

# ARS □ CSREES □ ERS □ NASS

## *Policies and Procedures*

**Title:** Internal Control Plan for REE Acquisition Program

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Locations

This P&P provides guidance on REE's Internal Control Plan covering procurement and contracting to comply with Federal Acquisition Regulations and Policies, the procurement aspects of the Federal Managers' Financial Integrity Act of 1982, and the Government Performance and Results Act of 1993.

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## **1. Statement of Policy**

It is REE policy to assure all personnel involved with acquisition duties are effectively performing their duties and that cognizant supervisors and managers provide the necessary oversight and monitoring to ensure compliance with internal control standards. This will assure that REE's vulnerability to fraud, waste, and mismanagement is minimized to the greatest possible extent.

## **2. Introduction**

REE must assure that its acquisition activities are managed to minimize fraud, waste, and mismanagement and to maximize effectiveness and cost savings.

REE spends approximately \$270 million on 255,000 procurement actions each fiscal year in order to meet its mission requirements. The cost of REE's acquisition program and the requirement to assure proper compliance with all related acquisition regulations are critical considerations in formalizing the REE Procurement *Internal Control Plan*.

There are a number of standards that are in effect to assist managers in achieving the objectives of procurement internal control measures. Provided below is a list and brief explanation of some of the laws, requirements, and policies affecting procurement internal controls within the Federal Government.

## **3. Laws, Requirements, and Policies Affecting Internal Control**

### **OMB Circular A-123, Management Accountability and Control (June 21, 1995)**

OMB Circular A-123 provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management control (internal control).

### **OMB Circular A-127, Financial Management Systems (July 23, 1993)**

OMB Circular A-127 prescribes policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems including internal control.

## **Federal Managers' Financial Integrity Act of 1982**

This act requires the General Accounting Office (GAO) to prescribe standards of internal accounting and administrative control and requires agencies to determine compliance with internal control standards.

## **Government Performance and Results Act (GPRA) of 1993**

The GPRA requires that agencies develop strategic plans that cover a period of at least 5 years, annual performance plans, and report on the achievement of goals and objectives on an annual basis. The GPRA requires that agencies develop performance targets and measures and report the results, starting in March 2000.

## **Federal Financial Management Improvement Act of 1996**

The act states that much effort has been devoted to strengthening Federal internal accounting control in the past, and while some progress has been made, accounting standards have not been uniformly implemented. The act requires each agency to implement and maintain financial management systems that comply substantially with: (1) system requirements, (2) applicable Federal accounting standards, and (3) the Standard General Ledger.

## **Budget and Accounting Procedures Act of 1950**

This act establishes that GAO audits be directed at determining the extent to which adequate internal financial control over operations is exercised.

## **Chief Financial Officers Act of 1990**

The purpose of the act is to ensure improvement in agency systems of accounting, financial management, and internal control; to assure the issuance of reliable financial information; and to deter fraud, waste, and abuse of Government resources.

## **Departmental Regulation No. 1110-2, Management Accountability and Control (February 23, 1999)**

This regulation establishes departmentwide policy for all agencies and staff offices to improve the accountability and effectiveness of USDA's programs and operations through the use of sound systems of internal and management controls. The intent of the policy is to ensure that programs are managed with integrity and that program operations comply with applicable laws and regulations.

## 4. Internal Control Plan and Quality Assurance

An Internal Control Plan (ICP) comprises plans, methods, and procedures used by an entity to meet its objectives. An effective ICP is essential to achieving the proper conduct of Government business with full accountability for the resources made available. The ICP will help to ensure that an agency meets its missions, goals, and objectives; complies with laws and regulations; is able to provide reliable financial and other information concerning its programs, operations, and activities; and serves as the first line of defense in preventing and detecting fraud, waste, and abuse.

The Procurement and Property Division (PPD), Administrative and Financial Management (AFM), ARS, utilizes the ICP to assure that procurement policy objectives are being met and that quality standards are being upheld. The ICP specifies procedures that are to be followed at each step of the procurement process, defines quality standards for procurement products, and provides feedback at each step of the process.

