



U.S. Department of Agriculture

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Office of Inspector General  
Great Plains Region

## **Audit Report**

### **Contracting for Services Under the Agricultural Risk Protection Act of 2000**

Report No. 05099-112-KC  
May 2008

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UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20250



DATE: May 9, 2008

REPLY TO  
ATTN OF: 05099-112-KC

TO: Eldon Gould  
Administrator  
Risk Management Agency

ATTN: Michael Hand  
Deputy Administrator for Compliance

FROM: Robert W. Young /s/  
Assistant Inspector General  
for Audit

SUBJECT: Contracting for Services Under the Agricultural Risk Protection Act of 2000

This report presents the results of the Office of Inspector General's (OIG) audit of the Risk Management Agency's (RMA) activities related to administering contracts and partnership agreements under the Agricultural Risk Protection Act (ARPA) of 2000. Section 131 of ARPA provided RMA with the authority to enter into research and development contracts and partnership agreements for new or expanded crop insurance products. Our primary objective was to determine whether RMA effectively implemented and properly monitored ARPA contracts and partnership agreements awarded during fiscal years (FY) 2004 through 2006. We did not find any improprieties during the audit. However, we identified management controls that could be strengthened over RMA's procedures for documenting, monitoring, and administering ARPA contracts and partnership agreements and training RMA officials responsible for managing these ARPA research and development projects.

We concentrated our review on ARPA research and development projects that were administered out of RMA's Kansas City, Missouri, office, which represented over 50 percent of the total ARPA contract and partnership agreement dollars awarded from FY 2004 through FY 2006.<sup>1</sup> RMA entered into 42 ARPA contracts for research and development totaling about \$18.8 million and 47 partnership agreements totaling about \$31.3 million during FYs 2004 through 2006. Under ARPA, RMA was authorized to enter into: (1) contracts to carry out research and development to

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<sup>1</sup> Research and development contracts and partnership agreements represented 51 percent of all ARPA research and development projects awarded from FY 2004 through FY 2006. The other categories included Community Outreach and Assistance Partnerships, Crop Insurance in Targeted States, Commodity Partnerships for Small Agricultural Risk Management Education Sessions, Community Partnerships for Risk Management Education, and Rural Initiatives for New American Farmers.

increase crop insurance participation in underserved States, areas, and agricultural commodities, and (2) partnerships with public and private entities for the purpose of increasing the availability of loss mitigation, financial, and other risk management tools for producers. We judgmentally selected and reviewed 4 contracts totaling about \$9.7 million and 12 partnership agreements totaling about \$10.9 million awarded during this period.<sup>2</sup>

We determined that RMA should strengthen its management controls over documenting, administering, and monitoring ARPA research and development contracts and agreements and over training of officials responsible for managing these contracts and partnership agreements. Specifically, we found ARPA contract files did not fully document the basis for RMA officials' decisions to change project proposal evaluation scores and to award two contracts for one solicitation to the same applicant. RMA officials also did not always document the circumstances for modifying deliverables, timeframes, and project costs in the contract files. Additionally, partnership agreement files we reviewed did not always provide evidence that RMA officials adequately monitored the agreement recipient's progress before releasing funds for payment. Both ARPA contract and partnership agreement files were also disorganized and incomplete, and this condition not only made it difficult for administering officials, but also OIG was unable to locate and review critical documents, such as modifications to contract deliverables and support for releasing project funds.

In addition, we found RMA technical representatives in regional service offices had not received formal training on file maintenance or proper administration and monitoring of ARPA partnership agreements, and RMA had no internal system for tracking and monitoring training received by its ARPA contract managers. Although we were able to determine no improprieties occurred based on followup discussions with RMA officials and by reviewing contractor's and partnership agreement files, the weaknesses we identified could potentially reduce the assurance that ARPA contract and partnership agreement provisions were being met.

These weaknesses occurred primarily because RMA had not established formal policies and procedures for documenting, administering, and monitoring ARPA contracts and partnership agreements, or for training responsible officials, even though the ARPA contract and partnership agreement program was entering its sixth year. RMA officials stated that management turnover and new manager responsibilities contributed to the delays in completing internal procedures, including formal handbooks, for ARPA activities. In addition, RMA officials stated that ARPA greatly increased their responsibilities and caseload, and as a result, they opted to concentrate most of their time on the day-to-day supervision of the ARPA contracts and partnership agreements. During the course of our audit, RMA recognized these conditions existed and took actions to strengthen controls by developing three automated systems for managing these ARPA research and development projects. The first two systems were designed to maintain a central repository of contract and partnership agreement file documentation. The third system was developed to track the progress and costs of ARPA research and development projects.

