



*U.S. DEPARTMENT OF COMMERCE
Office of Inspector General*



**NATIONAL OCEANIC AND
ATMOSPHERIC ADMINISTRATION**

*Follow-up Audit
Inspection Report OSE-15676
“Acquisition of NEXRAD Transition Power
Source Marred by Management, Technical,
And Contractual Problems”*

Audit Report No. BSD-17613-5-0001/September 2005

PUBLIC RELEASE

Office of Audits, Business and Science Audits Division



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

SEP 30 2005

MEMORANDUM FOR: John J. Kelly, Jr.
Deputy Undersecretary for Oceans and Atmosphere

FROM:

Johnnie E. Frazier

SUBJECT:

Follow-up Audit to Inspection Report OSE-15676
*Acquisition of NEXRAD Transition Power
Source Marred by Management, Technical, and
Contractual Problems*
Audit Report No. BSD-17613-5-0001

In September 2003, the Office of Inspector General issued Inspection Report OSE-15676, *Acquisition of NEXRAD Transition Power Source Marred by Management, Technical, and Contractual Problems*, in response to letters from then-Representative Constance A. Morella, and Representative Chris Van Hollen to the Secretary of Commerce. Both congressmen expressed concerns about a contract the National Oceanic and Atmospheric Administration (NOAA) issued for the acquisition of NEXRAD transition power sources and a subsequent modification of that contract. In general, both wanted to know if: (1) the National Weather Service paid for defective equipment, and (2) the actions of the NOAA contracting officer with regard to the contract modification that changed to a different transition power source received proper review and oversight?

The OIG found that the National Weather Service did in fact pay for defective equipment, and that the questioned modification was executed without sufficient evaluation, serious consideration of any other alternatives, adequate negotiation, and without proper review and oversight by NOAA's Acquisition and Grants Office (AGO). The OIG report made specific recommendations to address the problems, which focused on four key areas: (1) program office management issues, (2) contracting officer representatives' technical management responsibilities, (3) acquisition office responsibilities, and (4) professional training. Although NOAA, in its written response



to the draft report, took exception to many of the findings in the report, it did agree with all of the recommendations and on November 21, 2003, submitted an action plan with seven specific actions for implementing the recommendations. We conducted this follow-up performance audit to determine if NOAA had taken the corrective actions detailed in its action plan.

Objectives, Scope, and Methodology

The objective of this audit was to determine whether NOAA has implemented the actions outlined in its action plan dated November 21, 2003. We reviewed NOAA's action plan and status reports detailing the actions taken and level of completion. We examined documents supporting the agency's reported implementation actions and discussed these actions with NOAA Acquisition and Grants Office and NWS personnel at Headquarters and at the Radar Operations Center. Additionally, we conducted limited testing to determine whether reported corrective actions were implemented. We selected from the Enterprise-Wide Acquisition Reporting System (EARS)¹ a random sample of NOAA contract awards exceeding \$100,000 issued in fiscal year 2005. From a universe of 36 contract awards totaling \$11,165,843 processed by NOAA's Acquisition and Grants Office, Silver Spring, we selected 16 contract awards in the amount of \$7,949,514 for review. We used the results of our review to determine whether contracts were receiving the level of review outlined in the NOAA Acquisition Handbook, and whether contracting officer representatives (COR) were being properly appointed.

We did not evaluate the adequacy of internal controls over the management, technical, and contractual aspects of the NEXRAD Transition Power Source. Additionally, we did not assess the reliability of computer-generated data because it was not relevant to our audit objectives.

We conducted our audit from June to September 2005, in accordance with Government Auditing Standards issued by the Comptroller General of the United States and under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

Findings

NOAA reported on December 15, 2004 that the seven actions outlined in the NOAA Action Plan, dated November 21, 2003, with concurrence by the Office of Inspector General on January 8, 2004, were completed or would be completed by December 31, 2004. Based on our review, we found that NOAA generally has taken the actions outlined in the plan; we did note, however, that some improvements are needed to the Acquisition Handbook in order for NOAA to fully address all of the issue areas outlined in the plan. Additionally, contracting staff needs to be more diligent in ensuring that CORs are clearly identified and qualifications are documented in the contract files. Each of the elements of the NOAA Action Plan, along with the OIG's findings, is specifically discussed below.

