

SFA Modernization Partner Project
LEGACY CONTRACT
TRANSITION PLAN
Federal Family Education Loans (FFEL)



Part 4
Sole Source Extension Justification

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

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, 12-month extension (with 2 additional six-month option periods) of the current contract to meet requirements for maintenance, operations, technical support, systems software, and documentation development and general support for the Federal Family Education Loan System (FFEL). FFEL 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, system operation, 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 FFEL contract consisted of a Base Period (January 1993 – September 1994) and three (3) Option Years awarded under full and open competition. The last option year ended September 30, 1997. Under the Option to Extend Services Clause (FAR 52.217-8) (August 1989), the contract was extended for three (3) MONTHS THROUGH December 31, 1997. Under the same clause, the contract was extended for an additional three (3) months through March 31, 1998. On December 2, 1997, a CBD notice was published notifying other sources of the Department of Education’s intent to extend Schedules A and C services beyond March 31, 1998 through December 31, 1998. Schedule D services were transferred to the Virtual Data Center (VDC) contractor, CSC, on February 15, 1998. On October 30, 1998, another CBD notice was published notifying interested parties of our intent to extend the contract for an additional eighteen (18) months commencing on January 1, 1999 through June 30, 2000. The primary reason for this action is to avoid serious disruption in services provided and prevent unacceptable delays in fulfilling our mission for the 2001-2002 academic year.

Beyond year 2000, a modernization architecture, which will affect FFEL and all others in Student Financial Assistance (SFA), is being planned for implementation. To provide a

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sufficient transition period between 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 the operation and maintenance of Federal Family Education Loan System (FFEL) software.

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

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

- Increased customer satisfaction
- Increased employee satisfaction
- Reduced unit costs

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

With this plan we expect new contracts in accordance with the modernization architecture to be awarded under full and open competition by December 2001. Procurement planning has begun for this new architecture and is expected to be completed by the fall of 2000. Solicitations for requirements under this new architecture will be issued soon thereafter, with contract awards contemplated for the fall of 2001.

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**

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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 FFEL. A new solicitation and the award of a new contract for NSLDS services at this time would result in substantial disruption in the services provided under NSLDS. A disruption in services would have a nation-wide impact, resulting in the failure to adequately service over 7 million students receiving approximately \$50 billion in student aid. Student Financial Assistance (SFA) is developing a modernization plan that will affect all systems in SFA, including FFEL. 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 has identified 20 major initiatives to be included in the implementation of the modernization plan which will result in major changes to all of the existing (legacy) systems within SFA.

The initiatives that will have a significant impact on FFEL include:

1. Common Aid Origination and Funds Disbursement - Create a common business process and system for aid origination and disbursement for Pell grants, campus-based, and direct loans. Provide the ability to originate and disburse all types of financial aid through a single delivery system.

Timetable - Requirements Analysis and Design is planned for January 2000 through June 2000. Management Decision Required to Continue is schedule for June 30, 2000. Development and Implementation of the system is scheduled for July 2000 through June 2002.

Affects on FFEL - Since FFEL is a major interface with the DLO, DLS and other SFA systems regarding loan servicing, this initiative will have a major impact on FFEL.

2. Financial Partners Process Reengineering - Design and implement improvements to the core business processes within the Financial Partners channel. The core processes that will be reviewed include GA/Lender Payment; oversight and technical assistance; policy and analysis; and contract management.

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Timetable - Requirements Analysis and Design is planned for March 2000 through July 2000. Management Decision Required to Continue is schedule for July 31, 2000. Development and Implementation of the system is scheduled for August 2000 through January 2001.

Affects on FFEL - Since FFEL provides a major interface between borrowers, schools, lenders, guaranty agencies, collection agencies, other Government agencies, and private sector entities with SFA programs, the implementation of this initiative will have a major impact on FFEL

3. External Partners Process Reengineering - Design and implement innovative solutions to the business processes that impact financial partners (Gas, lenders, state agencies, etc.). This initiative's projects include: Enhanced Partner Relationship Management, Voluntary Flexible Agreements, Regulatory Process Improvements, Default Reduction Incentives, and Enhanced Monitoring of Financial Partners.

