

# USAID

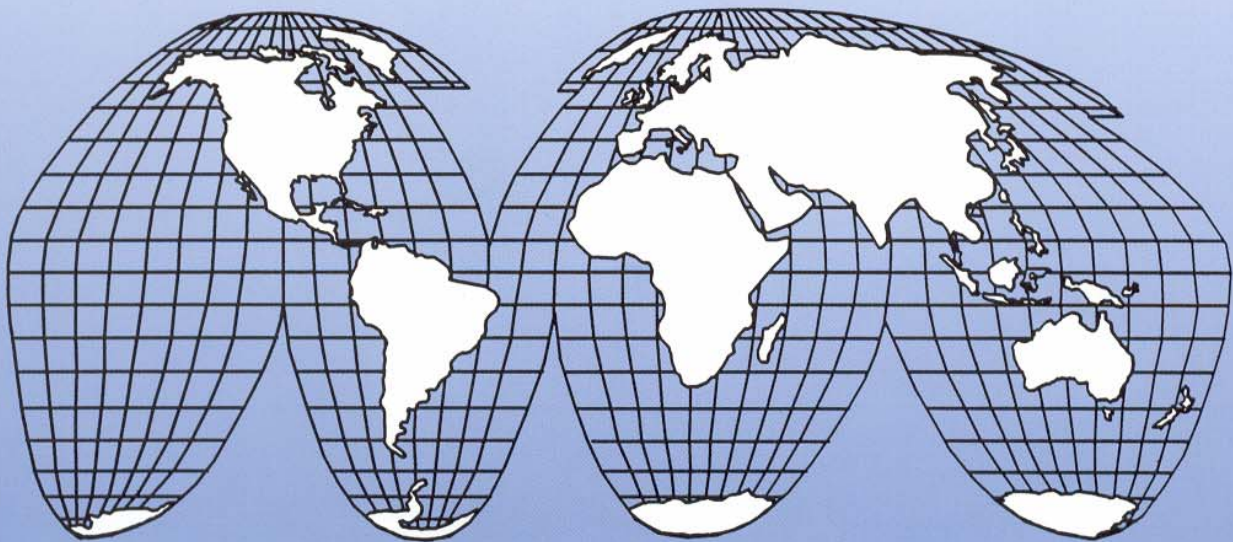
## OFFICE OF INSPECTOR GENERAL

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### Audit of USAID/Senegal's Contracting Operations

7-685-05-003-P

January 31, 2005



Dakar, Senegal



January 31, 2005

## **MEMORANDUM**

**FOR:** USAID/Senegal Director, Olivier Carduner

**FROM:** Acting RIG/Dakar, Nancy Toolan /s/

**SUBJECT:** Audit of USAID/Senegal's Contracting Operations  
(Report No. 7-685-05-003-P)

This is our final report on the subject audit. In finalizing the report, we considered your comments on our draft report and have included your response as Appendix II.

This report contains three recommendations. Based on appropriate action taken by the Mission, management decisions have been reached on all three recommendations. Final actions to close the three recommendations should be coordinated with the Office of Management Planning & Innovation (M/MPI).

I appreciate the cooperation and courtesies extended to the members of our audit team during this audit.

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## Summary of Results

The objective of this audit was to determine if the Regional Contracting Office (RCO) located at USAID/Senegal complied with USAID guidelines in providing contracting support. (See page 7.)

The RCO situated at USAID/Senegal followed USAID guidelines in providing regional contracting support for programs as it relates to bid solicitation and awarding of instruments<sup>1</sup>, certain aspects of contract administration, and instrument file maintenance. (See page 7.)

However, the support provided by the RCO was encumbered by ineffective electronic record keeping. Several reports provided by the RCO contained errors and were not provided in a timely manner. These errors occurred because the RCO used several different electronic files to maintain information, with data being deleted from one file and manually re-entered in another, and because the RCO did not verify information when manually entering data. (See pages 8 and 9.)