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<sup>2</sup> The sampled contracts were selected because they were the highest priority and the largest amount for new insurance product development during the audit period. The sampled partnership agreements were selected on the basis of the partnership agreement amount and to obtain a mix of recipients including private entities, colleges and universities, and other non-profit entities.

To further strengthen these controls, we recommend RMA officials establish and implement formal policies and procedures addressing the sufficiency of documentation and the proper administration and monitoring of ARPA contracts and partnership agreements. We also recommend RMA officials establish and implement a formal training plan, which addresses the training needs of employees. RMA also needs to track training received by program officials responsible for managing and monitoring ARPA contracts and partnerships. RMA officials concurred with the recommendations (see exhibit B for the agency's response in its entirety). OIG's position to RMA's written response is provided in the OIG Position section for the recommendations.

## **BACKGROUND**

The Federal Crop Insurance Corporation (FCIC), a wholly owned Government corporation, was created in 1938 to improve the economic stability of agriculture through a secure system of crop insurance. During crop year 2006, using the private sector delivery system, RMA provided \$49.9 billion of protection to producers of approximately 360 commodities, covering nearly 80 percent of major crops. RMA officials estimate that in crop year 2007, RMA will provide about \$65 billion in liability protection for American agriculture. In addition, RMA estimates that, barring any unforeseen hurdles within the next 5 years, a risk management product will be available to cover approximately 98 percent of the commercial value of crops in the United States.

ARPA, enacted in June 2000, significantly changed the manner in which RMA was allowed to research and develop pilot insurance programs. ARPA was designed to strengthen the safety net for agricultural producers by providing greater access to more affordable risk management tools and improved protection from production and income loss. Section 131 of ARPA prohibited RMA from conducting research and development for any new policies for agricultural commodities, and required that new product development be accomplished through contracts and partnerships. Under ARPA, FCIC was authorized to enter into: (1) contracts to carry out research and development to increase crop insurance participation in underserved States, areas, and agricultural commodities, and (2) partnerships with public and private entities for the purpose of increasing the availability of loss mitigation, financial, and other risk management tools for producers.

RMA's Office of Product Management in Kansas City, Missouri, is responsible for Federal crop insurance product development and regularly generates contracts with private sector firms or educational organizations for research, evaluation, and development services required for maintaining and expanding FCIC's crop insurance portfolio. Most solicitations are open to all responsible sources, and advertised via electronic postings to the Government-wide solicitation website known as FedBizOpps. Contracts are generally executed by GovWorks<sup>3</sup> under the U.S. Department of the Interior's Acquisition Services Directorate, and solicitations are posted on Interior's website for GovWorks, as well. RMA uses GovPay,<sup>4</sup> which is an electronic invoicing

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<sup>3</sup> GovWorks was established in 1996, under the Department of the Interior, which is authorized by Congress and the Office of Management and Budget to offer acquisition services to Federal agencies. GovWorks was integrated into the Interior Department's Acquisition Services Directorate in October 2005.

<sup>4</sup> GovPay is only used for invoicing contracts; it is not set up for invoicing partnerships.

system provided by Interior's Acquisition Services Directorate, to process invoices for ARPA contracts over a secured website.

## **OBJECTIVES**

We evaluated whether RMA properly monitored ARPA contracts and partnership agreements for research and development of new insurance products to ensure that the ARPA provisions were effectively and efficiently implemented.

## **SCOPE AND METHODOLOGY**

To accomplish our audit work, we reviewed the applicable laws, regulations, solicitation notices, and agency instructions and procedures related to administering the ARPA contracts and partnership agreements. We interviewed officials of RMA's Office of Product Management, specifically, Product Analysis and Accounting, Product Administration and Standards, and Actuarial and Product Design Divisions in Kansas City, Missouri, to document ARPA contract and partnership agreement application, approval, reimbursement, monitoring, and review processes. We were unable to assess whether the resulting insurance products met the intent of ARPA or were used to improve the crop insurance program because none of the sampled contracts and partnership agreements awarded in FYs 2004, 2005, and 2006, were scheduled for completion until after the period covered by our fieldwork.

