



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



DATE: July 7, 2010

REPLY TO
ATTN OF: 08703-2-SF (2)

TO: Thomas L. Tidwell
Chief
Forest Service

ATTN: Donna M. Carmical
Chief Financial Officer
Forest Service

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

SUBJECT: The Recovery Act – Forest Service Facility Improvement, Maintenance & Rehabilitation (2)

The American Recovery and Reinvestment Act of 2009 (Recovery Act) included \$1.15 billion in funds for the Forest Service (FS) to implement projects that directly accomplish its missions of sustaining the nation's forests and grasslands, creating jobs, and promoting U.S. economic recovery. In passing the law, Congress emphasized accountability for and transparency of funds spent through the Recovery Act. To accomplish this, the Office of Management and Budget (OMB) issued guidance in February 2009 that requires Federal agencies to establish internal controls, oversight mechanisms, and other approaches to meet the Recovery Act's accountability objectives. The director of FS' Acquisition Management is responsible for implementing processes to ensure the agency complies with the Recovery Act and OMB's related guidance. The Recovery Act also requires the Department of Agriculture's (USDA) Office of Inspector General to oversee FS' (and other agencies') activities in order to ensure Recovery Act funds are spent in a manner that minimizes the risk of improper use.

The Recovery Act authorized \$650 million for the Forest Service to implement capital improvement and maintenance projects, of which \$239 million was used for improving, maintaining, and rehabilitating FS facilities. With these funds, the Olympia National Forest awarded a \$250,650 contract to replace 150 single pane windows at the Olympia Forestry Sciences Laboratory. Because this was among the first 10 percent of approved Recovery Act projects, this contract was initially administrated by the contracting officials at the Olympia National Forest, but responsibility for the contract was later transferred to the Northwest Economic Recovery Operation Center (EROC)¹ a week before the work was completed.

¹ FS established four EROCs across the country to execute and manage the contracts, grants, and agreements funded under the Recovery Act.

As part of USDA's Office of Inspector General's continuing oversight of FS' Recovery Act activities, we statistically selected this contract for review. We visited the FS' Pacific Northwest Research Station in Portland, Oregon, to interview FS staff and the Northwest EROC in Sandy, Oregon, to examine the contract files and interview key FS staff responsible for the project. In addition, we visited the Olympia Forestry Sciences Laboratory in Olympia, Washington, to inspect the project and to interview FS contract officials. During our project visit, FS could not provide evidence that it had adequately monitored the project. This issue, along with any others identified, will be compiled into a final report at the conclusion of our audit.

FS Contracting Officials Did Not Verify the Windows Met Contract Requirements

The FS Northwest EROC did not verify the windows installed met all of the requirements in the contract. FS contracting officials stated that this occurred because of their heavy workload during the course of the project. As a result, FS had no assurance that the installed replacement windows met the performance and warranty specifications stated in the contract.

The FS contract requires "submittals" such as "product data, shop drawings, samples for verification, product schedule, qualifications data, product test reports, maintenance data, and warranty."² The FS contracting officials are responsible for reviewing and approving the submittals to ensure that the correct products are installed on the project.

The FS Contract Administration Handbook states that the Contracting Officer's Representative "(COR) shall ...inspect work and materials as the contract work progresses... provide instructions relating to compliance with contract specifications, plans, and provisions to the contractors or their designated representatives."³

At the project site we observed that all of the windows were installed, but we were unable to determine whether the windows met all of the requirements in the contract. FS contracting officials were unable to provide us the required "submittals" for the windows. To properly monitor the project, FS contracting officials needed to review the "submittals" to ensure the windows complied with the performance and warranty requirements of the contract.⁴

When we discussed our findings with the responsible FS contracting officials, they admitted they neither received nor requested the "submittals" from the contractor. FS contracting staff concurred that they should have obtained the "submittals" for the replacement windows.

FS Contracting Officials Could Not Provide the Contract Daily Diaries

The FS contracting officials were unable to provide us evidence that they had maintained the required Contract Daily Diaries for the window project. The Contract Daily Diaries document the number of workers and equipment on the job; the area in which the work is performed, problems encountered, and corrective actions taken; and deviations or variations from plans, clauses, or specifications. We were unable to obtain a reasonable explanation as

² Product data includes construction details, materials descriptions, fabrication methods, dimensions of individual components and profiles, hardware, finishes, and operating instructions.