Nor did the RCO fully comply with requirements related to evaluations of contractor performance. It did not complete evaluations of contractor performance and submit them to the National Institutes of Health Contractor Performance System as required by the Federal Acquisition Regulation (FAR) and Automated Directive System (ADS). The evaluations were not completed because the office did not have procedures in place to ensure that they were completed and submitted. Because this information may be used to support future contract award decisions, the omission of the evaluations can potentially result in awarding of future contracts to undesirable parties. (See pages 9 and 10.)

Additionally, the RCO did not fully comply with certain requirements related to instrument closeouts. Specifically, RCO did not close out expired instruments in a systematic and timely manner as specified by the FAR and local Mission Order because it did not have procedures in place to monitor instrument closeouts. By not closing out expired instruments in a timely manner, the RCO cannot be certain that funds are de-obligated appropriately and made available for other use. (See pages 10 and 11.)

In view of these findings, we recommend that the Mission develop and implement an integrated contract information system based on a master database; develop specific procedures that include assigning responsibility for completing and submitting contractor performance evaluations to the National Institutes of Health Contractor Performance System; and develop specific procedures that include assigning responsibility for actively monitoring and closing out expired instruments.

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<sup>1</sup> Instrument is defined as a grant, cooperative agreement, or contract.

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## Background

The Regional Contracting Office (RCO) in Dakar, Senegal provides procurement services to support USAID programs throughout West Africa. The RCO reports administratively to the Mission Director while receiving procurement guidance directly from the Office of Acquisition and Assistance, Washington. Besides Senegal, in fiscal year (FY) 2004, the office provided contracting support to several other USAID presence countries including Guinea, Sierra Leone, and Benin, as well as to the non-presence countries of Guinea Bissau and Cape Verde. As of July 2004, the RCO had an active portfolio<sup>2</sup> of 66 instruments (those with remaining services and products to be delivered) with a total estimated value of \$258 million.

With the unexpected departure of the supervisory Contracting Officer, the RCO has been operating in a diverse region with a limited staff in carrying out contracting requirements to support USAID programs. At the time of the audit, the RCO was led by a seasoned Contracting Officer with a staff of two Acquisition and Assistance Specialists (a third had recently retired, but the position is expected to be refilled) and an Administrative Assistant.

In addition to the RCO, which is involved throughout the entire contracting process from bid solicitations and awarding of instruments to closeouts, Cognizant Technical Officers (CTOs) play a critical role in the contract administration process. CTOs are at the frontlines functioning as the “eyes and ears” of the Contracting Officer, monitoring technical performance and financial status, and reporting potential and actual problems to the Contracting Officer. Therefore, it is imperative that CTOs stay in close communication with the Contracting Officer, providing any information that may impact contractual commitments and requirements.

The Automated Directive System’s (ADS) 300 series provides procurement guidance for Agency activities and serves as the main policy in this area. According to USAID policy, all direct procurement is to be conducted in accordance with the Federal Acquisition Regulations and the USAID Acquisition Regulations. New procurement requirements are to be implemented through Contract Information Bulletins when it is necessary to implement the change prior to formal amendment of acquisition regulations.

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<sup>2</sup> The RCO’s active portfolio of 66 instruments consists of 26 in Senegal, 18 in Guinea, 18 in Benin, and 4 in Sierra Leone.

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**Audit Objective**

In accordance with its fiscal year 2004 audit plan, the Regional Inspector General/Dakar performed this audit to answer the following audit objective:

**Did the Regional Contracting Office (RCO) located at USAID/Senegal comply with USAID guidelines in providing contracting support?**

Appendix I contains a complete discussion of the scope and methodology of the audit.

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**Audit Findings**

The Regional Contracting Office (RCO) located at USAID/Senegal followed some USAID guidelines in providing regional contracting support. In particular, the RCO followed USAID guidelines and applicable regulations as they relate to bid solicitation and awarding of instruments, instrument file maintenance, and certain aspects of contract administration, such as providing support to Cognizant Technical Officers (CTOs) with contractual issues. However, the support provided by the RCO was hampered by ineffective electronic record keeping, and the office did not fully comply with certain requirements related to evaluations of contractor performance and closeouts.

