



U.S. Department of Agriculture

Office of Inspector General



**General Procurement Oversight Audit of
Architectural and Engineering Services
Contracts Awarded by Agricultural
Research Service to RMF Engineering, Inc.**

Audit Report 02703-02-HQ
September 2010



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



DATE: September 15, 2010

REPLY TO
ATTN OF: 02703-02-HQ

TO: Ed Knipling
Administrator
Agricultural Research Service

ATTN: Steven Helmrich
Director, Financial Management

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

SUBJECT: General Procurement Oversight Audit of Architectural and Engineering Services
Contracts Awarded by Agricultural Research Service to RMF Engineering, Inc.

This report presents the results of the General Procurement Oversight Audit of Architectural and Engineering Services Contract awarded by Agricultural Research Service to RMF Engineering, Inc. The report did not make any recommendations because the same issue was noted in a previous contract review (02703-01-HQ). No further response for this audit was necessary.

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.

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

Attachment

DATE: September 7, 2010

REPLY TO

ATTN OF: 02703-02-HQ

TO: Jane A. Bannon,
USDA, OIG

FROM: Regis & Associates, PC /s/

SUBJECT: Procurement Oversight Audit of Architectural–Engineering Services Contract
Awarded by Agricultural Research Service to RMF Engineering, Inc.

The American Recovery and Reinvestment Act (the Recovery Act) of 2009, provided the Department of Agriculture’s (USDA) Agricultural Research Service (ARS) with funds for the modernization of the National Agricultural Library, located in Beltsville, Maryland. As a component of its buildings and facilities critical deferred maintenance program, ARS awarded an Architectural and Engineering (A-E) services contract to RMF Engineering, Inc. to provide design update, and bid phase and construction management services for the bathroom renovations, brick repairs, and replacement windows at the National Agricultural Library. ARS’ Facilities Division performed the procurement activities including solicitation issuance, contract award, contract management, contractor payment approval, and monitoring of the contractor’s reporting on Recovery.gov. ARS’ Financial Management Division reported agency Recovery Act fund statistics on Recovery.gov through SharePoint.¹

In enacting the law, Congress emphasized the need for the Recovery Act to provide for unprecedented levels of transparency and accountability, so that tax-payers know how, when, and where tax dollars are being spent. To accomplish this objective, the Office of Management and Budget (OMB) issued various Implementing Guidelines that require Federal agencies receiving Recovery Act funds to post key communications on Recovery.gov. In addition, agencies must submit weekly updates, monthly financial status reports, award transaction data feeds, and an agency Recovery Act plan.

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 guidance ensures that OIGs will perform audits and inspections of their respective agencies processes for awarding, disbursing, and monitoring Recovery Act funds, to determine whether safeguards exist for ensuring funds are used for their intended purposes.

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

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 system operations, and other processes that would ensure compliance with the Recovery Act.

The scope of this audit included a review of the justification for a sole source acquisition. We determined that the contract was awarded as a sole source and that this was adequately justified by ARS. The contractor possessed unique qualifications. According to the ARS contracting officer, the original engineering documents for the project were signed, sealed, and dated by a professional engineer employed by the contractor, RMF Engineering, Inc., who prepared and approved the documents. In order to maintain a single source of liability, any corrections, revisions, or additions made to the project design are required to be made by the same professional engineer, or a representative of RMF Engineering, Inc. Consequently, ARS' management determined that it was in the best interest of the Government to contract with RMF Engineering, Inc. to perform the design update.

During this period of contract performance, our audit work also focused on contract price determination; contract award; performance monitoring; and invoice approval, processing, and payments to determine whether ARS followed agency policies and procedures and Recovery Act requirements. The contractor is still performing construction oversight duties. We performed procedures, as necessary, to determine whether the procurement was based on fair and reasonable price estimates, the contract was awarded to a contractor with appropriate qualifications and record of past performance, and processes were in place to ensure contractor provided services/products were in accordance with contract terms. Nothing came to our attention during the course of our review of the contract files that should be reported to OIG. Our work also focused on ensuring that ARS' contracting staff, including the contracting officer, contract specialist, and technical representative, were experienced and qualified to award and monitor this A-E services contract. No issues were noted in this area that we should report to OIG. In addition, we reviewed ARS' processes for reporting Recovery Act statistics on Recovery.gov and for monitoring and reviewing recipient reporting 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 was reported on Recovery.gov.

Recovery Act Reporting Processes and Procedures Are Not Documented

During our audit we verified that ARS' Financial Management Division reported obligations and disbursements of Recovery Act funds and other related data pertaining to the contract on Recovery.gov through SharePoint. It also reconciled the amounts reported on Recovery.gov to its core accounting system. However, ARS' Financial Management Division has not documented its processes and procedures for reporting and reconciling its Recovery Act information. The Facilities Division also performed procedures to ensure that the contractor reported information on Recovery.gov, in compliance with FAR part 4.15, *American Recovery and Reinvestment Act – Reporting Requirements*. However, ARS did not have internally documented processes and procedures for monitoring and reviewing recipient-reported data on Recovery.gov.

OMB Circular No. A-123, *Management Accountability and 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."

In addition, *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.

ARS' Financial Management Division's management 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.

ARS' Facilities Division's management stated that it did not see a need to document its monitoring and review processes and procedures because USDA has already issued guidance for this purpose. However, the document issued by USDA provides guidance to assist the agency in developing its processes and procedures.

As a result of the conditions noted above, the agency's ability to continue to report and reconcile its Recovery Act Fund obligations and disbursements, and to monitor and review recipient-reported information may be adversely affected, if there is a change in current personnel performing the services.

We are not making any recommendations at this time because the same issue was noted in a previous contract review and a recommendation to document the Facilities Division's processes and procedures was proposed.

Inadequate Review of Recipient Reporting

ARS' personnel responsible for the review of recipient-reported data did not adequately review the Prime Recipient's Recovery Act reporting prior to its being reported on Recovery.gov. The contractor (recipient) reported inaccurate information on Recovery.gov through FederalReporting.gov. We noted that the recipient's information on Recovery.gov showed \$34,585 as the amount invoiced as of December 31, 2009; however, our review of the contract file documentation and the accounting records determined that the amount invoiced was \$55,959, as of December 31, 2009.

FAR section 52.204-11, *American Recovery and Reinvestment Act – Reporting Requirements*, which implements Section 1512 of the Recovery Act, requires a contractor to report the amount of Recovery Act funds invoiced for the reporting period. According to OMB's *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009* (M-09-15), the guiding principle of Recovery Act reporting is timely and accurate information dissemination to enhance the ability to track and monitor all Recovery Act funds with a level of transparency and accountability envisioned in the Act. To achieve this level of accuracy, OMB's Updated Implementing Guidance and the *USDA Procedure for Review of the American Recovery and Reinvestment Act, Section 1512 Recipient Reported Information*, requires that Federal agencies monitor and perform a pre-dissemination review of all information, including Prime Recipient information that will appear on Recovery.gov. The purpose of the review is to ensure that all reporting related to Recovery Act funding is complete and accurate.

We noted that ARS' Facilities Division personnel responsible for the review of the recipient-reported data did not compare or reconcile the information reported with the contract invoices as part of the review process. Since a thorough review was not done at the agency level in a timely manner, the recipient reported the amount of funds received from ARS incorrectly for the period ending December 31, 2009.

We are not making any recommendations at this time because the same issue was noted in a previous contract review and a recommendation to reconcile contractor invoices and include this process in the Facilities Division's processes and procedures was proposed.