provided as part of Intellisource's February 16 revised proposal, the team questioned how Ms. Sheila Robinson, Dr. Jaw Chou, and eleven regional managers would be charged. The response was that these individuals would be direct charged, "if the FAA determined it needed them." See attachment (Q), "Summary of telecon issues with Intellisource." This caused two concerns. First, it conflicted with earlier statements that all personnel costs beyond those shown in the pricing matrix were contained within the burdened rates, and second, Intellisource's technical proposal had already been evaluated on the basis that it contained those personnel. To help clarify the issue, the Contracting Officer asked Intellisource to confirm those answers in writing.

Intellisource submitted its written answers the following day, attachment (R). Those written answers, however, contained the same ambiguities that caused the initial concerns. For example, the response to

question #1 confirms that the proposal complies with the requirement to build all non direct-charged personnel into their burdened rates. In response to specific question #2, however, the response was much more ambiguous: "*non key group leads... will be considered overhead and are included in our fully burdened labor rates except, as stated above, if needed and on a case by case special exception basis...*" This concern was reinforced by the response to an earlier question of how Intellisource could attract and retain key personnel at rates significantly lower than its present contract rates. The response was that "*Our pricing was based on the incumbent staff...*" This was untrue; in fact, Intellisource's technical proposal contained and was scored on the availability of numerous highly skilled individuals from its proposed team members. It was those highly skilled, and individuals with higher labor rates that would be direct charged to the contract, "if the FAA needed them."

From the team's perspective, this threatened the common baseline for evaluation purposes. The problem was that Intellisource's technical score was based, in part, on personnel who represented a contract cost above and beyond the proposed price, which would preclude a fair price-to-price comparison with the other companies. The vendor had received technical credit both in its written proposal and in its oral presentation, where, for example, Dr. Chou, and messrs. Justice, Carlock, and Richardson were considered part of the Intellisource team. In total, its technical score encompassed the employment of sixteen key personnel beyond those shown in the pricing matrix. To equalize the evaluation, either the technical score had to be recalculated without those personnel, or the price proposal had to be adjusted upward.

Since all vendors had several opportunities for price revisions, as well as several opportunities to address the relationship between technical and price, the team opted to allow Intellisource to retain its technical score. The company appeared to be insistent that any key personnel actually engaged in a task order would be direct charged, thus, the team concluded the better approach was to make a notation concerning price. While an exact estimate is difficult, it is clear that Intellisource's technical rating is based in part on several senior labor categories, whose direct labor would be additional to the proposed price, "*if we need them.*" Thus, in any price/technical comparison with the other companies, it should be noted that Intellisource's actual price is higher than that proposed. As discussed below, however, even allowing Intellisource to retain its technical score at the proposed pricing does not affect the rating or ranking of vendors.

On March 5, Anstec submitted an unsolicited revision to its pricing proposal that lowered its evaluated price by nearly \$10M, from \$102.5 M to \$92.9M. Although the revision did not identify any changes in Anstec's technical proposal, the evaluation team had some concerns that such a large price reduction would negatively impact the company's ability to perform as proposed. However, for purposes of the comparison below, the team has used Anstec's revised price. As noted, even with the \$10M reduction, the technical differences between Anstec and STel are dramatic.

There are several final pricing issues that pertain to all vendors and thus would not affect a common baseline comparison. For example, STEL noted in its initial proposal that the proposed labor rates were based on the FAA's projected number of hours over the term of the contract, and that a significant shortfall in those hours might give rise to an increase. In the team's view, this is a concern common to all vendors under a competitive, fixed hourly rate contract, and we would expect a request for equitable adjustment from any contractor if contract usage is severely curtailed. However, the team fully expects that contract usage will meet or exceed the projected hours, and thus the fixed rates proposed are appropriate for evaluation purposes.

Additionally, it should be noted that several of the vendors proposed incentive discounts in their pricing proposals which would result in the government and contractor sharing in any savings which derived from greater efficiency. While these schemes are innovative and responsive to the TIPT's request, the projected discounts were not considered for evaluation purposes. Since neither the team nor the vendors can project actual contract performance with certainty, the fairest comparison for award purposes is based solely on the actual proposed prices.