The RCO adhered to solicitation guidelines by following procedures in creating Requests for Proposals and formulating evaluation criteria. It also followed sole source award, exception to competition, and competition guidelines. In addition, the RCO went through the Contract Review Board, as required, for awards over \$10 million. The RCO advertised solicitations by posting them to the required internet sites (FedBizOpps.gov or FedGrants.gov) or in newspapers, as applicable. In the awarding process, the RCO followed USAID guidelines in evaluating proposals by:

1. giving the evaluation teams a briefing instructing them on the evaluation process,
2. ensuring the proposals were fully evaluated based on the proper criteria, and
3. making the final determination deemed in the best interest of USAID.

In the administration area, the RCO provided effective and timely contracting support while actively assisting CTOs by being prompt and responsive to their needs and inquiries. The RCO was involved in contractual issues, such as budget realignments, and processed modifications as necessary. It was proactive in keeping informed of Strategic Objective (SO) activities (many of which were being funded by the instruments awarded by the RCO) by



attending SO team meetings. Furthermore, the RCO maintained comprehensive instrument files in accordance with USAID guidelines.

Nevertheless, we identified the following weaknesses that should be addressed to improve RCO operations.

### **Integrated Electronic Record Keeping System Would Improve Reporting**

Summary: The RCO produced reports with errors and did not produce reports in a timely manner. Effective record keeping is emphasized in the Government Accountability Office's *Standards for Internal Control in the Federal Government*. These errors occurred because the RCO did not have an electronic record keeping system that produced accurate and timely information. Without such a system, the RCO cannot be fully assured that correct information has been reported.

Several reports provided by the RCO contained errors, had missing data, and were not provided in a timely manner. All but one of the six reports listing instruments in either active, pending closeout, or closed out status obtained from the RCO were inaccurate. The following are some examples of the errors we encountered.

- **Report contained errors.** The active listing for Senegal had incorrect expiration dates and award amounts. Two instruments out of 26 in the active listing had expiration dates of June 2005, when in fact they had already expired in June 2004, and should not, therefore, have been included in the active listing. Another instrument on the active listing had an incorrect award amount of \$1,955,120 when it was actually \$1,599,120.
- **Report included duplicates.** The closeout listing for fiscal year (FY) 2004 consisted of 17 instruments, of which 5 were selected as our sample for testing. Of these five, two were duplicates of two other instruments in the sample.
- **Report had missing data.** The active listing of instruments for Senegal omitted a \$26 million contract.
- **Report not provided on a timely basis.** It took several weeks for the RCO to provide a complete listing of closeouts.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* stresses the importance of accurate and timely record keeping in maintaining effective internal controls. An entity must have

relevant, reliable, and timely information and communications in order to run and control its operations.

These errors occurred because an effective, integrated electronic record keeping system was not being maintained, and information was not being verified when the data was manually entered. The RCO maintained several electronic files where individual records of instruments were moved manually from one file to another during the contracting process as the status changed. For example, when an instrument expired, it was deleted from the active file and was manually re-entered into the pending closeout file; when an instrument was completely closed out, it was deleted from the pending closeout file and manually re-entered into the closed out file. In addition, the files did not contain the same fields of information, so it was difficult to compare or consolidate them with one another. According to the present Contracting Officer, electronic records were not maintained by the RCO prior to his arrival. Although the RCO has made improvements in record keeping by implementing the use of electronic files for monitoring and reporting activities, these files still do not provide accurate and timely information.

