

MARKET RESEARCH REPORT
Defense Security Cooperation Agency (DSCA)
Security Assistance (SA) Community Audit Remediation
Blanket Purchase Agreement

PART 1

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Organization: DSCA/Office of Business Operations (OBO)/Comptroller

Report Title: Security Assistance (SA) Community Audit Remediation Project

PSC and NAICS Code: R704, Support-Management: Auditing; NAICS 541219 Other Accounting Services

Portfolio: Knowledge Based Services

Estimated Value: \$48,892,532.75

Market Research Objectives

This memorandum is in accordance with Federal Acquisition Regulations (FAR) Part 10, which describes the policies and procedures for conducting market research in order to arrive at the most suitable approach to acquiring, distributing, and supporting supplies and services. This part implements requirements of 41 U.S.C. 253a (a) (1), 41 U.S.C. and 10 U.S.C. 2377.

Service Description

The SA Community will require support from a certified public accounting firm with extensive financial audit readiness, remediation, and audit examination experience, working large and complex accounts for federal agencies to assist in the development and remediation of the SAA FIAR programs.

The purpose of this BPA is to provide a timely and cost effective method for the Security Assistance Community to obtain support from a certified public accounting firm, with extensive financial audit readiness and remediation experience working large and complex accounts for federal agencies, to assist in: (1) the development and remediation of the Security Assistance Accounts (SAA) Financial Improvement and Audit Remediation critical capabilities; (2) management of SAA audit lines of effort, and (3) development, monitoring, validating, and implementation of Corrective Action Plans; in compliance with the methodology established in the most current Office of the Under Secretary of Defense Comptroller (OUSDC), hereafter referenced as OUSDC, FIAR Guidance.

Background

The Defense Security Cooperation Agency (DSCA) oversees and administers Security Cooperation programs that support U.S. policy interests and objectives identified by the Executive Office of the President, Department of Defense (DoD), and Department of State.

The Audit Remediation support contract will assist the SA Community in reconciliation of auditable financial statements developed by DFAS; managing enduring audit remediation efforts; supporting enhancements and improvements related to the FIAR critical capabilities; managing Notice of Findings and Recommendations (NFRs) by assisting with developing, monitoring, validating, and implementing of Corrective Action Plans (CAPs); in compliance with the methodology established in the most current Office of the Under Secretary of Defense, Comptroller (OUSDC), hereafter referenced as OUSDC, FIAR Guidance.

This audit remediation support contract will strengthen transparency for our domestic customers and foreign partners' funds, promoting trust between the U.S. Government and the international community. Additionally, contract support services will allow for the assessment and control of the Security Assistance Community's mission risks while ensuring efficient and effective management of resources to protect against fraud, waste, and abuse. This PWS requires support of the SAA financial statement audit which is a "stand-alone" account, appendix to the DoD consolidated financial statements, and reported to the Department of Treasury as a significant reporting entity. SAA balances as of September 30, 2020 include Fund Balances with Treasury (FBwT) of \$42.7B with a total asset (i.e., cash proceeds from sales) of \$86.1B.

The Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994 require the annual preparation and audit of Federal agency financial statements in accordance with generally accepted accounting principles (GAAP) and generally accepted government auditing standards (GAGAS). To align with the Departments' objective, DSCA's main objective is to achieve an unmodified or "clean" audit opinion for the SAA financial statements.

The Department of Treasury has deemed the Security Assistance Accounts as a significant entity; therefore, requiring an annual audit for the Security Assistance Account. DSCA has undergone financial examinations beginning November 2019 and plans to undergo a full financial statement audit in January 2022. The SAA includes: the Foreign Military Sales (FMS) Trust Fund, the International Military Education and Training (IMET) Fund, the Foreign Military Financing (FMF) Program, the Special Defense Acquisition Fund (SDAF), the Global Security Contingency Fund (GSCF), the Foreign Military Loan Liquidating Account, the Military Debt Reduction Financing Account, the FMF Direct Loan Program, the FMF Direct Loan Financing Account, Security Assistance International Program (SAIP), and other miscellaneous accounts that contribute to the combined consolidated financial statement.

Market Research Techniques Used

The requirements of FAR 8.002 and 8.003 found the required services are NOT listed on the Procurement List maintained by the Committee for Purchase from People Who Are Blind or Severely Disabled. The services are also NOT available from any other Mandatory Sources listed in FAR 8.003 (Public Utility, Printing Services, Leased Motor Vehicles, Helium, etc.)