This ICP provides for the following types of reviews, policies, and procedures to be utilized during the procurement process:

- CARE Reviews
- Procurement and Property Management Reviews (PPMRs)
- Legal Reviews
- Monthly In-Process Quality Assurance (QA) Reviews
- Contracting Officers' Warrant System and Training
- Head of the Contracting Activity Designee (HCAD) Approval of Procurement Actions
- Contract Review Boards
- Acquisition Issuances (Policies and Procedures, Bulletins, Policy Memos)
- Procurement Teleconferences and Conferences
- PPD HomePage
- Reporting Requirements
- Advance Acquisition Plans
- Procurement Preference Program
- Procurement Performance Measures
- Tracking and Management Information Systems
- Oversight of Procurement Personnel
- File Documentation
- Closeout of Contract Files
- Customer Feedback
- Contracting Officer Training
- Customer Service Guide
- Contract Action Review Sheet

The reviews listed below will be used by management to assure that procurement policy objectives are being met and that quality standards are being upheld. The reviews will be used to identify recurring and systemic procurement problems. Recurring problems will be analyzed by management with a view to determining the extensiveness of the problem and implementing appropriate actions to avoid continuation of recurring problems. If indicated, management will gather additional data and/or establish a committee to work on a resolution. Personnel training will be scheduled, if appropriate. Guidance materials are reviewed for clarity and consistency.

These reviews will assist the HCAD's oversight of the Contracting Officer's (CO) performance and adequacy and use of policies and procedures.

## **CARE Reviews**

The CARE Reviews will be conducted as a joint activity by ARS, Location, Area, and Headquarters administrative and program personnel on various administrative functions which include small purchases, purchase cards, and check writing. ARS locations are selected for these CARE Reviews on a rotating basis each fiscal year. Functional "checklists" are used by the CARE Review Teams to review and report on any problems in the procurement function, which are then subsequently addressed and resolved by the reviewed site. Trends are then assessed to determine if additional resources need to be focused on a particular area.

## **Procurement & Property Management Reviews**

Policy Branch (PB), PPD personnel (with assistance from the Personal Property Branch, PPD, and the Facilities Contracts Branch, Facilities Division (FD)) will conduct joint PPMRs on ARS Area and Headquarters procurement and personal property activities. The eight ARS Area Offices and two AFM Headquarters procurement offices (PPD and FD) are reviewed on a rotational basis-- each site coming up for review every 3 to 4 years.

These PPMR Teams, using a review guide along with checklists, will review simplified acquisitions, contracts (including equipment, service, and construction), purchase card/check writing activities, and disposition of Government personal property. A report, which includes summary findings and recommendations, will be issued based on the team's review of these operations. The report will require that any noted deficiencies will be addressed and resolved, and an action plan will be provided to the Team, along with milestones, to assure that this is accomplished.

Assistance will be provided by the review team to support the reviewed activity in correcting any deficiencies and improving procurement and personal property operations and employees' performance.

## **Contract Review Boards**

Contract Review Boards (CRBs) should be established by Headquarters and Areas to review certain procurement that are either high dollar value or sensitive in nature. The CRB is formed each time the need arises to review proposed acquisition strategy for a requirement and its related solicitation document, as well as the resultant contract award package. In addition, Contracting Officers can request a CRB for any other solicitation or contract action it deems necessary.

The CRB process functions in accordance with the Contract Review Board Standard Operating Procedures which provide guidance on the CRB process and responsibilities of procurement and technical personnel.

## **Legal Reviews**

Legal Reviews are required for all actions identified in Departmental Regulation No. 5000-4, dated September 10, 1997. USDA's Office of Legal Counsel identifies any needed corrective actions to the cognizant Contract Specialist and CO to ensure legal sufficiency of the solicitation and contract award documents.

## **Warrant System**

REE's HCAD has a warrant program in place to effectively control the issuance of delegations. The delegations of contracting authority are tracked and monitored in the PB, PPD, to assure that acquisition personnel requesting warrants or increases to warrants have complied with training, experience, and need requirements. Compliance with maintenance training requirements will be tracked by PB on an individual basis and notices will be sent to supervisory procurement officials to assure their subordinate COs comply. The REE warrant system is automated and can provide periodic reports to the HCAD for review and oversight.

