



U.S. Department of Agriculture

Office of Inspector General



**General Procurement Oversight Audit of
Beltsville's Agriculture and Research Center
Steam Study Task Order Awarded to
Perkins + Will, Inc.**

Audit Report 02703-01-HQ
September 2010



U.S. Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: September 15, 2010

REPLY TO
ATTN OF: 02703-01-HQ

TO: Ed Knipling
Administrator
Agricultural Research Service

ATTN: Steven Helmrich
Director, Financial Management

FROM: Gil H. Harden /s/
Assistant Inspector General
for Audit

SUBJECT: General Procurement Oversight Audit of Beltsville's Agriculture and
Research Center Steam Study Task Order Awarded to Perkins + Will, Inc.

This report presents the results of the General Procurement Oversight Audit of Beltsville's Agriculture Research Center Steam Study task order awarded to Perkins + Will, Inc. Your response to the official draft is included in its entirety as an exhibit to this report.

Regis & Associates, PC, was engaged to conduct the audit to ensure that the transparency and accountability requirements of the Recovery Act are met and to ensure that Management Services' Recovery Act procurement activities are performed in accordance with Federal Acquisition Regulations, Office of Management and Budget guidance, and Recovery Act requirements. During our oversight of the contract, we reviewed Regis & Associates, PC's report and related documentation. Our review, as differentiated from an audit, in accordance with Government Auditing Standards (issued by the Comptroller General of the United States), disclosed no instances where Regis & Associates, PC's audit did not comply, in all material respects with Government Auditing Standards.

Based on your response, we are able to reach management decision on Recommendations 1 and 2 contained in this report. Please follow your agency's internal procedures in forwarding documentation for final action to the Office of the Chief Financial Officer.

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

DATE: September 7, 2010

REPLY TO

ATTN OF: 02703-01-HQ

TO: Jane A Bannon
USDA OIG

FROM: Regis & Associates, PC /s/

SUBJECT: Procurement Oversight Audit of Beltsville Agricultural Research Center Steam Study Task Order Awarded to Perkins + Will, Inc.

The American Recovery and Reinvestment Act (the Recovery Act) of 2009 appropriated funds to the U.S. Department of Agriculture's (USDA) Agricultural Research Service (ARS) for buildings and facilities' critical deferred maintenance projects at ARS facilities. On July 6, 2009, ARS awarded a firm fixed priced task order to Perkins + Will, Inc. of Atlanta, Georgia, under an existing Indefinite Quantity Contract for Architectural and Engineering Services. Under the task order Perkins + Will, Inc. was required to conduct an investigative study to address replacing the steam distribution system, including boilers and the electrical system, serving campus research facilities at the Beltsville Area Research Center in Beltsville, Maryland. ARS' Facilities Division performed the procurement activities including contract award, contract management, contractor payment, and monitoring of Contractor Recovery Act reporting. ARS' Financial Management Division reported agency Recovery Act fund statistics on Recovery.gov through SharePoint.¹

Recovery Act funds require a high level of transparency and accountability from recipients so that tax-payers will know how, when, and where tax dollars are being spent. The Office of Management and Budget (OMB) issued various Implementing Guidelines that require Federal agencies receiving Recovery Act funds to, among other things, post key communications on Recovery.gov. In addition, a contractor that receives awards (or modifications to existing awards) funded, in whole or in part, with Recovery Act funds must report information pertaining to its Recovery funded activities to FederalReporting.gov.

The Recovery Act also provided USDA's Office of Inspector General (OIG) with funding for oversight and audits of USDA programs, grants, and activities funded by the Recovery Act. OMB's guidance ensures that OIGs will perform audits and inspections of their respective

¹ SharePoint is an electronic database for USDA's Recovery Act data collection.

agencies' processes for awarding, disbursing, and monitoring Recovery Act funds to determine whether safeguards exist for ensuring that funds are used for their intended purposes.

To ensure that the transparency and accountability requirements of the Recovery Act are met, USDA/OIG contracted with Regis & Associates, PC to assist it in ensuring that ARS' Recovery Act procurement activities are performed in accordance with Federal Acquisition Regulations (FAR), OMB guidance, and Recovery Act requirements. This audit was performed in accordance with *generally accepted government auditing standards*, and standards established by the American Institute of Certified Public Accountants.

During the initial phase of the audit, we reviewed applicable laws and regulations pertaining to procurement activities, contract oversight, and Recovery Act reporting. We also obtained and reviewed ARS' organizational documents relating to management controls, policies and procedures for the procurement and contracting functions, information systems, and other processes that would ensure compliance with the Recovery Act.

The scope of this audit included a review of the contract award and contractor's performance monitoring through final vendor payment. Our audit work focused on the processes for contractor selection, contract price determination, contract award, performance monitoring, invoice processing and payment to determine whether ARS followed agency policies and procedures, and Recovery Act requirements. We performed procedures to determine whether the procurement was based on fair and reasonable price estimates; the contract was awarded to a contractor with appropriate qualifications, experience, and past performance record; and that processes were in place to ensure the contractor provided services/products in accordance with contract terms. Nothing came to our attention during the course of the contract file review. Our work also focused on ensuring that ARS' contracting staff, including the contracting officer, contract specialist, and engineering project manager, were experienced and qualified to award and monitor this steam investigation project. No issues were noted in this area. In addition, we reviewed ARS' processes for reporting Recovery Act statistics on Recovery.gov and for monitoring and reviewing recipient-reported information on Recovery.gov. During this part of our review, we noted that ARS had not documented its policies and procedures for Recovery Act reporting, and for monitoring and reviewing recipient reporting. We also noted errors in the recipient's information that were reported on Recovery.gov.