¹ EARS is the Department of Commerce contract reporting system.

NOAA Action 1: NOAA staff will develop a NOAA Acquisition Handbook. The NOAA Acquisition Handbook will be completed in October 2004. (The Handbook is to address 13 issue areas.)

The NOAA Acquisition Handbook was published October 31, 2004. It provides guidance for NOAA acquisition personnel on all levels. It addresses the responsibilities of the acquisition staff and supplies examples of how the contract file should be set up and what elements should be included. The Handbook also contains a policy that specifies when solicitations and contractual awards must be reviewed by NOAA contract officials and Office of General Counsel attorneys. This is a key tool in ensuring adequate oversight of NOAA acquisitions. We found that the Handbook, overall, contained language to address key areas outlined in the NOAA action plan; however, we found that the Handbook does not provide guidance regarding:

1. Alternatives - how all reasonable alternatives are analyzed, evaluated, and documented.
2. Technology reviews – how tradeoffs are evaluated; how the technical evaluation is to be conducted and documented; the assessment of technology risks and maturity; and the presentation of technical performance, schedule, and cost risk.
3. Contract changes – evaluation of post award changes and cost considerations; or documenting and briefing proposed decisions, findings, and recommendations for contract changes.

NOAA Action 2: NWS staff, in concert with NOAA, will develop and implement a NWS Procurement Policy Directive. The procurement directive will establish NWS policy for compliance with Federal, Department, and NOAA regulation as delineated in the NOAA Acquisition Handbook. Both the directive and the instruction were to be finalized in December 2004. (The policies are to address nine issue areas.)

NWS issued Policy Directive 1-11 on October 15, 2004. It establishes authorities and responsibilities for NWS managers and acquisition teams regarding the acquisition process. It also establishes accountability for program managers, technical staff, and contracting officer's representatives over achieving cost, schedule, performance, and technical objectives of the technology or service program. NWS Instruction 1-1101 was issued on January 13, 2005, and provides guidance to NWS staff in planning, developing, soliciting, awarding, and administering acquisitions. It provides for establishing an Integrated Project Team (ITP) for any single acquisition or single program involving multiple acquisitions exceeding \$10 million and requires that each IPT establish a charter that identifies their purpose, composition, roles, responsibilities and authorities, scope and deliverables. Overall, the directive and instruction address the nine issue areas outlined in the NOAA action plan.

NOAA Action 3: The NOAA Procurement Official will assess acquisition training needs to ensure that all staff have the necessary acquisition training, including cost and price analysis and negotiation techniques to perform in various acquisition

positions (contracting officer, COTR, etc). Once the assessment is completed, additional acquisition training will be accomplished.

The NOAA Procurement Official has completed assessments for AGO contracting staff and NOAA CORs. Individual Development Plans have also been prepared for AGO contracting staff. The Director, AGO, periodically reminds NOAA managers of the COR training requirements as outlined in the Commerce Acquisition Manual 1301.670, and on June 29, 2005, provided information regarding available training and course dates for the rest of the fiscal year. The Director, AGO, briefs NOAA's Deputy Under Secretary on a quarterly basis on multiple topics, including the status of COR training.

NOAA Action 4: NOAA has added a procurement critical element to performance plans of acquisition staff to ensure clear responsibility and accountability. Beginning in March 2003, NOAA mandated the inclusion of a critical element in performance plans of NOAA staff managing contracts. The procurement critical element was added to NOAA performance plans in March 2003.

