



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: June 30, 2010

REPLY TO

ATTN OF: 50703-01-HQ

TO: W. Russ Ashworth
Director
Management Services
Departmental Management

ATTN.: Phyllis Holmes
Audit Liaison
Management Services

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

SUBJECT: General Procurement Oversight Audit of Departmental Management's
South Building Modernization Project

This report presents the results of the General Procurement Oversight Audit of Departmental Management's South Building Modernization Project audit. Your response to the official draft is included in its entirety as an exhibit in 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 all four recommendations. Please follow your agency's internal procedures in forwarding documentation for final actions to the Office of the Chief Financial Officer.

**U.S Department of Agriculture
Office of Inspector General
America Recovery and Reinvestment Act of 2009
General Procurement Oversight Audit**

**Contract No: AG-3J19-B-09-0002
Task Order #1 – South Building Modernization Project
(Phase 4a, Wing 5)**

PHASE 1 REPORT

Contractor's Name and Address:

**Regis & Associates, PC
1400 Eye Street, NW, Suite 425
Washington DC, 20005**



DATE: June 29, 2010

REPLY TO
ATTN OF: 50703-01-HQ

TO: Jane A. Bannon
Division Director
IT Audit Operations and Departmental Administration
USDA, OIG

FROM: Regis & Associates, PC /s/

SUBJECT: Procurement Oversight Audit of South Building Modernization (Phase 4a, Wing 5) Project

The American Recovery and Reinvestment Act (the Recovery Act) of 2009 provided the US Department of Agriculture's (USDA) Departmental Management with funds for the modernization of Wing 5 in the South Building, located at 1400 Independence Avenue, SW Washington, DC, 20250. The project was designed to provide a modern and safe working environment for employees to support USDA's programs while preserving and restoring the historic features of the building. Departmental Management's Management Services performed all the procurement activities including issuance of the solicitation, contract award, contract management, contractor payment, and Recovery fund reporting. Departmental Management's Office of Operations is providing the technical, day to day oversight of the construction phase as the contracting officer's technical representative for this contract.

In enacting the law, Congress emphasized the need for the Recovery Act to provide for unprecedented levels of transparency and accountability so that taxpayers will be able to know how, when, and where tax dollars are being spent. To accomplish this, 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, agencies must submit weekly updates, monthly financial status reports, award transaction data feeds, and an agency recovery plan.

The Recovery Act also provided USDA's Office of Inspector General (OIG) funding for oversight and audits of programs, grants, and activities funded by the Recovery Act and administered by USDA. OMB guidance ensures that OIGs will perform audits and inspections of their respective agencies awarding, disbursing, and monitoring Recovery funds to determine whether safeguards exist for ensuring 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 Management Services' 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, Management Services' 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.

This report is one in a series of three that will report the results of our review of the contracting for the Wing 5 modernization Recovery Act project. The scope of this review included the contract solicitation and award, through the acceptance of the first invoice. During this phase, our audit work focused on the processes for creating a solicitation and making a contract award to determine whether Management Services followed agency policies and procedures and Recovery Act requirements. We performed procedures to determine whether the procurement was competitive, the contract was awarded to the best offeror, and 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 our review of the contract files. Our work also focused on ensuring that Management Services' contracting staff, including the contracting officer, specialists, and technical representative, were experienced and qualified to award and monitor this construction contract. No issues were noted in this area; however, we will continue to monitor this as construction progresses. In addition, we reviewed Management Services' 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 Management Services had not developed policies and procedures for Recovery Act reporting and initially had errors in the information they reported on Recovery.gov.

Recovery Act Reporting Processes and Procedures Are Not Documented and Information Was Not Validated

During our audit we verified that Management Services reports obligations and disbursements of Recovery funds on Recovery.gov via SharePoint.¹ However, Management Services' reporting, monitoring, and review processes and procedures are not standardized or documented. Data validation and reconciliation processes need to be incorporated into these policies and procedures to ensure obligation and disbursement amounts are supported by USDA's core financial systems.

We noted that Recovery.gov's Financial and Activity Report did not reflect Management Services' first ARRA contract obligation in a timely manner. Management Services awarded a contract and obligated funds in the amount of \$16,575,000 on September 21, 2009. Management Services should have reported the obligation in SharePoint upon issuance in order for the Department to report on its weekly Financial and Activity Report for the week ending September 25, 2009. Recovery.gov did not reflect this obligation until the week ending October 16, 2009.