Furthermore, lack of an integrated data base increases likelihood that information will be altered at each re-entry. In addition, an integrated database would facilitate data entry and verification. Without having an integrated electronic record keeping system that produces relevant, reliable, and timely data, the RCO increases its vulnerability of reporting inaccurate data and cannot be fully assured that correct information has been reported. Therefore, to address this weakness, we make the following recommendation:

**Recommendation No 1: We recommend that the Mission develop and implement an integrated contract information system based on a master database.**

### **Evaluations of Contractor Performance Need To Be Completed and Submitted**

Summary: The RCO did not complete and submit evaluations of contractor performance to the National Institutes of Health (NIH) Contractor Performance System (CPS) as required by the Federal Acquisition Regulation (FAR) and the Automated Directive System (ADS). This occurred because the RCO did not have procedures in place to ensure completion and submission of evaluations. The omission of evaluations could result in awarding of future contracts to undesirable parties.

From the universe of 66 active instruments, we selected 19 for testing. From the 19 selected, 4 were contracts, all of which met the criteria of requiring evaluations. Testing found that three of the four contracts did not have

documented interim evaluations of contractor performance. One had an interim evaluation completed but was not entered into the NIH CPS.

FAR 42.1502 and ADS 302.5.9 require that contracts in excess of \$100,000 be evaluated at least annually (for contracts exceeding one year in duration) and on completion of activities. FAR also states that interim evaluations should be prepared to provide current information for source selection purposes. Past performance information is relevant information for future source selection purposes regarding a contractor's actions under previously awarded contracts.

The Contracting Officer (CO) maintained that he had not been giving the CTOs the evaluation forms for completion. The CO also maintained that he had not submitted the evaluations to NIH CPS due to a faulty password and had not taken steps to resolve the matter. This occurred because the CO had not developed specific procedures or assigned responsibility to staff to ensure that evaluations were completed and submitted to NIH CPS.

Because past performance reports may be used to support future contract award decisions, the omission of evaluations of contractor performance can potentially result in the awarding of future contracts to undesirable parties. Therefore, we make the following recommendation:

**Recommendation No 2: We recommend that the Mission develop specific procedures that include assigning responsibility for completing and submitting of contractor performance evaluations to the National Institutes of Health Contractor Performance System.**

### **Expired Instruments Need to Be Closed Out in a Timely Manner**

Summary: The RCO did not close out expired instruments in a systematic and timely manner as specified by FAR and the local Mission Order, because the RCO did not have procedures in place to monitor instrument close outs. By not closing out expired instruments in a timely manner, the RCO cannot be certain that funds are de-obligated appropriately.

The RCO had over 50 pending contract closeouts dating back as far as five years. Of those, at least 30 had been initiated to be closed out between 2000 and 2003 but remained in suspense. As a part of the closeout process, the RCO gave the file to the CTO and to the Office of Financial Management (OFM) to get their recommendations and signatures for closeout. Most of these files were pending (or in suspense) in OFM for several years. Moreover, no follow-up had been done by the RCO to check on the status of these files.

Also within the pending closeouts were two expired instruments with combined unliquidated obligations of \$318,140 that could have been closed out in 2003. The closeout process had been initiated for these two instruments because the RCO had sent release forms to the contractors. The contractors, however, did not return the forms and because the RCO never followed-up on these files, they remained in suspense. The RCO began to take action to completely close out (which includes de-obligation) these two instruments during our fieldwork.

In further review, we found that OFM was de-obligating funds from expired instruments on their own initiative through separate, periodic reviews with the approval of the CTO. There was, however, no coordination with the RCO, which was unaware of these de-obligations. Nevertheless, the instrument files remained in pending closeout status as a result of not having been through all of the required channels.

FAR Subpart 4.804 and local Mission Order 216-1<sup>3</sup> provide time standards for closing out instrument files. In general, firm-fixed-price instruments should be closed out within six months after the date on which the contracting officer receives evidence of physical completion. Furthermore, closeouts for grants and cooperative agreements should occur within a reasonable time commencing within 90 days of physical completion.

The RCO did not have procedures in place to close out instruments in a systematic and timely manner. Prior to the arrival of the current Contracting Officer in 2001, the Contracting Officer vacancy was filled by Temporary Duty Contracting Officers who focused on current issues, and performing closeouts was not a priority. As part of an Agency-wide initiative to close out instruments, the current RCO was instrumental in initiating closeouts and reducing the backlog. Despite this effort, the RCO did not close out expired instruments in the required time per USAID guidelines because it did not follow up to check on the status of the pending closeout files.