Timetable:

<u>Project</u>	<u>Analysis & Design</u>	<u>Decision Date</u>	<u>Develop. & Implem.</u>
Enhanced Partner Relationship Mgmt	May - Sep 00	Sep 31, 00	Oct 00 - May 01
Voluntary Flexible Agreements	Jan - Sep 00	Sep 31, 00	Oct 00 - Aug 01
Regulatory Process Improvements	Apr - Jul 00	Jul 31, 00	Aug 00 - Jan 01
Default Reduction Incentives.	Apr - Sep 00	Sep 31, 00	Oct 00 - Apr 01
Enhanced Monitoring	Mar - Aug 00	Aug 31, 00	Sep 00 - Jul 01

Affects on FFEL - Since FFEL provides a major interface between borrowers, schools, lenders, guaranty agencies, collection agencies, other Government agencies, and private sector entities with SFA programs, the implementation of this initiative will have a major impact on FFEL

4. Enabling Technology for Financial Partners - Analyze, design, and implement a new technical environment for the Financial Partners channel that will be in compliance with SFA's enterprise-wide architecture. This initiative's projects include: Web Portals for Financial Partners, Common Third Party Interfacing (Integration Application Services), Document/Workflow Management, and Data Warehouse for Financial Partners.

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Timetable:

<u>Project</u>	<u>Analysis & Design</u>	<u>Decision Date</u>	<u>Develop. & Implem.</u>
Web Portals	Jan - Mar 00	Mar 31, 01	Apr - Jun 01
Common Third Party	Jun - Aug 00	Aug 31, 00	Sep 00 - Feb 01
Doc/Workflow Management	Mar - Jul 00	Jul 31, 00	Jun - Jun 01
Data Warehouse	Apr - Jul 00	Jul 31, 00	Aug 00 - Mar 01

Affects on FFEL - Since FFEL provides a major interface between borrowers, schools, lenders, guaranty agencies, collection agencies, other Government agencies, and private sector entities with SFA programs, the implementation of this initiative will have a major impact on FFEL

- Enhanced Service Delivery for Financial Partners - Various projects to improve the exchange of information with financial partners. They Include expanding FAFSA to trading partners' web sites and Others, piloting Electronic Certification (NY Mentor PIN), and E-Commerce Data Exchange (Forms2000).

Timetable:

<u>Project</u>	<u>Analysis & Design</u>	<u>Decision Date</u>	<u>Develop. & Implem.</u>
Expand FSAS	Apr - Jun 00	Jun 30, 00	Oct - Dec 00
Pilot Electronic Certification	May - Jul 00	Jul 31, 00	Apr - Aug 01
E-Commerce (Forms2000)	NA	NA	Mar - Sep 00

Affects on FFEL - Since FFEL provides a major interface between borrowers, schools, lenders, guaranty agencies, collection agencies, other Government agencies, and private sector entities with SFA programs, the implementation of this initiative will have a major impact on FFEL

- Cross Channel Enabling Technology/Infrastructure - Advanced Call Center Relationship Management - This initiative is designed to improve customer satisfaction by proactively seeking customers' input, and "reaching out" to train and assist them with all SFA-related concerns. This initiative includes the consolidation of multiple call center capabilities to provide "one-call-does-it-all" functionality for customers.

Timetable - Requirements Analysis and Design is planned for February 2000 through May 2000. Management Decision Required to Continue is schedule for May 31, 2000. Development and Implementation of the system is scheduled for June 2000 through June 2001.

Affects on FFEL - Since FFEL operates a Customer Service Call Center it will be effected by the implementation of this initiative.

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7. Cross Channel Enabling Technology/Infrastructure - Web Portals - Design and implement capabilities, for all customers, to enable easier and more efficient data transfer through internet and/or other online interfaces.

Timetable - Requirements Analysis and Design is planned for February 2000 through May 2000. Management Decision Required to Continue is schedule for May 31, 2000. Development and Implementation of the system is scheduled for June 2000 through April 2001.