## **Warrant Training**

PPD will provide periodic training opportunities to procurement officials in order to maintain warrants, as well as improve acquisition skills, and to keep abreast of "best practices." In addition, PPD maintains and updates its existing "Field Acquisition Manual," which includes guidance on simplified acquisitions and the Purchase Card Program.

## **HCAD Approval of Procurement Actions**

The HCAD has delegated authority covering certain significant procurement actions that require HCAD approval. This ensures appropriate oversight on procurement sensitive actions and confirms



procurement officials' (COs) decisions and justifications. Examples are provided below; however, this list is not considered all inclusive:

- Mistakes in Bid (AGAR 414.407-3)
- Cancellation of Invitations After Opening (AGAR 414.404-1)
- Ratifications (exceeding delegated level) (P&P 212.16, dated July 17, 1997)
- Release of Proposals Outside the Government for Evaluation Purposes (AGAR 415.413-2)
- Competition Advocate (AGAR 406.501)
- Demonstration of Market Acceptance (AGAR 411.103(a))
- Tailoring of Provisions and Clauses for Commercial Items Inconsistent with Customary Commercial Practices (AGAR 412.302)
- Authority to Exceed the 5-Year Limitation in FAR 17.204(e) (AGAR 417.204)

## **Policies & Procedures**

PPD issues procurement guidance in the form of REE "Issuances" which can be Policies and Procedures (P&P's), Bulletins, or Manuals. The issuances condense and interpret important procurement regulations and policy from many sources that significantly affect agency acquisition programs as well as clarify any complex acquisition procedures.

PPD has a series of its own policy guidance in the form of "PPD Policy Memoranda" that are geared toward giving guidance, on a limited basis, to agency procurement personnel who assist them in effectively performing their jobs. An example is a policy memorandum that gives specific guidance on how a procurement official(s) should process a ratification action within the agency.

## **Procurement Teleconferences & Conferences**

The PB holds quarterly "Procurement Teleconferences" with lead procurement officials in AFM Headquarters and ARS Area Offices. PPD provides updated procurement information and guidance, as well as enables procurement officials to raise procurement cross-cutting questions and issues that may be affecting agency procurement offices nationwide.

Procurement conferences are conducted every 3 years at a central location where all REE lead procurement officials can meet for in-depth workshops and training. On the "off years", PPD sponsors "mini-procurement conferences" in conjunction with a training session, in order to bring procurement officials face-to-face with Headquarters procurement personnel to exchange information and discuss relevant issues.

## **PPD HomePage**

The PPD HomePage was developed and is maintained by the PB, PPD, with the objective of providing resource information to REE personnel (procurement and non-procurement personnel) on the agency's acquisition programs. All of the PPD "Issuances" (P&P's, Bulletins, and PPD Policy Memoranda) are posted at this site, along with other pertinent information, such as Headquarters Newsletters, Frequently Asked Questions, etc.

## **Reporting Requirements**

PPD has several reporting requirements that enable the HCAD to keep abreast of sensitive procurement actions within the agency. Examples:

- Annual Ratification Report
- Procurement Performance Measures Report
- Contracts for Advisory & Assistance Services
- Strategic Plan Accomplishments
- Contracting Officer Warrant List
- Forecast of Procurement Opportunities
- Procurement Preference Program Goals vs Achievements (Quarterly Reports)

## **Advance Acquisition Plans**

ARS has an annual budgeting process called Annual Resource Management Planning System (ARMPS) which requires advance acquisition plans as part of the projected funding process. These plans are made available to procurement officials, in order to project future needs (both recurring and one-time).

In addition, the HCAD has put a new forecasting process into place that has requested more realistic advance plans from REE in order to make the advance acquisition process and forecasting process for the Procurement Preference Program more realistic.

