

SFA Modernization Partner Project LEGACY CONTRACT TRANSITION PLAN

Central Data System (CDS)



**Part 4
Sole Source Extension Justification**

JUSTIFICATION FOR OTHER THAN FULL AND OPEN COMPETITION
CONTRACT NUMBER 93015001 With ACS

FOR THE DEVELOPMENT OF SYSTEMS, SOFTWARE PRODUCTS AND TECHNICAL ASSISTANCE FOR STUDENTS APPLYING FOR FEDERAL AID, INSTITUTIONS, VENDORS AND OTHER CUSTOMERS

Nature and Description of Action:

The U.S. Department of Education (ED) is seeking to make a sole source, eight (8) month extension (with one additional six month option period) of the current contract to meet requirements for maintenance, operational support, technical support, systems software, and documentation development and general support for the Central Data System (CDS). CDS is at the center of a larger system designed to deliver billions of dollars of Federal financial assistance to students pursuing a post-secondary education.

The Contractor will perform the tasks and fulfill the requirements contained in the Statement of Work; project management, software modification, system implementation, systems development, management analysis tasks, and customer support. These tasks and requirements will be performed in accordance with the policies, procedures, and provisions for automated information systems within the Title IV Programs and the Department of Education.

This extension will include all instances involving the Higher Education Act, (HEA) of 1965, its reauthorization appropriation, and/or amendments. The Department alone has the authority to determine the extent and nature of changes agreeable to the law.

The original ACS contract was awarded in December 1993 to provide Direct Loan Origination and Servicing. Later, Direct Loan Consolidation was initiated under this contract. In July 1995, a new contract was awarded (through open competition) to EDS for Loan Origination and Loan Consolidation. The ACS contractor continued providing Loan Origination and Loan Consolidation until EDS went into operations in March 1997. CDS functionality was formally modified (Modification #19) into the Contract in August 1996.

The original ACS contract consisted of a Base Period (January 1994 - September 1995) and five (5) Option Years. It was awarded under full and open competition. The last option year was scheduled to end September 30, 2000. In December 1997 a modification was made (#25) to the contract to add three more option years, ending the contract in September 2003. According to the contracting office, this extension only applies to Loan Servicing and not CDS.

The CDS Computer Operations were migrated to the Virtual Data Center in November 1999.

Source Selection Information – See FAR 3.104

Beyond year 2000, a modernization architecture, which will affect the CDS and all other systems in Student Financial Assistance (SFA), is being planned for implementation. To provide a sufficient transition period between the current system structure and this new architecture, the solicitation to re-compete this contract must be postponed until the new structure and strategy for its implementation has been clearly defined. A re-compete of the contract would have a negative impact and prove to be costly by necessitation of reallocation of ED staff for requirements and development, dedication of ED staff to a panel, plus the time needed to complete the RFP process.

Also, SFA has hired Andersen Consulting as its Modernization Partner to maintain and implement the Modernization Blueprint. (The Modernization Blueprint defines SFA's strategy to integrate, consolidate and replace legacy systems to eliminate the "hairball" of systems that currently exists.) As this implementation progresses, the scope and timeframe of the work outlined in this contract extension will be impacted, requiring a change and/or cancellation of all portions of the tasks outlined in the Statement of Work.

Description of Services Required:

The purpose of this contract is to provide for operational support and maintenance of the Central Data System (CDS) software.

The CDS must continue providing the services stated in the Statement of Work, on time and problem-free. CDS must maintain performance specific turnaround times for each product, in order to meet the needs of our customers (students, education institutions, and other customers), and support enforcement of the laws which govern post-secondary education (Higher Education Act, Title IV).

The CDS must ensure that the services provided will meet the performance objectives for the PBO:

- 1) Increased customer satisfaction
- 2) Increased employee satisfaction
- 3) Reduced unit costs

During the extension period, CDS will prepare for and continue the above-described functions for the 2000-2001 year.

With this plan we expect the retirement of all or part of these functions and the migration of certain other functions into other already-existing SFA contracts. New contracts in accordance with the modernization architecture should be awarded by November or December 2000. Procurement planning has begun for this new architecture and should be completed by the fall of 2000. Solicitations for requirements under this new architecture will be issued through the Modernization Partner soon thereafter, with contract awards through the Modernization Partner contemplated for November or December 2000.