A final aspect of price comparison should be noted. SAIC's pricing proposal contained various discounts, ranging up to 16.25%, dependent on the dollar value of tasks issued per year under the resulting contract. While the TIPT does not and cannot commit to the size and frequency of task orders, we assumed the

discount most favorable to the company for the comparison below. It should be noted, however, that absent those discounts, SAIC's price would be substantially higher.

III. Evaluation, Analysis, and Recommendation

A. Technical Evaluation

By March 4, the TIPT had addressed all outstanding issues and reviewed vendor input, such that a common baseline evaluation could be made. Technical and price proposals were complete and consistent to the point where the relative merits of each could be compared. The results were as follows:

Vendor	Factor 1	Factor 2	Factor 3	Cumulative Tech Score	Evaluated Price
		<i>Good</i>			
ANSTEC	Marginal	Satisfactory	Satisfactory	Satisfactory	\$ 92.9M *
Intellisource	Satisfactory	Marginal	Satisfactory	Satisfactory	\$ 86.2M *
SAIC	Satisfactory	Satisfactory	Satisfactory	Satisfactory	\$ 96.3M *
STel	Satisfactory	Good	Excellent	Good	\$ 93.1M
Unitech	Satisfactory	Satisfactory	Satisfactory	Satisfactory	\$ 89.1M

Technical Evaluation, attachment (S). Note: the *evaluated* prices shown here reflect Tasks 1-13 Contractor site, Task 14 Government site, as discussed above. * Note discussions above concerning the pricing of ANSTEC, Intellisource, and SAIC.

As noted, STel is clearly the highest technically rated offeror under the stated solicitation criteria, and ~~third~~ ^{fourth} lowest in evaluated price. The team found distinct, qualitative technical differences between STel and the other vendors in every technical factor. For example, in Factor 1, *Qualification for Major Task Areas*, four of the five companies scored "Satisfactory" overall, yet the team noted qualitative distinctions within that factor. STel's proposal was considered to be in the high end of the range, achieving a "Good" score in seven of the 14 task areas, Unitech achieved four "Goods," while Intellisource, Anstec and SAIC each attained "Good" scores in only one task area. In factors two and three, STel truly distinguished itself, achieving overall scores of "Good" and "Excellent," which placed it far above the other vendors in those factors. In terms of technical ranking, the team determined that STel is followed at some distance by Unitech, then at a greater distance by SAIC, Intellisource, and ANSTEC. See attachment (T).

This assessment is further supported by the past performance references which were considered under Factor 1. STEL provided several references, each of whom was contacted. Without exception, those references provided outstanding reviews of STel's performance under similar contracts. Most importantly, each reference emphasized that STel was proficient at finding ways to save costs by innovating, reducing unnecessary and redundant efforts, and generally designing better approaches to problem solving. While each vendor had positive references, STel's exceeded the others in terms of overall customer satisfaction. See discussion under Factor #1 in the technical evaluation. Attachment (S).

B. Price Evaluation

As discussed above, several assumptions were necessary in the price analysis. First and foremost, the team needed to ensure that the fixed, burdened rates from each offeror included the same elements of indirect cost. With the exceptions discussed above, the team believes that the proposed burdened rates include all appropriate indirect costs, and that no company has any remaining direct charges that would undermine an equal comparison.

Secondly, the pricing matrix, attachment (G), has been used for calculating total price on a common basis.¹ The prices reflect a total of 1,594,520 labor hours of effort, or 166 manyears, per year, on average, in the

¹ With the exception of Intellisources' proposal, discussed above.

specified labor categories for each contractor. As the matrix represents the team's best estimate of actual usage, we believe that the total price derived therefrom is an accurate projection of total program costs.

Finally, in accordance with the contracting officer's clarifications of February 25, the team used contractor site rates for Tasks 1 – 13, and government site rates for Task 14. Again, since this ratio represents our best estimate of usage, the total evaluated program cost is accurate.