Processes and Procedures for Recovery Act Contracts Awarded By ARS' Facilities Division Have Not Been Formalized and Documented.

To comply with FAR part 4.15, *American Recovery and Reinvestment Act – Reporting Requirements*, ARS' Facilities Division implemented procedures to ensure that the contractor that was awarded the steam investigation project, funded by the Recovery Act, reported information on Recovery.gov. Some of the procedures implemented included: adding Recovery Act and FAR Recipient reporting requirements in the statement of work and task order; and ensuring that the procurement analyst communicated via email with the contracting officers and contract specialists reminding them to monitor and review contractor reporting.

ARS' Financial Management Division reported obligations and disbursements of Recovery Act funds and other related data pertaining to the Beltsville Agricultural Research Center's steam investigation project on Recovery.gov via SharePoint. It reconciled the amounts reported on Recovery.gov with the amount in its core accounting system to ensure that Recovery.gov amounts were supported.

However, ARS does not have these internal processes and procedures documented. It also does not have standardized and documented processes and procedures for reporting obligations and disbursements of Recovery funds on Recovery.gov, and for reconciling these amounts reported on Recovery.gov with its core accounting system.

OMB's Circular No. A-123, *Management Responsibility for Control*, states that, "Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. To achieve consistency in the application of internal control, agencies and individual Federal managers must take systematic and proactive measures to document internal control."

Also, *USDA's Procedure for Review of the American Recovery and Reinvestment Act Section 1512, Recipient Reported Information* states that "Agencies will incorporate this guidance into their internal operating procedures and submit a copy of their procedures to the American Recovery and Reinvestment Act SharePoint site. This process will ensure that there are no inconsistencies between agency and Department-wide data quality review procedures."

We inquired as to why processes and procedures were not formalized and documented, and ARS Facilities Division's management stated that it did not see a need to document its monitoring and review processes and procedures since USDA has already issued guidance. However, the guidance issued by USDA was to assist the agency in developing its processes and procedures. ARS Financial Management Division's management also stated that it did not document its Recovery Act reporting and reconciliation processes and procedures because it follows the same processes and practices as it does for non-Recovery Act funded activities. However, we noted that the reporting and reconciliation processes and procedures for other non-Recovery Act funds were not documented.

As a result of the condition noted above, ARS' ability to be consistent in monitoring and reviewing Prime Recipient's Recovery Act reporting, and its ability to continue to report and reconcile its Recovery Act Fund obligations and disbursements with its core accounting system may be adversely affected if there is a change in current personnel performing the services.

The lack of formal processes and procedures for reviewing Recipient reporting on Recovery.gov can result in inaccurate reporting. We noted that the recipient reported \$16,335.00 on Recovery.gov as the amount invoiced as of September 30, 2009, whereas our review of contract file documentation determined that the amount invoiced was \$22,735.83, as of September 30, 2009. We brought this situation to the contracting officer's attention and the cause is being researched. We noted that the Prime Recipient's report for the amount invoiced was corrected by the time the contract was completed.

Recommendation 1:

We recommend that ARS' Facilities Division formalize and document its processes and procedures for monitoring and reviewing recipient-reported information.

Recommendation 2:

ARS' Financial Management Division should also formalize and document its processes and procedures for reporting on Recovery.gov; this includes validating information on Recovery.gov using its core financial system.

USDA'S

AGRICULTURAL RESEARCH SERVICE

RESPONSE TO AUDIT REPORT

SUBJECT: Management's Response to Recommendations in Audit 02703-01-HQ General Procurement Oversight Audit of Beltsville's Agriculture Research Center Steam Study Task Order Awarded to Perkins + Will, Inc

TO: Gil H. Harden
Assistant Inspector General for Audit
Office of the Inspector General

FROM: Steven M. Helmrich, Director /s/
Financial Management Division
Chief Financial Officer

The Agricultural Research Service (ARS) provides the following responses to audit Recommendations 1 and 2 in Audit 02703-01-HQ General Procurement Oversight Audit of Beltsville's Agriculture Research Center Steam Study Task Order Awarded to Perkins + Will, Inc.

Recommendation 1:

The Office of the Inspector General (OIG) recommends that ARS's Facilities Division (FD) formalize and document its processes and procedures for monitoring and reviewing recipient-reporting information.

Management Response to Recommendation 1:

ARS concurs with this finding. The FD has documented formal processes and procedures for monitoring and reviewing recipient-reporting information as required by this recommendation and provided it to the OIG.

Recommendation 2:

ARS's Financial Management Division should also formalize and document its processes and procedures for reporting on Recovery.gov; this includes validating information on Recovery.gov using its core financial system.

Management Response to Recommendation 2:

ARS concurs with this finding. Processes and procedures for reporting and validating information on Recovery.gov were prepared as recommended and provided to OIG as well.