Affect on FFEL - The Web Portals for Customers project will provide the web-enabled, customized view of FSA customer functions. This project will provide SFA's customers with a capability to create their own personal view into the information contained and supported by SFA, such a loan consolidation, school payments and loan origination. Data contained in FFEL is one of the sources of information that will be presented via the Internet Portal. Currently FFEL provides a number of services on the net.

8. Cross Channel Enabling Technology/Infrastructure - Single Identifier (PIN) - Design a uniform single identifying data element for each customer entity for each customer entity in SFA's system including students, schools and financial partners. Includes the use of PIN logic as a form of identification.

Timetable - Requirements Analysis and Design is planned for September 2000 through January 2001. Management Decision Required to Continue is schedule for January 31, 2000. Development and Implementation of the system is scheduled for February 2001 through September 2001.

Affects on FFEL - The Single Identifier for Each Entity initiative will effect Enterprise Architecture for Integration and Data Warehousing. Since FFEL is accessible via the web by the customers of SFA, it will surely be effected by this initiative.

9. Financial Management Transformation - Financial Management System (FMS) Phase II (Pilots) - Phase II of the SFA FMS modernization effort is planning to implement three SFA business areas by installing and configuring the Oracle Federal Financials as the basis for SFA FMS. The purpose of Phase II is to prove the General Ledger setup of books and accounts and the account code classification structure in a quick timeframe. This will allow the SFA FMS design to be verified. Phase II of the SFA FMS is defined by three "pilots": (1) Federal Family Education Loan Program (FFELP) Guaranteed Loan - Guaranty Agency (GA) Payments, (2) leveraging the Educational Assistance Partnership Programs (LEAPP), and (3) SFA Operations - Fixed Assets.

Timetable - Requirements Analysis and Design is planned for April 2000 with a Management Decision Required to Continue scheduled for April 30, 2000.

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Development and Implementation of the system is scheduled for May 2000 through September 2000.

Affects on FFEL - Since FFEL is a major interface with the lenders, GA's, Collection Agencies, as well as other Federal Agencies; this initiative will have a major impact on FFEL.

There is a heavy responsibility on the Department to maintain the FFEL functions without interruption, since disruption to FFEL would result in the failure to adequately service over 7 million students receiving approximately \$50 billion in student aid. Using FFEL 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 FFEL 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. Since NSLDS has major interfaces with numerous SFA systems, it is vital that the FFEL functions be maintained during the implementation of the modernization plan. Raytheon is the only contractor with the knowledge and experience required to maintain FFEL. 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 and the proposed changes within SFA also resulted in delays in planning for and developing specifications for a new solicitation. Given the delays in finalizing the specifications, any attempt to award a new contract on a competitive basis at this time would result in an award being made too late in the needed development cycle to allow sufficient development time prior to start-up of the 2001-2002 academic year. Award of contracts late in the development cycle is likely to result in unacceptable delays in fulfilling the agency's requirements

To provide a sufficient transition period between current system structure 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 FFEL 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 FFEL requirements.

Fair and reasonable costs:

The original FFEL contract was awarded under full and open competition. There were four (4) offerors who submitted proposals for the original competition. Prices for the last two (2) extensions were reviewed and deemed reasonable. The costs associated

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with the extension period will be based on lower approved indirect rates. The Department of Education recently completed negotiations for an 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%. 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 FFEL functions within the planned modernization architecture, which will incorporate the current FFEL products and services.

Other supporting facts:

The planned modernization architecture for all SFA systems could potentially revise the way we manage the FFEL 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.

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 FFEL 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 including: 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 4 offerors responded to the last open solicitation*). We have hopes 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

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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.

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 Officers Technical Representative, for the above action, certify that this justification is accurate and complete to the best of my knowledge and belief:

Anna Allen _____
Date

U.S. Department of Education, Student Financial Assistance, Federal Family Education Loans, Room xxxx, ROB-3, 7th and D Streets, S.W., Washington, D.C. 20202-4446

I, as the Manager for IT Services, for the above action, certify that this justification is accurate and complete to the best of my knowledge and belief:

Barry Morrow _____
Date

I, as the Channel Manager for Financial Partner, for the above action, certify that this justification is accurate and complete to the best of my knowledge and belief:

Barry Morrow _____
Date