

**REVIEW OF THE
ADMINISTRATIVE PROCEDURES OF THE
UNITED STATES ARCTIC RESEARCH COMMISSION
REPORT NUMBER A060192/S/W/S08002
October 10, 2007**



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date: October 10, 2007

Reply to: Audit Manager
Attn of: Washington Field Audit Office (JA-W)

Subject: Review of the Administrative Procedures of the United States
Arctic Research Commission
Report Number A060192/S/W/S08002

To: Dr. John W. Farrell
Executive Director

This report presents the General Services Administration (GSA), Office of Inspector General's (OIG) review of the administrative practices and procedures of the United States Arctic Research Commission (the Commission) for Fiscal Year (FY) 2005. The review was performed at the request of the Commission in accordance with the Memorandum of Understanding (MOU) and Agreement between the Commission and the GSA OIG.

Background

Public Law 98-373 – July 31, 1984, amended as Public Law 101-609 – November 16, 1990, entitled “Arctic Research and Policy Act, As Amended”, was enacted to: (1) establish national policy, priorities, and goals, and to provide a Federal program plan for basic and applied scientific research with respect to the Arctic, including natural resources and materials, physical, biological and health sciences, and social and behavioral sciences; (2) establish an Arctic Research Commission to promote arctic research and to recommend Arctic research policy; (3) designate the National Science Foundation (NSF) as the lead agency responsible for implementing Arctic research policy; and (4) establish an Interagency Arctic Research Policy Committee to develop a national Arctic research policy and a five year plan to implement that policy.

Section 106 of the Act gave the Commission authority to enter into agreements with GSA for the procurement of necessary financial and administrative services for which payment shall be made by reimbursement from the Commission funds. In accordance with a MOU between GSA’s Chief Financial Office and the Commission, GSA provides financial support services to the Commission on a cost reimbursable basis. This includes processing all obligations and payments that have been duly authorized by officials of that agency, assisting in the preparation of external reports including reports required by the Office of Management and Budget and the Department of Treasury. Citing authority derived under 31 USC Sec. 1535 (the Economy Act), the Commission utilizes the Department of Interior for its payroll support services. GSA continues to provide all other financial and administrative services.

Non-Compliance with Arctic Research and Policy Act

Based on our review of the final leave and earnings statements, we determined that one Commission member received compensation for service that exceeded the allowable 90 days per year. According to the salary amount received for the year 2005 and the daily rate of pay to the Commission member, the member was compensated for 96 days of service, which conflicts with the Arctic Research and Policy Act. The Arctic Research and Policy Act, as amended, states:

“A member of the Commission not presently employed for compensation shall be compensated at a rate equal to the daily equivalent of the rate for GS-18 of the General Schedule under section 5332 of title 5, United States Code, for each day the member is engaged in the actual performance of his duties as a member of the Commission, not to exceed 90 days of service each year.”

Non-Compliance with Federal Travel Regulations

Our review of the Commission’s travel files revealed one traveler claimed and was reimbursed for two nights lodging expenses for a location not included on the official travel authorization nor amended to add as an official travel site.

Recommendation

We recommend that the Executive Director, U.S. Arctic Research Commission seek procurement assistance from the General Services Administration to ensure that its contract administrative tasks are in compliance with applicable Federal Acquisition Regulations. We also recommend that the Executive Director strengthen its administrative controls to adhere to its governing Arctic Research and Policy Act.

Management’s Comments

The Executive Director, United States Arctic Research Commission did not provide comments to this report.

Objectives, Scope and Methodology

The objectives of this review were to: (1) review and evaluate the Arctic Research Commission's compliance with Federal regulations and administrative policies and procedures, and (2) determine the effectiveness of those policies and procedures. To accomplish these objectives, we identified and evaluated the controls relating to the administrative practices followed by the Commission. The administrative activities reviewed included: property, travel, procurement, payroll, timekeeping, and personnel operations during fiscal year 2005. During that time, the Commission paid \$148,741 for the commercial purchase of: supplies and materials, printing and reproduction, and other services (budget activities 24, 25, and 26 respectively). To evaluate procurement procedures we judgmentally selected six vendors, which were awarded contracts above the \$2,500 micro-purchase threshold. Collectively these procurement actions account for 68 percent of the Commission's total spending for the above mentioned budget activities.

The review was performed at the Commission's office located at 4350 N. Fairfax Drive, Suite 510, Arlington, Virginia. The review was conducted in accordance with generally accepted government auditing standards and included such audit tests and procedures as considered necessary to evaluate the Commission's system of internal controls.

Results of Review

Based on our review, we found the U.S. Arctic Commissions delivery of administrative services was flawed by procurement deficiencies that included several instances of non-compliance with Federal Acquisition Regulations, another instance of non-compliance with the Public Law establishing its program, the Arctic Research and Policy Act, and an instance of non-compliance with the Federal Travel Regulations. With the exception of these findings, nothing else came to our attention to indicate that the Commission operated other than in accordance with applicable policies and procedures.

Non-Compliance with Federal Acquisition Regulations

We reviewed a total of six procurement actions, none of which were accompanied by the required contract administrative documents such as a detailed task order, statement of work, or description of the services being contracted. Furthermore, all six procurements exceeded the \$2,500 micro-purchase threshold and thus should have been awarded through competitive actions. None of the files provided this evidence. Specifically, four procurement actions included orders that were blank or deficient as to what was being ordered, timeframe for delivery and rate charged. The documents on file provided only the name of the vendor and the amount obligated for an unspecified service. There was essentially no documentation supporting the two remaining procurement actions. One contained only invoices that indicated monthly personnel services at various amounts, without any detail as to the number of hours or hourly rate used as a basis for the final charge. The other contained only an invoice letter from the contractor that specified only the amount owed. It was later determined, that while the contractor submitted the invoice for complete payment, the services were not complete. Again, no itemization or detail on what was ordered, timeframe for the work performed, or rate charged. Without complete procurement files or in these instances, sufficient ordering documents, an important control feature is compromised: the vendors' invoices can not be reconciled to the ordering document to verify what was ordered or to ensure price reasonableness for the services rendered.

Internal Controls

We assessed the internal control policies and procedures relevant to the Commission's administration of property, travel, procurement, payroll, timekeeping, and personnel operations. Control weaknesses were identified in several areas.

Barbara K. Foude

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