We selected a judgmental sample of ARPA contracts and partnership agreements awarded by RMA during the period FY 2004 through FY 2006 from a universe comprised of 42 ARPA contracts totaling about \$18.8 million and 47 Research and Development partnership agreements totaling about \$31.3 million. The sample ARPA contracts were used for developing new crop insurance products, and the sample partnership agreements were used for developing new non-insurance risk management tools for producers. Our sample included 4 of the 42 contracts totaling about \$9.7 million and 12 of the 47 partnership agreements totaling about \$10.9 million. For each sampled contract and partnership agreement, we examined the official file documentation to determine the extent of the review and monitoring procedures performed. We also interviewed officials at the Topeka, Kansas, RMA Regional Service Office and visited the office of an ARPA contractor in College Station, Texas. The contractor was awarded contracts by RMA to develop two new crop insurance products for pasture, rangeland, and forage producers during our sample period. Our audit fieldwork was performed during the period September 2006 through February 2008.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides reasonable basis for our findings and conclusions based on our audit objectives.

## **AUDIT RESULTS**

### **FINDING 1 - RMA NEEDS TO IMPROVE DOCUMENTATION MAINTAINED FOR ARPA CONTRACTS AND PARTNERSHIP AGREEMENTS**

From our review of ARPA contracts and partnership agreements, we found (1) contract files did not always contain adequate documentation to support RMA's award decisions, (2) contract files did not always contain adequate support for modifying deliverables, timeframes, and project costs, and (3) partnership agreement files did not always provide evidence that RMA officials adequately monitored each agreement recipient's progress before releasing funds for payments. Both ARPA contract and partnership agreement files were disorganized and incomplete. This condition not only made it difficult for administering officials, but also OIG was unable to locate and review critical documents. These conditions occurred because RMA had no formal policies or procedures on the sufficient documentation and proper administering and monitoring of ARPA contracts and partnership agreements, even though the ARPA partnership agreement program was entering its sixth year. Instead of issuing specific instructions, RMA managers offered the contracting officers and technical representatives the choice of how they documented the administration and monitoring of their projects. Therefore, some critical documentation, such as contract modifications and support for release of funds, were not prepared and/or retained consistently by these RMA administering officials. Although we were able to determine that no improprieties occurred based on followup discussions with RMA officials and by reviewing the contractor's and partnership agreement files, the weaknesses we identified could potentially reduce the assurance that ARPA contract and partnership agreement provisions were being met.

The *Federal Acquisition Regulations* (FAR) require agencies to establish effective management oversight practices to prevent fraud, waste, and abuse in service contracts (such as research and development service contracts) and provides specific requirements on contract and agreement documentation and monitoring.<sup>5</sup> According to FAR, contract files must be maintained to ensure effective documentation of contract actions, minimize duplication of working files, and be readily accessible to principal users.<sup>6</sup>

During our review, we found that the ARPA contract and partnership agreement files were disorganized and incomplete. Duplicate files existed in both hardcopy and electronic formats and were partially inaccessible to administering officials, as well as for audit purposes. We also noted the following specific examples of deficiencies in RMA's documentation and monitoring of ARPA research and development projects. (See exhibit A for a detailed list of all discrepancies noted in the contracts and partnership agreements we reviewed.)

#### **Lack of Documentation to Support Award Decisions**

In two of the four sampled contracts we reviewed, documentation was not available in the contract files for us to determine the propriety of RMA's award decisions. Specifically, file

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<sup>5</sup> FAR subpart 37.102(f), effective February 2006.

<sup>6</sup> FAR subpart 4.8, effective March 2005.

documentation was not sufficient to explain subsequent changes to proposal evaluation scores supporting the decisions to award two separate crop insurance product development contracts to the same applicant when RMA's Technical Evaluation Team initially recommended only one contract to be awarded. This occurred because RMA had no formal procedures that required documenting the critical information supporting the contract proposal evaluations and award decisions in the official contract files. After obtaining substantial verbal explanations of the deliberations performed by RMA officials, we concluded that both contract proposals were eligible for the contract awards. However, we believe RMA administering officials should ensure the official contract files include sufficient documentation to adequately support contract proposal scoring and contract award decisions without the need for supplemental verbal explanations.