³ 6309.11 Section 04.4, dated January 1991.

⁴ The replacement windows must meet certain specifications such as rate of air leakage, water penetration, etc.

to why the Contract Daily Diaries were unavailable. As a result, there was no evidence that the FS had effectively monitored the windows project to ensure the installation of the windows met the contract specification.

The FS Contract Administration Handbook ⁵ states that the COR shall maintain the Contract Daily Diary, Form FS-6300-20, and Form FS-6300-21 for the project to avoid unwarranted allegations and innuendos. Because this document is available to the public and includes only facts concerning the contract, it may be used by the Board of Contract Appeals or the courts if a contractor appeals a Contracting Officer's decision.

The Handbook states that at a minimum the COR file must contain a copy of the Contract Daily Diaries and the COR and inspectors shall complete Form 6300-20, Contract Daily Diary, for each day that they are on the project. The CORs and inspectors submit diaries for each contract. The COR submits diaries weekly to the Contracting Officer.⁶

We did not find the Contract Daily Diaries during our review of the Contracting Officer and COR files for the windows contract. When we asked the FS contracting officials for the Contract Daily Diaries, they were unable to provide them to us and explained they were misplaced. Although the windows were installed and FS stated there were no problems with the windows project, we could not determine whether FS had monitored the contractors during the course of the project to ensure the installation of the windows met contract specification.

We recommend that the Northwest EROC: (1) obtain the "submittals" for the installed windows from the contractor; (2) verify the windows meet the contract requirements; and (3) implement procedure(s) to ensure COR and inspectors maintain and send copies of the Contract Daily Dairies to the Contracting Officer.

Please provide a written response within 5 days that outlines your corrective action on this matter. If you have any questions, please contact me at (202) 720-6945, or have a member of your staff contact Steve Rickrode, Director, Rural Development and Natural Resources Division, at (202) 690-4483.

cc:

Executive, Economic Recovery Team, Forest Service
OIG Audit Liaisons, Forest Service

⁵ 6309.11-91-1 Sec 04.4-14, dated January 31, 1991.

⁶ 6309.11-91 chapter 51.2 dated January 31, 1991.

USDA'S

FOREST SERVICE

RESPONSE TO AUDIT REPORT



File Code: 1430-1

Date: July 16, 2010

Subject: Response to OIG Audit Report No. 08703-2-SF (2), "The Recovery Act - Forest Service Facility Improvement, Maintenance and Rehabilitation (2)"

To: Gil H. Harden, Assistant Inspector General for Audit

This letter is in response to Audit Report No. 08703-2-SF (2), "The Recovery Act - Forest Service Facility Improvement, Maintenance and Rehabilitation (2)," received on July 7, 2010, from the Office of the Inspector General (OIG). The Forest Service concurs with the three recommendations stated in this report and has implemented corrective actions. The response for each recommendation follows:

OIG Recommendation #1: Obtain the "submittals" for the installed windows from the contractor.

Forest Service Response: The project consisted of window panes only; therefore, the "submittals" documentation in support of the order will be minimal. The Forest Service has received the following enclosed documents to adequately display the windows meeting contract requirements.

- a. Bill of Lading
- b. Contract Daily Diary, FS-6300-21
- c. Email from recipient dated February 25, 2010
- d. Window Specifications-Energy Efficiency

OIG Recommendation #2: Verify the windows meet the contract requirements.

Forest Service Response: The windows were a modification under the existing contract. Daily diaries were misfiled, and have now been received and placed in the contract file. Enclosed with this response are the full diaries from the contract that reference the windows, and an email message from the contractor, dated February 25, 2010, with the window specifications along with the Bill of Lading.

OIG Recommendation #3: Implement procedure(s) to ensure that the Contracting Officer Representative (COR) and inspectors maintain and send copies of the Contract Daily Diaries to the Contracting Officer (CO).

Forest Service Response: Procedure(s) are established and in place in the Forest Service Handbook 6309.11 Contract Administration Handbook. The COR and inspectors have been reminded via e-mail (see enclosed) of their responsibilities and instructed to maintain and send copies of the Contract Daily Diaries to the CO.



If you have any additional questions, please contact Donna Carmical, Chief Financial Officer, (202) 205-1321, dcarmical@fs.fed.us.

/s/ Jennifer McGuire (for)
DONNA M. CARMICAL
Chief Financial Officer

Enclosures