Source Selection Information – See FAR 3.104

Statutory Authority:

The statutory justification for other than full and open competition is based on Federal Acquisition Regulation 6.302-1 (a) (2) (11) (B), which states: “**6.302-1 Only one responsible source and no other supplies or services will satisfy agency requirements.** (a) *Authority* ... (2) When the supplies or services required by the agency are available from only one responsible source, ... and no other type of supplies or services will satisfy agency requirements, full and open competition need not be provided for ... (ii) Supplies may be deemed to be available only from the original source in the case of a follow-on contract for the continued development or production of a major system or highly specialized equipment, including major components thereof, when it is likely that award to any other source would result in ... (B) unacceptable delays in fulfilling the agency’s requirements.”

Demonstration that the nature of the acquisition requires use of the authority cited:

The proposed extension is a follow-on contract for continued technical assistance and software support for the CDS. A new solicitation and the award of a new contract for CDS services at this time would result in substantial disruption in the services provided under CDS. A disruption in services would have a nation-wide impact, resulting in the failure to adequately service over 5 million students receiving approximately \$60 billion in student aid. Student Financial Assistance (SFA) is developing a modernization plan that will affect all systems in SFA, including the CDS. SFA recently awarded a contract to Andersen Consulting to serve as a Modernization Partner to assist in the final development and implementation of the modernization plan.

Andersen Consulting (AC), as the Modernization Partner, has identified 23 initiatives which it has recommended that SFA execute. In the architecture being proposed by the Modernization Partner, there is a 3 tiered initiative being recommended for retiring CDS:

- 1) eliminate redundant or non-essential functions;
- 2) migrate some functions “Upstream” to other SFA systems; and
- 3) migrate other functions “Downstream” to the DLSS.

AC estimates that this may be accomplished by November 2000, at the earliest. Because the current contract expires September 30, 2000, a sole source extension to the existing contract will be needed to continue to maintain service. Negotiations should begin as soon as possible because the CDS portion of the existing contract expires September 30, 2000.

The current initiative will drastically reduce inter-system edits, while continuing to support the same set of business objectives at reduced processing and maintenance costs. The proposed approach would retire the following 5 (of 12) main CDS processes because of duplication with other Direct Loan systems:

Source Selection Information – See FAR 3.104

- Edits
- Transaction Routing
- ICR Waivers
- System Balancing
- LO/LS Images

The remaining seven processes would be migrated to other systems as follows:

- Order of Incoming Transactions (Direct Loan Servicing System)
- Data Stores and Transformation (Direct Loan Servicing System)
- EDA (Direct Loan Servicing System)
- Routing LO/LC Cash Transactions and Drawdowns (Direct Loan Servicing System)
- Interface Support (Direct Loan Servicing System)
- School File Updates and maintenance (Loan Origination System)
- Delinquency Reporting (Data Warehouse)

Timetable: Detail design and build would take place from May 2000 through August 2000. Testing would occur between early September 2000 and early November 2000, with implementation of the proposed retirement and migration activity estimated to be complete by November 30, 2000. This schedule assumes a go-ahead is provided in May 2000. Once the design is approved, all future enhancements to the system would be reviewed in light of this decision.

There is a heavy responsibility on the Department to maintain the CDS functions without interruption, since disruption to CDS would result in the failure to adequately service to over 5 million students receiving approximately \$60 billion in student aid. Using CDS instills a greater responsibility to the institutions to deliver Title IV financial aid while ensuring that their systems are production ready and defect free. In our current environment there is no alternative to the CDS function, and we do not anticipate a change of that fact. The method of providing that function under the new modernization blueprint has yet to be determined, however it is apparent that CDS, as a separate system will no longer be in existence under the new architecture. However, it is vital that the CDS functions be maintained during the implementation of the modernization plan. ACS is the only contractor with the knowledge and experience required to maintain CDS. This is an extension of a contract where the performer fully understands the Department's mission and all the time-critical elements thereof. Should another source be engaged, the risk of unacceptable delays, and, in these times, even mission failure, is very real.

Uncertainty about proposed SFA changes delayed planning a new solicitation. Given the delays, any attempt to award a new contract on a competitive basis would result in an award being made too late in the development cycle to allow sufficient development and testing time before start-up of the 2001-2002 year. Award of contracts late in the development cycle often results in unacceptable delays in fulfilling the agency's requirements.