#### Lack of Documentation to Support Contract Modifications

In two of the four sampled contracts we reviewed, documentation was not readily available for us to determine the accuracy of modifications to correct administrative errors and the outstanding contract balances without either RMA officials' verbal explanations or reviewing the contractor's files onsite. For instance, we found RMA officials had to request GovWorks to make three formal contract modifications in order to accurately change the timing and increase the obligations for one contract deliverable. We were only able to verify that the third modification was properly executed and that the contract balance was correct, by interviewing the contractor and reviewing the contractor's files. We also found several additional administrative errors that were corrected in subsequent modifications in two of the four contracts we reviewed (see exhibit A for details of the deficiencies we noted). These conditions occurred because RMA had no formal procedures requiring officials to document in the official contract files the cause or need for the subsequent modifications. Inadequate documentation makes it difficult for RMA officials to determine whether the contract balances are correct after modifications are made and results in a poor audit trail for subsequent reviews and/or uses.

#### Lack of Evidence to Support Recipients' Progress and Release of Funds

Ten of the 12 partnership agreement files we reviewed did not include sufficient evidence for us to assess whether the recipient's progress was adequate to support the release of funds for payment. Three of the 12 files did not include the signed partnership agreement and/or the statement of work, which stipulates the tasks to be performed, timelines, and the associated deliverables. Eight of 12 files did not include proposed project budgets that provide the estimated costs per quarter, and 9 of 12 did not contain all required quarterly progress reports, which are key documents to monitor job performance and determine acceptable progress for release of funds. This occurred because RMA had no formal procedures requiring technical representatives in regional service offices to document evidence of tasks performed or to determine acceptable progress before releasing funds for payment. Instead, we found that the technical representatives monitored progress by e-mail, telephone conversations, and through some site visits. RMA's technical representatives we interviewed agreed that they could not perform indepth evaluations of requests for release

of funds without access to these key documents and that oversight controls of this process needed to be strengthened.

During the course of our audit, RMA officials acknowledged the weaknesses we identified in both contract file documentation and tracking project performance. In direct response to the audit, RMA took actions to develop two new internal systems capable of addressing these concerns. The first system was designed to maintain a central repository of contract and partnership agreement file documentation. The system utilizes “SharePoint” software and provides an electronic means to store and retrieve key documents. The second system is a project tracking system designed to create a central location for contract and partnership agreement managers to document project costs and monitor performance.

To further strengthen these controls, we concluded that RMA officials need to establish and enforce formal policies and procedures on the effective documentation and proper administering and monitoring of ARPA contracts and partnership agreements. RMA officials generally agreed and stated they plan to issue formal policies and procedures after reviewing these audit recommendations.

### **Recommendation 1**

RMA officials should develop formal policies and procedures addressing the sufficiency of documentation, and proper administering and monitoring of ARPA contracts and partnership agreements, to include reviewing and documenting progress reports and deliverables submitted by contractors and agreement recipients.

### **Agency Response**

RMA officials concurred with the recommendation. RMA has developed three on-line systems to more thoroughly document partnership agreements and contracts administered by RMA’s Product Management. The Contract Document Management System (CDMS) and Partnership ExtraNet Site are both Sharepoint sites that function as on-line repositories of documents used to administer contracts and partnerships. Documentation of these sites is currently being formalized into an RMA Handbook format. Both sites are in the process of being linked to a Project Tracking System (PTS), an access-based system for on-line monitoring of current contracts and partnerships. Documentation on the operation and administration of this site is also being formalized into an RMA Handbook format. This will be accomplished by April 30, 2009.

### **OIG Position**

We concur with the management decision.



## **FINDING 2 - RMA NEEDS TO IMPROVE TRAINING OF ARPA CONTRACT AND PARTNERSHIP AGREEMENT MANAGERS**

We also found that ARPA technical representatives had not received formal training on administering or monitoring ARPA contracts and partnership agreements, and RMA had no internal system for tracking and monitoring training received by its personnel responsible for ARPA contracts and partnership agreements. This occurred because RMA had not established and implemented formal training plans, including training needs assessments, or procedures for ensuring continuing learning requirements were being met for its ARPA contract and partnership agreement managers. Instead, RMA officials believed attending the informal training provided to the contract and partnership recipients sufficiently prepared their ARPA contract and partnership agreement managers to execute their responsibilities. Inadequate training of ARPA partnership agreement and contract managers raises concerns whether the FAR provisions are being properly administered or monitored.