By not systematically and promptly closing out expired contracts, the RCO cannot be certain that unexpended funds are de-obligated appropriately and made available for other use. Therefore, we make the following recommendation:

**Recommendation No 3: We recommend that the Mission develop specific procedures that include assigning responsibility for actively monitoring and closing out expired instruments.**

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<sup>3</sup> Mission Order 216-1 “Contract, Grant and Cooperative Agreement Close-Out Procedures”

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## **Evaluation of Management Comments**

In response to the draft report, USAID/Senegal agreed with all three of the findings and recommendations in the draft audit report. Based on appropriate action taken by the Mission, management decisions have been reached on all recommendations. However, the recommendations remain open and final action to close the recommendations should be coordinated with the Office of Management Planning & Innovation (M/MPI).

Recommendation No. 1 proposes that the Mission develop and implement an integrated contract information system based on a master database. The Mission concurred with this recommendation and will identify an existing system or develop a system which will support, monitor, and track contracting information.

Recommendation No. 2 states that the Mission develop specific procedures that include assigning responsibility for completing and submitting of contractor performance evaluations to the National Institutes of Health Contractor Performance System. The Mission agreed with this recommendation and will issue a written policy establishing detailed procedures that include assigning responsibility for completing and submitting the evaluations. In addition, the Mission will review the status of the evaluations during its semi-annual portfolio review.

Recommendation No. 3 proposes that the Mission develop specific procedures that include assigning responsibility for actively monitoring and closing out expired instruments. The Mission concurred with this recommendation and will issue a written policy establishing adequate procedures to monitor the close out process. The procedures will include time frames for processing close-outs and emphasize authorities for de-obligating funds from expired instruments. In addition, the Mission will review the status of close outs during its semi-annual portfolio review.

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**Scope and  
Methodology****Scope**

The Regional Inspector General/Dakar conducted this audit in accordance with generally accepted government auditing standards. The purpose of the audit was to determine if the Regional Contracting Office (RCO) located at USAID/Senegal complied with USAID guidelines in providing regional contracting support. The audit was conducted at USAID/Senegal in Dakar from August 18 to September 24, 2004.

The scope of the audit included the review of selected active instruments from the universe of instruments under the cognizance of the RCO in Senegal, Guinea, Benin, and Sierra Leone. For active instruments, we reviewed a total of 19 active instruments<sup>4</sup> with an estimated award value of \$138 million out of the universe of 66 active instruments with an award value estimated at \$258 million. In addition, the audit included the review of 52 instruments that were pending closeout to determine timeliness of the closeout procedures. We selected a sample of 5 instruments out of the 17 that were closed out in fiscal year 2004 to determine if the RCO was in compliance with prescribed closeout procedures.

The audit also included examinations of internal controls, including segregation of duties and approvals associated with bid solicitation and contract awarding, the administration of instruments (which includes performance monitoring and financial administration), instrument file maintenance, and the contract closeout process. Management controls and guidance for contracting are included in the Automated Directive Systems, Federal Acquisition Regulations, and the USAID Acquisition Regulations, as well as Contract Information Bulletins, Acquisition & Assistance Policy Directives, and relevant local Mission Orders.

**Methodology**

The audit was designed to be broad and included review and testing from areas we deemed to be more significant with respect to the awarding and the administering of various types of instruments including, grants, cooperative agreements, and contracts. We reviewed and tested key controls in bid solicitation and contract awarding, administration (including Cognizant Technical Officer (CTO) roles and responsibilities plus vouchering), instrument file maintenance, and closeout procedures.

For the sample in Senegal, we selected all active instruments with an award amount over \$1 million. In addition, we selected a few of the higher dollar instruments from each of the cognizant countries but then narrowed our sample

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<sup>4</sup> The active instrument sample consisted of 16 from Senegal, 2 from Guinea, 1 from Benin, and 0 from Sierra Leone.

down due to initial positive results of our testing of the active instruments in Senegal and to the unavailability of CTOs.