In accordance with FAR 8.004, Use of Other Sources, if an agency is unable to satisfy requirements for services from the mandatory sources listed in 8.002 and 8.003, agencies are encouraged to consider satisfying requirements from non-mandatory sources. A review of the non-mandatory sources found the required services are available as a commercial source on the Federal Supply Schedule. The required services will be competed on the Federal Supply Schedule IAW FAR 8.4.

Market research was conducted on November 3, 2021 by issuing a request for information (RFI) with a closing date of November 12, 2021 via GSA e-Buy and the System for Award Management (SAM) website. The intent of the RFI was to determine if a limited number of certified public accounting firms are readily available and capable to establish a *decentralized* Blanket Purchase Agreement in support of the Security Assistance (SA) Community Audit Remediation Project. The Request for Information required vendors to respond to the following:

- 1) Company name, address, point of contact name, telephone, and email address.
- 2) CAGE Code and DUNS Number.
- 3) Business size status (business size/socio-economic category must be submitted to be used).
- 4) Vendor acknowledgement and capability to provide personnel that will need to successfully pass a National Agency Check.
- 5) Documentation that addresses each of the four (4) Service Requirement Tasks/Elements detailed above.
- 6) A description of Corporate Experience & Past Performance Information for similar contracts and/or projects accomplished within the last 3 years. The description must include where, when, and for whom each similar contract and/or project was performed and a brief description of each contract and/or project, including the size, scope, dollar value, and period of performance. This information must demonstrate how the firm's recent Corporate Experience and Past Performance (last 3 years) is relevant to the DSCA Security Assistance (SA) Community Audit Remediation Project Requirement.

The requirement was determined to fall under the North American Industry Classification System (NAICS) 541211, Offices of Certified Public Accountants. Furthermore, the requirement is within the scope of the GSA Multiple Award Schedule (MAS) Professional Services – Financial Services utilizing SIN 541219 “Budget and Financial Management Services”.

Market Research Findings

The Government received responses from 12 GSA holders that responded to the RFI on November 12, 2021 indicating that they are interested in quoting and capable of performing all the critical tasks. These 12 GSA holder's RFI responses were reviewed to determine capability in performing the work under GSA/FSS and NAICS 541211 and 541219, A synopsis of the evaluation of the responses to the RFI are found below:

Vendor	Capability	Facility Clearance	Size
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)
(b)(4)	(b)(4)	(b)(4)	(b)(4)

Capability Determination—It has been determined that four (4) small businesses and four (4) large businesses met all of the requirements while one (1) small business was deemed incapable of meeting the requirement. Although, three of the small business responses did not address all of the RFI focus areas/critical tasks, the Contracting Officer determined that the remaining four (4) small businesses did address them all and were found capable of performing some of the RFI focus areas/critical tasks. Please see below for a breakout of capabilities.

- a. Does the vendor provide specific examples of prior efforts same and/or similar to DSCA Audit Services outline in the PWS tasks (*reference column J of capabilities evaluation*): 7 SB are capable
- b. Did the vendor outline experience with Basic Service Audit Remediation (*reference column P of capabilities evaluation*): 6 SB are capable
- c. Did the vendor provide details about Task 2 Project Management approach and how they will execute the tasks? (*reference column Q of capabilities evaluation*): 7 SB are capable
- d. Did the vendor provide examples which describes their experience with Task 3 Comprehensive Risk Management to address, identify assess, and provide prioritization of risks (including how risks will be recorded, reported, and mitigated? (*reference column R of capabilities evaluation*): 6 SB are capable

- e. Did the vendor's Risk management Plan contain mitigation summary of high risk FIAR and MICP items to help monitor and reduce or eliminate the associated tasks? (*reference column S of capabilities evaluation*): 6 SB are capable
- f. Did the vendor provide examples and describe experience with Task 4 Audit Remediation support (*reference column T of capabilities evaluation*): 5 SB are capable
- g. Does the vendor provide past performance experience in supporting audit support services in Federal, IT, and/or DoD environment? (*reference column U of capabilities evaluation*): 7 SB are capable

*See All Capabilities Evaluation Report for a complete analysis.

In accordance with the foregoing market analysis, the Government determines that soliciting this requirement as a total small business set-aside, multiple award BPA on GSA e-Buy is most advantageous for this requirement in accordance with FAR 8.4 procedures.