As shown in the matrix above, when all of these adjustments were made, the evaluated prices for the five offerors ranged from \$96.3 M to \$86.2M, or an 11% deviation from highest to lowest.² We believe that the range presented here indicates that the vendors generally understood the nature and extent of the work, and further demonstrates good, competitive pricing. This is reinforced by ANSTEC's unsolicited price decrease of March 5 which brought the company into the middle of the existing price range, in line with the other vendors.

C. Price/Technical Trade-off

The solicitation made abundantly clear that this is a "best value" acquisition in which the combined technical factors were slightly more important than price. Since STel was the highest technically rated vendor by a significant margin, the team compared the relative merits of STel's proposal against the three firms with lower evaluated prices. Intellisource was *evaluated*³ at \$86.2M, but scored significantly lower in all technical factors. The team believes that, given the SIR's emphasis on technical superiority over price, the qualitative differences between the two companies fully justify paying an 8% premium for STel over Intellisource.

Unitech achieved a higher overall technical score than Intellisource, but was still demonstrably lower than STel. Unitech scored only "Satisfactory" in factors #2 and #3, compared with STel's "Good" and "Excellent." At the same time, STel's evaluated price represents only a 4.5% premium over Unitech's. Under the stated evaluation scheme, the team believes that the technical advantages of STel are real, qualitative, and fully justify the evaluated price premium. This was exemplified in the oral presentations, where STel's responses convinced the team that the company had the unique expertise and background to reevaluate the entire telecom program and recommend significant structural changes that would bring substantial, long-term savings. With respect to Anstec, the company's revised price places it about \$200,000 less than STel, but STel's technical superiority clearly justifies the difference. Given the technical superiority, innovation, and expertise represented by the STel proposal, the team believes that award to that company will ultimately save the TIPT money over all of the other vendors.

Finally, although the SIR reserved the right to make multiple awards, the team believes that it is neither necessary nor appropriate in this case. The clear technical superiority of STel, combined with its minor price premium indicates that there would be no advantage to the TIPT from a multiple award. The additional administrative burden, expense, and coordination needed for two awards cannot be justified.

D. Conclusion.

The team believes that the process described above provides an adequate basis for an award determination. Each company was already an existing GSA Schedule vendor in the Telecommunications Support Services Group. Those schedules were negotiated with GSA, and the prices are considered fair and reasonable. Our

² The total range of pricing is even less than 11% when the concerns about Intellisource's price are factored in.

³ The *evaluated* price used for this comparison does *not* include any adjustment for the price-technical discrepancy noted above. As discussed, the team believes that the true cost of Intellisource's technical proposal is significantly higher than proposed. However, the \$86.2M figure has been used here because the team believes that STel's technical superiority warrants award even at this price difference.

selection process gave them an opportunity to further discount the prices, and each company has done so, yielding a tight competitive pricing range. Technically, each vendor was given an opportunity to present and expand on its skills and expertise, both orally and in written submissions. Those presentations resulted in a range of scoring in which one vendor stood significantly above the remaining four. In the team's view, further discussions or submittals at this point would not change the relative ranking or lead to significant price reductions, but would only lead to a possible leveling of proposals. For that reason, we recommend award to Stel, a small business, at the evaluated price of \$93.1M.

Dave Joyce.....AOP 400

Richard Granholm.....AOP 600

Roger Martino.....AOP 500

Marilyn Cox.....ASW 473

Suzanne Stoehr.....AOP 400

Stephen Keith.....AOP 500



U.S. Department
of Transportation
Federal Aviation
Administration

Attachment 2
Memorandum

Subject: **ACTION:** Selection of the Contractor for FAA
Telecommunications Support (FTSC)

Date: APR 9 1999

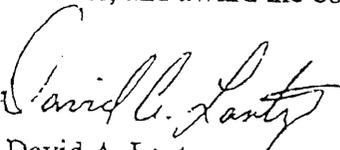
From: Telecommunications Integrated Product Team Lead,
AOP-3

Reply to
Attn. of:

To: Manager, Contracts Branch, ACT-51

As source selection official, I have examined the source evaluation plan and solicitation documents for the FTSC procurement. I have reviewed proposals submitted by ANSTEC, Inc., Intellisource Information Systems, Inc., Science Application International Corporation, (SAIC), Stanford Telecommunications, Inc., (STEL) and Universal Systems & Technology, Inc., (UNITECH), on the subject procurement. I have considered the Report of the Evaluation Team submitted to me on March 11, and their briefing to me on that date. I have also considered the supplemental information I requested on March 31, and received on April 6.