## **Procurement Preference Program**

REE's Office of Small and Disadvantaged Business Utilization (OSDBU) Coordinator is in the Policy Branch, PPD/AFM. The OSDBU Coordinator assists agency procurement officials in developing the Annual Procurement Forecast and Procurement Preference Program goals for the upcoming fiscal year. Through the process of advance acquisition planning, forecasts are developed on an annual basis and achievements are tracked through an automated system in PPD to track the agency's progress in meeting its procurement preference commitments.

The OSDBU Coordinator conducts workshops for Headquarters procurement personnel and provides guidance to field offices via procurement teleconferences, OSDBU teleconferences, E-mail documents, and other correspondence.

## **Procurement Performance Measures**

The Procurement Performance Measures are used USDA-wide to measure progress in improving performance relating to quality, timeliness, productivity, and price. Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress towards pre-established goals. An annual report is required of the overall assessment and the establishment of goals for the upcoming fiscal year of the agency's procurement performance and performance measurement data in the areas of Customer Satisfaction and Service Partnership, Purchase Card, Past Performance, and Performance Based Service Contracting.

## **Tracking & Management Information Systems**

In order to monitor acquisition operations in REE and assess the effectiveness of procurement policies, an accurate and complete database of procurement activities is required. A review of REE procurement offices reveals the need for an automated system that can track REE procurement actions being conducted by the servicing offices nationwide. This automated tracking system is needed in addition to the reports being sent to the Federal Procurement Data System (FPDS) which are reported on form SF-279, "Individual Contract Action Report."

Currently, procurement officials must comply with the reporting requirements of the FPDS. PPD monitors the accuracy of these reports through periodical quarterly requests to the procurement offices for review and correction of erroneous report entries, reporting of system errors, including follow-up, investigation, and determination of how more accurate reporting can be achieved when continual errors arise.

PPD has been providing information to various REE procurement offices regarding the automated procurement workload tracking system it uses within its division. This system covers both simplified acquisitions and contracts. The HCAD is targeting the need to improve REE's database of procurement actions as a priority in order to assure agency procurement transactions are recorded and that summary report information is available to enable management officials to monitor and control acquisition operations.

## **Oversight of Procurement Personnel**

The HCAD must ensure consistent oversight of procurement personnel so that internal control objectives are met. Without this oversight across REE procurement activities, errors in procurement practices can continue without being identified and lead to the agency being exposed to fraud, waste, and abuse.

## **File Documentation**

File documentation is extremely important--it tells the story about each and every acquisition. The documentation must be sufficient to constitute a complete history of the acquisition:

(1) providing a basis for informed decisions at each step of the acquisition process, (2) supporting the actions that were taken, (3) providing information for reviews and/or investigations, and (4) furnishing essential facts in the event of litigation or Congressional inquiries. FAR 4.803 provides a listing of the records normally contained in contract files.

## **Customer Service Guide**

The PPD Customer Service Guide contains detailed guidance on preparing acquisition packages. The guide is available on the PPD HomePage and will be provided upon request to requiring personnel.

## **Contract Action Review Sheet**

The contract action review sheet is used by the contract specialist as a tool to obtain the Contracting Officer's, COR's, and/or requiring personnel's concurrence with the acquisition package prepared; i.e., solicitations, modifications, and Justification for Other Than Full and Open Competition.

## **5. Conclusion**

In conclusion, this *Internal Control Plan* will assure management that policy objectives are being met and that quality standards are being upheld. The Internal Control Plan identifies all pertinent procurement instructions and guidance documents. The plan provides procedures for the procurement process, defines quality standards for procurement products, and provides for feedback during the procurement process.

## **6. Summary of Responsibilities**

### **Head of the Contracting Activity Designee**

- Ensures review and evaluation of procurement workforce.
- Ensures supervisory review and evaluation of procurement activities.
- Requires and oversees an automated procurement workload tracking system.
- Reviews and monitors procurement activities within the Area.

### **Area Offices and Policy Branch, PPD**

- Conduct CRBs.

### **Policy Branch, PPD**

- Conducts oversight of supervisory procurement officials.
- Identifies and randomly selects procurement actions for review.

### **Contracting Officer**

- Conducts contract closeout procedures.
- Forwards a Customer Service Survey form.
- Encourages CORs to attend COR training.

-/Sd/-

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