FAR requires agencies to ensure that sufficiently trained and experienced officials are available within the agency to manage and oversee the contract administration function.<sup>7</sup> The Office of Federal Procurement Policy (OFPP) procedures require the contracting officer's technical representative (COTR) to complete a minimum of 40 hours of training and 8 hours of continuing learning every 2 years after initial certification.<sup>8</sup> OFPP also requires the agencies and the individual COTRs to maintain current and accurate certification and continuing learning documents for quality assurance purposes.<sup>9</sup>

### RMA Did Not Formally Train ARPA Technical Representatives or Internally Track Training Received

We found technical representatives at the RMA regional service offices had not obtained formal training on sufficient documentation, and proper administration and monitoring of ARPA partnership agreements. This occurred because RMA officials believed attending, or joining through conference calls, orientation seminars designed for contract and partnership agreement recipients was adequate training for technical representatives to perform their jobs. The technical representatives we interviewed did not feel adequately trained, however. We also found that the COTR assigned to two of the four contracts we sampled had not completed the 8 hours of continuing learning that was required by GovWorks during the period of our audit.<sup>10</sup> This occurred because RMA had no formal procedures for internally tracking or monitoring training received to ensure requirements were being met. Instead, records of training received by all personnel responsible for ARPA research and development projects were provided to the Farm Service Agency (FSA) personnel division

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<sup>7</sup> FAR subpart 37.102 (h), effective February 2006.

<sup>8</sup> GovWorks, under the Interior Department's Acquisition Services Directorate, follows the OFPP procedures with regard to contracting officer's technical representative training requirements.

<sup>9</sup> OFPP's November 27, 2007, Memorandum for Chief Acquisition Officers, paragraph 7.

<sup>10</sup> OFPP's November 27, 2007, Memorandum for Chief Acquisition Officers increases the 8-hour requirement to 40 hours of continuing learning every 2 years, beginning in FY 2009.

for tracking.<sup>11</sup> This made the records less accessible to RMA officials for monitoring to ensure training needs and requirements were being met. We believe RMA needs formal training plans, including training needs assessments, for personnel responsible for administering its ARPA contracts and partnership agreements. RMA also needs to develop procedures to internally track and monitor the training received to ensure continuing learning requirements are being met and ARPA research and development projects are effectively administered.

Documentation in contract and partnership agreement files serve as an accounting of public program funds and provides support for critical decisions in the contract award process. An effective system for monitoring project performance reduces the risk of releasing funds for poor quality deliverables, and provides a means to effectively confront the contractor to seek corrective action if problems arise. In addition, formal training plans and procedures for ensuring RMA personnel are adequately trained in administering and monitoring ARPA contracts and partnership agreements provides assurance that the ARPA provisions are being met and that funds are properly used and accounted for.

## **Recommendation 2**

RMA should establish and implement a formal training plan, including completing training needs assessments, and procedures for internally tracking and monitoring continuing learning received by program personnel responsible for administering ARPA contracts and partnership agreements.

## **Agency Response**

RMA officials concurred with the recommendation. For contracts, RMA's Product Management follows the COTR training requirements specified in DR 5001-1, which complied with the Office of Federal Procurement Policy guidance. In response to the audit, RMA officials will establish and oversee a separate, internal training needs assessment and monitoring program that will cover all COTRS in RMA's Product Management and have such plans in place by September 30, 2008. For partnerships, no minimum standards exist for technical leads within the Federal sector; however, RMA will design, deliver, and document training to all personnel who act as technical leads for RMA's Product Management partnerships. This also will be completed no later than April 30, 2009.

## **OIG Position**

We concur with the management decision.

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<sup>11</sup> FSA's personnel division provides most administrative services needed for RMA personnel, including recording and maintaining the training records of all RMA personnel, because FSA and RMA share one consolidated personnel division.

Since management decisions have been achieved on both of the report's recommendations, no further action by your agency to this office is required.

We appreciate the courtesies and cooperation extended to us by your staff during this review.