PART 2

Market Intelligence/Industry Analysis

- 1) *What is the availability of the service?* Availability for this service is available immediately.
- 2) *What is the demand for the service?* Demand for this service is high as support of the SAA financial statement audit is a "stand-alone" account, appendix to the DoD consolidated financial statements, and reported to the Department of Treasury as a significant reporting entity.
- 3) *What is the industry experience level for this service?* This service requires a blending of seasoned certified public accountants (15+ years) with more intermediate (5-10 years) and junior (under 5 years) support; the support typically mirrors a pyramid, where senior practitioners are few and intermediate/junior support are many.
- 4) *How many suppliers are in the market and what is the market share (e.g., are the majority of the services provided by a small number of suppliers, or is the supplier pool more diverse)?* The supplier pool is a diverse number of firms that are socio-economically disadvantaged small and large businesses.
- 5) *What is the Government's market share/leverage in the marketplace (e.g., is the Government the only buyer, making a minority of buys in the market, or making the majority of buys)?* Government makes a minority of buys in the market. The solutions being brought to market are transferrable between the private and public sector (auditing services).
- 6) *What is the small business footprint?* There is a small business footprint as DoD continues to prioritize procuring work with socio-economically disadvantaged firms, however, large firms have the preponderance of market share.

- 7) *What socio-economic entities participate in this market (e.g., are Small Business Administration 8a, Historically Underutilized Business Zone, or Service-disabled Veteran-owned Small Business entities present in the market segment)?* The market has participants from all eligible socio-economic entities, to include 8(a), SDVOSB, VOSB, WOSB and HUB Zone.
- 8) *What is the structure of the supply chain?* Vendors are typically capable of providing their product without dependencies on external suppliers. In the case where they are not capable, DSCA expects them to strategically partner with suppliers who can.
- 9) *What is the pricing structure?* The pricing structure for this requirement will be a multiple award blanket purchase agreement, which will be most advantageous for the Government, providing more flexibility with negotiating a competitive price.
- 10) *How are the services segmented (e.g., how do offerors develop, market, and deliver services based on the characteristics of current and target customers such as geographic location, use cases, price and risk sensitivity, and/or other purchasing behaviors)?* Offerors develop, market and deliver services based on locations with a high concentration of government entities that require personnel with the expertise to satisfy the requirements set forth in this market research report. Prices by location are driven by the available talent pool, cost of living and market salaries by labor requirements (e.g. CPA, CISA, Masters, etc.). Typically, there is more risk to delivery in locations without a major government presence such as the National Capitol Region, Cleveland, OH, San Diego, CA, etc.
- 11) *What business, trade, legal, political, and other developments affect the market?* The impetus for audit readiness has been prioritized via the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994, etc.; dedication of resources to audit remediation within DoD could be reduced if policy makers shift their attention to other initiatives.
- 12) *What is fair/reasonable market price for services within the industry, which may include an assessment of available price data, price ranges, known pricing issues, or an explanation of price variations?* The Government expects to receive fair and reasonable pricing based on the existence of adequate price competition. The agency will also request additional discounts as required by FAR 8.404(d), Pricing, and ensure that the labor mix and level of effort are reasonable in accordance with FAR 8.405-2(d).
- 13) *What are the applicable industry standards, regulations, trade journals, or process guides germane to the service to be acquired?* Government Accountability Office (GAO) publications, DoD Financial Management Regulation (FMR), Generally Accepted Accounting Principles (GAAP), Generally Accepted Government Auditing Standards (GAGAS), and the most current Office of the Under Secretary of Defense, Comptroller (OUSD(C)), hereafter referenced as OUSD(C), FIAR Guidance.
- 14) *What, if any, are the environmental or safety regulations that affect the required service?* Not applicable to services requested.

15) *What are the standard industry terms and conditions offered to commercial customers in the marketplace?* Contracts are typically offered as one base year with at least 2-4 government option years.

PART 3

Conclusions and Recommendations

Based on the foregoing evaluation above, I have determined that this decentralized multiple award BPA requirement is both within the scope and capability of the GSA Multiple Award Schedule (MAS) Professional Services – Financial Services contract vehicle utilizing SIN Category - 541219 "Budget and Financial Management Services". As such, this acquisition for audit remediation support will be procured as a Total Small Business Set-Aside competed through GSA Advantage ("e-Buy") website portal in accordance with (IAW) FAR 8.405, "Ordering procedures for Federal Supply Schedules".

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Contract Specialist

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Candace E. Noel
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