Source Selection Information – See FAR 3.104

To provide a sufficient transition between current system structures and the new architecture, the solicitation to re-compete this contract must be postponed until the new structure and strategy for its implementation has been clearly defined.

Efforts to insure offers from other sources:

The Department will publish a Commerce Business Daily (CBD) notice for the required CDS services. The notice will be published for a period of 45 days to allow interested parties to inform the Department of their interest and capabilities with respect to the CDS requirements.

Fair and reasonable costs:

The original CDS functionality was an August 1996 modification to the ACS Loan Origination and Servicing contract that was awarded under full and open competition. The Loan Origination and Servicing functionality was openly competed. The CDS functionality was allowed to proceed as a modification due to the need to prepare for multiple servicers. The incumbent contractor had the experience and expertise to commence this work on short notice.

There were three (3) offerors who submitted proposals for the original competition. Additionally, prices for a December 1997 extension were reviewed and deemed reasonable (cost reductions were secured for several deliverables). The Department of Education recently completed negotiations for an extension for similar services under the FFEL contract with Raytheon, in which their latest (lower) approved indirect cost rates were proposed. In addition, Raytheon lowered their fee on the FFEL contract from 10% to 8%. The current fee on the CDS contract is slightly over 7%. Based on this information, the Department of Education anticipates the costs to the Department for this extension will be fair and reasonable.

Market research not conducted:

The Department did not conduct a market survey in support of this action. The purpose of a survey is to determine the range and availability of sources of supply. The CBD notice, when issued, will serve as the Market Survey. The unique requirement in this procurement action concerns the need to avoid a break in continuity of effective service. Only the current vendor can provide **continuous**, efficient, and effective service. The Department, however, does expect competition for the CDS functions within the planned modernization architecture, which will incorporate the current CDS products and services.

Source Selection Information – See FAR 3.104

Other supporting facts:

The planned modernization architecture for all SFA systems could potentially revise the way we manage the CDS services. Consequently, it makes good business sense to delay the expenditure of resources to prepare and process a new solicitation and its corresponding proposals, until there is clear direction defining the required content of such a contract.

The CDS function is mandated by legislation.

Any new contract awarded at this time for the continued operation of an existing system or for the continuation of existing services is likely to be of short duration because existing systems are expected to be quickly replaced as the initiatives noted above are implemented. Award of a short duration contract for CDS services to a new vendor would result in substantial duplication of costs to the Government. The award of a new contract results in substantial initial costs to both the Government and potential offerors. These include the costs to the Government of issuing a solicitation and evaluating proposals; costs to potential offerors of creating proposals and responding to the solicitation; and startup costs, including capital investments, for new contractors. These costs are normally spread over several years of operations; if a new contract were awarded with the expectation of a relatively short period of performance, these costs would all be loaded in the short period of performance and could not be recovered through any savings gained through competition.

In our current environment, there are a limited number of responsible sources for the supplies and services the Department requires. Only 3 offerors responded to the last open solicitation. We believe that changes connected to the modernization architecture will open the business to a greater number of viable candidates. However, there is no reason to believe that an increased number of offerors would undertake the considerable expense of responding to a solicitation for a short-term contract due to the necessary startup, development time and cost.

A new contractor always exposes risks to these factors (as demonstrated in another contract award pertaining to the MDE and Direct Loan Origination awards), and those risks are magnified in this particular time frame by the other factors discussed above.

The planned modernization architecture may also impact the scope of this contract extension, and may require reduction or early termination of all or parts of the tasks within the Statement of Work.

Listing of sources expressing interest in the acquisition:

None at this time.

Source Selection Information – See FAR 3.104

Actions to overcome barriers to competition:

The establishment of a modernization architecture within the next year will allow the SFA to prepare a solicitation that will promote full and open competition for a new environment with minimal risks to our customers.

I, as the Contracting Officer's Technical Representative, for the above action, certify that this justification is accurate and complete to the best of my knowledge and belief:

Michael J. Murray

Date

U.S. Department of Education, Student Financial Assistance, Students/Repayment, Room 4025, ROB-3, 7th and D Streets, S.W., Washington, D.C. 20202-4446

I, as the Director of Repayment and for the CDS system, certify that this justification is accurate and complete to the best of my knowledge and belief:

Daniel Hayward

Date

I, as the General Manager, Students, under which the above action is managed, certify that this justification is accurate and complete to the best of my knowledge and belief:

Jeanne Van Vlandren

Date