# Exhibit A – Deficiencies Noted for the Sampled ARPA Contracts and Partnership Agreements

## OIG SAMPLED CONTRACTS <sup>1/</sup>

Award Fiscal Year	Contract Title	Deficiency Noted
2004	Watts and Associates, Plan for Pasture / Rangeland and Dryland Hay	Files were disorganized and incomplete. Duplicate files existed in both hardcopy and electronic formats, and were partially inaccessible to administering officials and for our audit review.
2004	Grazingland Management Systems, Inc. Seasonal Growth Constrained Rainfall Index	File documentation did not sufficiently explain why a subsequent modification was needed to adjust the outstanding contract balance. We confirmed the error resulted from inadvertently using the base contract amount from the Rainfall Index contract for this contract’s base. The administrative error was subsequently corrected. <sup>2/</sup>
		Files did not contain adequate evidence to support changes to proposal evaluation scores or the decision to award this contract and the NDVI contract below to the same applicant. After verbal explanations from various RMA officials, we were able to ascertain the propriety of these decisions. <sup>3/</sup>
		Files were disorganized and incomplete. Duplicate files existed in both hardcopy and electronic formats, and were partially inaccessible to administering officials and for our audit review.
2004	Grazingland Management Systems, Inc. Temperature Constrained Normalized Difference Vegetation Index (NDVI)	Files did not contain adequate evidence to support changes to proposal evaluation scores or the decision to award this contract and the Rainfall Index contract above to the same applicant. After verbal explanations from various RMA officials, we were able to ascertain the propriety of these decisions. <sup>3/</sup>
		Files did not fully disclose the circumstances of a series of modifications of contract deliverables, and three modifications were requested to change one of the contract deliverables. From interviews and reviewing the contractor’s files onsite, we were able to verify the accuracy after the final modification. <sup>2/</sup>
		One modification stated the terms as “time and materials” when it was “firm-fixed price.” This was later corrected in an amendment. <sup>2/</sup>
		Files were disorganized and incomplete. Duplicate files existed in both hardcopy and electronic formats, and were partially inaccessible to administering officials and for our audit review.
2004	AgriLogic, Inc. Precipitation Index for Pasture/Rangeland and Forage	Files were disorganized and incomplete. Files existed only in electronic format, but were partially inaccessible to administering officials and for our audit review.

<sup>1/</sup> All four sampled contracts files were disorganized, incomplete and partially inaccessible to administering officials. Duplicate files existed in both hardcopy and electronic formats in three of the four contracts.

<sup>2/</sup> In two of the four contracts, OIG found subsequent modifications to correct multiple administrative errors made by either RMA or the GovWorks contracting officer was not adequately explained or documented in the contract files. Based on RMA officials’ verbal explanations and by reviewing the contractor’s files onsite, we were able to conclude that the errors were properly corrected.

<sup>3/</sup> In two of the four contracts, documentation was not sufficient to explain RMA officials’ subsequent changes to proposal evaluation scores supporting the decisions to award two separate contracts to the same applicant. Through subsequent verbal clarification with RMA contracting officials, we were able to better understand and accept RMA’s logic behind the decision to award both contracts.

# Exhibit A – Deficiencies Noted for the Sampled ARPA Contracts and Partnership Agreements

## OIG SAMPLED PARTNERSHIP AGREEMENTS 1/

Award Fiscal Year	Partnership Agreement Recipient	File Lacked Uniform Preparation and Organization	File Lacked Copy of Signed Agreement or Statement of Work 2/	File Lacked Copy of Detailed Proposed Budgets 3/	File Lacked Required Progress Reports 4/
2004	AIR Worldwide Corp	X		X	X
2004	Grazingland Management Systems, Inc.	X		X	X
2004	Iowa State University	X			X
2004	Washington State University	X			X
2004	University of Florida Ag Labor Risk	X	X	X	X
2004	Kansas State University	X		X	X
2004	Kilauea Consulting, Inc.	X	X	X	X
2005	Strategic Solutions International, LLC	X		X	
2005	Montana State University	X	X	X	X
2005	AgForce, Inc	X			
2005	University of Nebraska-Lincoln	X		X	X
2006	University of Florida Disease Forecasting System for Strawberries	X			

1/ All 12 partnership agreement files lacked uniform preparation and organization.

