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Defense IG finds major flaws in contracts issued via Treasury

By Jenny Mandel
jmandel@govexec.com

A recent Defense inspector general investigation into interagency purchases placed through the Treasury Department's FedSource program uncovered major problems, including inadequate competition.

Every award examined by the IG was flawed. Other problems included missing contracting agreements, insufficient price documentation and a lack of market research.

Defense auditors also identified 21 potential violations of the Anti-Deficiency Act, which bars spending in excess of available resources. These included funds being kept after the end of the year for which they were appropriated, and spending from the wrong accounts for particular projects.

Despite these findings, the IG's report did not advocate cutting off Defense purchases through FedSource. Rather, it urged Defense officials to ensure that acquisition planning is carried out, interagency agreements are signed and funds are monitored through regular reporting.

The Defense auditors, working with Treasury's IG office, examined 61 task orders worth about $37.8 million and completed through three FedSource centers.

Auditors found that 41 of the 61 task orders were awarded without sufficient competition as required by appropriations law, contracting regulations and agency rules. Twenty-one of the task orders, valued at $24.6 million, were identified as possibly violating the Anti-Deficiency Act.

The investigators also found that none of the task orders included documentation of market research. Fifty-one were placed without an interagency agreement between Defense and Treasury, or with an insufficient agreement, and 58 had poor contract surveillance plans. Fifty-two had inadequate or no documentation to show that officials deemed the agreed-upon price reasonable before placing the order.

"As a result, DOD activities did not obtain the most cost-effective goods and services to meet valid operational requirements in compliance with laws and regulations," Defense officials concluded.

The IG recommended that the Defense comptroller de-obligate $19.6 million in prior-year funds being held by Treasury's contracting shop. The department's acting deputy chief financial officer, in official comments, said such a move already was under way.

Auditors also suggested that the Defense CFO work with Treasury officials to set up a system to monitor interagency contracts in a way that would yield regular reports on uncommitted fund balances, amounts obligated and expended, expired funds, and service fees paid. The CFO office said implementation of that recommendation also was under way.

The report was produced under a requirement in the fiscal 2006 Defense Authorization Act that called on the IG to work with its counterparts at Treasury, the Interior Department, the General Services Administration and NASA to assess interagency purchasing through those agencies.

The GSA report was issued in October, and found similar problems at that agency, including possible funding violations and insufficient contract monitoring. That report also allowed Defense, GSA's largest customer, to continue doing business with GSA.

In the NASA report, released in November, the IG urged Defense officials to beef up training on contracting laws and managing interagency purchases.

The report on buying through Interior's National Business Center remains in draft form, but a recent *Washington Post* story cited draft documents in which investigators advised Defense against continuing to buy through Interior.

This document is located at http://www.govexec.com/dailyfed/0107/010307m1.htm