In accordance with the FAA's Acquisition Management System and FTSC source evaluation criteria, I am selecting STEL Inc., of Reston, VA, for award. My selection is based on the company having the superior technical rating and reasonable cost. Please make the appropriate Public and Congressional Affairs Release, debrief the unsuccessful offerors, and award the contract.


David A. Lantzy



**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

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Office of Inspector General
Washington, D.C. 20590

December 6, 2002

Catherine A. McMullen
Chief, Disclosure Unit
U.S. Office of Special Counsel
1730 M Street, NW, Suite 300
Washington, DC 20036-4505

Dear Ms. McMullen:

This is in response to Malia Myers' letter of October 22, 2002, to Senior Investigator Curt Vaughan of my staff regarding OSC File No. DI-00-2321, which concerns issues raised by David Lantzy, an employee of the Federal Aviation Administration (FAA). Pursuant to Mr. Vaughan's November 11, 2002, conversation with you and Ms. Myers, we are providing the following information concerning directed versus compared (competitive) task orders issued under Indefinite Delivery, Indefinite Quantity (IDIQ) contracts.

Mr. Lantzy had informed your office that, to his understanding, task orders for IDIQ contracts are awarded as either directed or compared (competitive), but that the competitive method is the preferred method. Furthermore, he expressed that the task order for the FTS 2000 - 2001 Transition work, issued to UNITECH under FAA's Broad Information Technology Services (BITS) contract, should have been awarded as a competitive task order, but rather was improperly issued as a directed task order.

BITS Contract Information, Part 1, Section C.2.1.1, delineates the prioritization criteria for awarding directed task orders and the reasons when not to utilize a competitive task order. It states that "Awards not directed (for whatever reason) will be offered to all available contractors for a task order proposal response." The section on determination of task orders principally concerns the awarding of directed task orders, and addresses competitive task orders within the context of affording the Government an option when a decision not to award a directed task order is rendered.

Suzanne Stoehr, FAA Telecommunications Specialist in Acquisitions (AOP-500) told us that tasks under IDIQ contracts are typically awarded as directed task orders.

According to Ms. Stoehr, this is the preferred method as it does not require a great amount of additional work for the Government, thereby optimizing efficiency. However, she further advised that in limited situations, when the Government desires to conduct a mini-competition between the available contractors under a specific IDIQ contract, it can solicit competitive proposals from them, evaluate those proposals, and then award a task order.

Ms. Stoehr confirmed to us that the competitive method is not the preferred or usual method to award task orders in IDIQ contracts because the additional work required for the Government in issuing competitive task orders defeats the purpose of having an IDIQ contract, since proposals must be solicited, reviewed, evaluated, and awarded in much the same manner as a new full and open competitive contract.

Ms. Stoehr informed us that she was involved in the issuance of the BITS task order in question. She confirmed that the task order was issued to UNITECH as a directed task order, and that there was no reason for the work to be awarded under a competitive task order, since UNITECH, eligible under BITS, had the previous experience required for the transition work.

We also contacted David Joyce, Acting Division Manager, FAA Business & Strategic Planning Division (AOP-900), to obtain another opinion on procedures for awarding task orders. Mr. Joyce confirmed to us that the typical method of issuing a task order in an IDIQ contract, such as the BITS contract, is to issue it as a directed task order. He remarked that a contractor receiving a directed task order had already participated in a competitive process when it was awarded the IDIQ contract.

If I can answer any questions or be of further assistance, please feel free to contact me at (202) 366-1972, or Senior Investigator Curt Vaughan at (202) 366-0928.

Sincerely,



Richard C. Beitel, Jr.
Special Agent-in-Charge
of Headquarters Operations