2/ The signed agreement and/or statement of work stipulates the responsibilities of each party, including the tasks to be performed, timelines and the associated deliverables. Three of 12 files did not include a copy of one or both of these documents.

3/ The detailed proposed budget provides the breakout of estimated project costs per quarter. Eight of 12 files did not include a copy of the detailed proposed budgets submitted per the solicitation notices for the partnership agreement project proposals published in the *Federal Register*.

4/ Progress reports are required quarterly from partnership recipients and are key for RMA technical representatives to monitor job performance and determine acceptable progress before releasing funds. Nine of 12 files we reviewed did not contain any, or contained only a portion, of the required quarterly progress reports. We determined that RMA monitored partnership agreement progress by unstructured e-mail, telephone conversations, and through some site visits instead of requiring written progress reports for approval of payments.

# Exhibit B – Agency Response to Recommendations

Exhibit B – Page 1 of 2



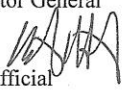
United States  
Department of  
Agriculture

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Management  
Agency

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TO: Robert W. Young  
Assistant Inspector General for Audit  
Office of Inspector General

APR 22 2008

FROM: Michael Hand   
Audit Liaison Official

SUBJECT: OIG Audit 05099-112-KC, Contracting for Services Under the Agricultural Risk Protection Act of 2000, Draft Report

In response to the subject Office of Inspector General audit report, the Risk Management Agency (RMA) is providing the following general comment and responses to Recommendations 1 and 2.

## General Comment

As noted in the audit report, RMA has implemented a number of initiatives in the last two years to improve oversight and internal controls for both contracting and awarding partnership agreements administered by Product Management under the Agricultural Risk Protection Act of 2000 (ARPA). All Product Management Contracting Officer Technical Representatives (COTR's) have received on-site training in each of the last two fiscal years on their responsibilities that emphasized the importance of documentation and records management. Technical leads for partnership agreements have participated in joint meetings with the partner at the outset of the most recently awarded partnerships which included briefings on appropriate levels of documentation and review. Periodic on-line and telephonic conferences have reinforced this as well. RMA recognizes the importance of careful maintenance of records and the value of ensuring appropriate training for those responsible for overseeing both contracts and partnerships administered by Product Management.

## Response to Recommendations

**Recommendation 1: "RMA officials should develop formal policies and procedures addressing the sufficiency of documentation, and proper administering and monitoring of ARPA contracts and partnership agreements, to include reviewing and documenting progress reports and deliverables submitted by contractors and agreement recipients."**

RMA concurs with the recommendation. RMA has developed three on-line systems to more thoroughly document partnership agreements and contracts administered by the Product Management organization. The Contract Document Management System (CDMS) and Partnership Extranet Site are both Sharepoint sites that function as on-line repositories of documents used to administer contracts and partnerships. Documentation on the operation and administration of these sites is currently being formalized into an RMA Handbook format. Both sites are in the process of being linked to a Project Tracking System (PTS), an Access based system for on-line monitoring of current contracts and



## **Exhibit B – Agency Response to Recommendations**

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partnerships. Documentation on the operation and administration of this site is also being formalized into an RMA Handbook format. This will be accomplished by **April 30, 2009**.

RMA requests management decision for this recommendation based on the information provided.

**Recommendation 2: “RMA should establish and implement a formal training plan, including completing training needs assessments, and procedures for internally tracking and monitoring continuing learning received by program personnel responsible for administering ARPA contracts and partnership agreements.”**

RMA concurs with this recommendation. For contracts, RMA’s Product Management organization follows the COTR training requirements specified in DR 5001-1, which complied with Office of Federal Procurement Policy (OFPP) guidance. In response to the audit, RMA will establish and oversee a separate, internal training needs assessment and monitoring program that will cover all COTRs in Product Management and have such plans in place by September 30, 2008. For partnerships, no minimum standards exist for technical leads within the Federal sector; however, RMA will design, deliver and document training to all personnel who act as technical leads for RMA’s Product Management partnerships. This will also be completed no later than April 30, 2009.

RMA requests management decision for this recommendation based on the information provided.

Should you have any questions, require additional information, or would like to discuss this response in more detail please contact Alan Sneeringer at (202) 720-8813.

**Informational copies of this report have been distributed to:**

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