In performing the audit, we reviewed and examined instrument files (those maintained by the RCO and CTOs) against relevant criteria. While conducting audit steps pertaining to CTO roles and responsibilities, we interviewed CTOs associated with the judgmentally selected active instruments both in Senegal and other countries served by the RCO. In addition, we held discussions with financial specialists and other financial management staff to determine their roles with respect to administering various types of instruments and to document controls associated with vouchering and accruals processes.

While performing steps associated with bid solicitation and contract awarding, administration, instrument file maintenance, and closeouts, we held discussions with the Contracting Officer and other RCO staff to determine their roles and responsibilities and to document various procedures used by the staff. We also held discussions with the Regional Legal Advisor and other Strategic Objective team members. In terms of materiality, we determined the significance of each instance of non-compliance on a case by case basis.

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**Management  
Comments****USAID/Senegal**

# Memo

**To:** Lee Jewell III, RIG/Dakar  
**From:** Olivier Carduner, Director /s/  
**Date:** February 1, 2005  
**Re:** Audit of USAID/Senegal's Contracting Operations, Report No. 7-685-05-00-X-P

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This memo is to acknowledge receipt of the referenced draft audit report as well as to provide Mission comments on the findings and recommendations therein.

**Recommendation No. 1: We recommend that the Mission develop and implement an integrated contract information system based on a master database.**

USAID/Senegal is in agreement with this recommendation and will implement the following action plan to address the weaknesses identified in the draft audit report:

Within six months of the date of this letter, the Information Management Team (INFO), under the direction of the Deputy EXO, will consult with other USAID Missions to identify and implement a data base system which will support, monitor, and track contracting information. If the Mission is unable to identify an existing system, INFO will develop the system within eight months of the date of this letter.

**Recommendation No. 2: We recommend that the Mission develop specific procedures that include assigning responsibility for completing and submitting of contractor performance evaluations to the National Institutes of Health Contractor Performance System.**

USAID/Senegal is in agreement with this recommendation identified in the draft audit report. USAID/Senegal is neither completing nor submitting evaluations of contractor performance to AID/W's NIH computer data base contractor system (CPS) as required by the ADS 302.5.9 which states that, "It is USAID policy that contracts in excess of \$100,000, including individual task orders under indefinite quantity contracts, must be evaluated at least annually (for contracts exceeding one year in duration) and on completion of activities, as required by FAR 42.1502, except as provided in FAR 42.1502(b)." The same ADS reference also states, "More frequent evaluations may be



conducted if the Contracting Officer and Cognizant Technical officer determine them to be in the best interests of the activity. “

Within sixty days of the date of this letter, the RCO will issue a written policy establishing detailed procedures that include assigning responsibility for completing and submitting of contractor performance evaluations to the National Institutes of Health Contractor Performance System. In addition, the Mission will review the status of submitting contractor performance evaluations to the National Institutes of Health Contractor Performance System in its semi-annual Mission Portfolio Review.

**Recommendation No. 3: We recommend that the Mission develop specific procedures that include assigning responsibility for actively monitoring and closing out expired instruments.**

USAID/Senegal is in agreement with this audit finding and recommendation identified in the draft audit report. USAID/Senegal did not close-out expired instruments in a systematic and timely manner as required by FAR and Mission Orders.

Within six months of the date of this letter, the RCO will develop adequate procedures to monitor the close-out process. The procedures will include time frames for processing close-outs by the Office of Financial Management (OFM) and CTO offices. In addition, the Mission will review the status of close-outs in its semi-annual Mission Portfolio Review. This is thought to be necessary since the auditors found that several close-out files or close-out forms were sent to OFM or the CTO offices but were not returned to RCO. Furthermore, the procedures should highlight authorities for de-obligating funds from expired agreements since the auditors found that OFM was de-obligating funds from expired instruments without authorization of the RCO.