It is NOAA's policy that COR performance plans contain a procurement critical element. We verified that the performance plans for the nine CORs assigned to the Radar Operations Center contain the procurement critical element for the rating period October 1, 2004 to September 30, 2005. We also reviewed 16 contract awards from fiscal year 2005 to determine that when making COR assignments, contracting staff verified that the critical element was in the candidates' performance plan. Of the 16 awards, we found two instances where a COR was designated, but the file did not contain documentation as to whether the COR has the critical element in their performance plan. The remaining 14 awards contained a Point of Contact (POC) rather than a COR but did not contain documentation regarding the appointment of a POC rather than a COR. Additionally, the 14 files did not contain a determination that required training had been completed. We brought this to the attention of the Director, AGO, who issued Acquisition Alert 05-06 on August 25, 2005, requiring that when files are submitted for review and approval, they include documentation on the need to appoint a COR or a POC and that the file include validation of the inclusion of COR responsibilities as a critical element in the candidate's performance plan. The Alert also requires documentation to be included in the award file regarding the proposed COR's or POC's fulfillment of the training requirements outlined in the Commerce Acquisition Manual 1301.670.

NOAA Action 5: NOAA's Radar Operations Center (ROC) will conduct periodic coordination meetings with Weather Surveillance Radar, 1988 Doppler (WSR-88D) tri-agency partners. ROC staff will begin periodic coordination meetings with tri-agency partners having similar hardware to the WSR-88D, effectively coordinate activities, and share information and decisions among the NEXRAD tri-agency partners. Major Acquisition decisions and status will be briefed to the Program Management Committee in accordance with the tri-agency Memorandum of Agreement. ROC staff will conduct coordination meetings with tri agency PMC staff by December 2003 and will conduct such meetings periodically thereafter.

Based on our review of minutes from tri-agency meetings held in 2004 and 2005, we determined that NOAA has been coordinating activities and sharing information with its tri-agency partners, the Department of Transportation and the Department of Defense.

NOAA Action 6: ROC staff will receive Performance Based Statement of Work and Requirements training. ROC staff will complete training in November 2003.

We found that the required training was completed in November 2003.

NOAA Action 7: NOAA has established a Review and Approval of Proposed Solicitations and Contract Awards Policy. The NOAA Procurement Official has issued the policy for NOAA acquisitions based on the dollar value to the heads of contracting offices. The NOAA Procurement Official issued Acquisition Instruction 04-01, Review and Approval of Proposed Solicitations and Contract Awards on September 25, 2003.

The review and approval provisions outlined in the Acquisition Instruction 04-01 have been incorporated in the NOAA Acquisition Handbook, issued October 31, 2004. Our review of 16 contracts awarded by the NOAA AGO, Silver Spring, disclosed that the appropriate reviews outlined in the Acquisition Handbook were conducted and the appropriate approvals obtained.

In conclusion, NOAA has generally implemented the actions contained its action plan, dated November 21, 2003, but still needs to make improvements to the Acquisition Handbook to fully address the issue areas outlined in NOAA Action 1 of the action plan. In order for NOAA to ensure desired outcomes from major system acquisitions, it will be necessary for it to build on the improvements made in its acquisition and contract monitoring activities.

Recommendation

We recommend that the Deputy Under Secretary for Oceans and Atmosphere ensure that the Director, Acquisition and Grants Office, includes provisions in the NOAA Acquisition Handbook regarding:

1. Alternatives - how all reasonable alternatives are analyzed, evaluated, and documented.
2. Technology reviews – what is necessary in establishing the acquisition plan; how tradeoffs are evaluated; how the technical evaluation is to be conducted and documented; and the presentation of technical performance, schedule, and cost risk
3. Contract changes including evaluation of post award changes and cost considerations; or documenting and briefing proposed decisions, findings, and recommendations for contract changes.

We met with NOAA officials, prior to the issuance of this report, and they agreed with our findings and the recommendation. As a result, no draft report was issued. In accordance with DAO 213-5, please provide us with the audit action plan for our review and concurrence addressing the report recommendations within 60 days of this memorandum. Should you need to discuss the contents of this report or the audit action plan, please call me at (202) 482-4661, or Allison Lerner, Acting Assistant Inspector General for Audits on (202) 482-1934.

cc: Helen Hurcombe, Director, Acquisition and Grants Office
John McNulty, Director, Office of Operational Systems, NWS
Mack Cato, NOAA Audit Liaison