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

We also identified that the entire amount of the obligation, \$16,575,000, was inaccurately reported on Recovery.gov as being paid out by USDA rather than the amount of the first approved disbursement of \$117,610. This error went undetected until identified during this review. Our audit inquiry validated a disbursement of only \$117,610, the amount recorded in USDA's core financial system as of January 15, 2010.²

OMB's Updated Implementing Guidance for the Recovery Act (M-09-15), states that the guiding principle of Recovery Act reporting is timely and accurate information dissemination by the Federal agencies to provide both Congress and taxpayers an ability to track and monitor all Recovery funds with the level of transparency and accountability envisioned in the Act. Section 2.4 of this guidance requires agencies to report obligation and gross outlay data no less frequently than weekly, with Friday's data available no later than the following Tuesday in the Weekly Financial and Activity Reports. It further requires that the weekly Financial and Activity Reporting be designed to capture data elements [i.e., obligations and disbursements] available in its core financial systems and mirror what is reported in its financial statements.

Also, OMB's 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.

We determined through inquiry that Management Services' staff had not identified the need to standardize and document procedures for Recovery Act fund reporting. Nor had it appointed an official with the responsibility and authority to formalize the processes and procedures for reporting obligations and disbursements of Recovery funds on Recovery.gov. Also, we determined that Management Services did not have an adequate process for validating its data reported on Recovery.gov and for ensuring its accuracy and consistency with information in USDA's core financial system.

As a result of the conditions noted above, Management Services misstated the reporting of USDA's Recovery Act information on Recovery.gov by not reporting the \$16,575,000 contract award. Also, Management Services overstated disbursements by \$16,457,390 by reporting a payment of \$16,575,000 rather than \$117,610 during part of the first quarter of FY 2010. Recovery Act information reported by Management Services is included in the overall reporting for USDA; therefore, USDA's Recovery Act reported information was inaccurate. We noted that Management Services corrected this error after discussing this matter with us.

Recommendation 1:

Management Services should standardize a process for reviewing and validating data reported on Recovery.gov with information in USDA's core financial accounting systems.

² January 15, 2010 was the cutoff date for the fieldwork for the first phase of this Recovery Act procurement review.

Recommendation 2:

Management Services should formalize its Recovery Act reporting processes and procedures to ensure consistency in reporting throughout the life of Recovery Act-funded contracts.

Monitoring and Review of Prime Recipient Reporting

Our audit inquiry and project site visit verified that construction work was in progress as of December 15, 2009. However, the Recipient's Project Summary report on Recovery.gov as of January 15, 2010 showed the following outdated information: (1) Project Status – Not Started; (2) Funds Invoiced/Received - \$0; (3) Expenditure Amount - \$0. We validated that USDA paid the contractor \$117,610 on November 3, 2009, for mobilization costs. This disbursement was also reflected in USDA's financial accounting system for this period.

OMB's Initial Implementing Guidance for the Recovery Act (M-09-10), states "... given the high priority placed on the accurate display of information related to Recovery Act on Recovery.gov, agencies are responsible for pre-dissemination review of all information that will appear on Recovery.gov. All agencies must ensure all reporting related to Recovery Act funding is complete and accurate and complies with the agency's Information Quality Act guidelines."

Also, USDA's Procedure for Review of the Recovery Act, Section 1512, *Recipient Reported Information*,³ requires Agencies/Departments to review recipient data in order to ensure information reported on Recovery.gov is accurate.

Our audit determined that Management Services has not standardized and documented its system for monitoring and reviewing the completeness and accuracy of Recipient Reported Data on Recovery.gov. As a result, the accuracy of USDA's Department-wide totals of Recovery Act financial and activity data for those periods could have been adversely affected by Management Services' inaccurate reporting.

Recommendation 3:

Management Services should standardize a process for reviewing the completeness and accuracy of Prime Recipient data; any noted errors should be communicated to the recipient in a timely manner and tracked for correction.

Recommendation 4:

Management Services should formalize procedures to ensure recipient data are reviewed prior to their being reported on Recovery.gov to ensure accuracy and consistency in reporting throughout the life of Recovery Act-funded contracts.

³ The Office of the Chief Financial Officer issued the USDA Procedure for Review of the Recovery Act, Section 1512, *Recipient Reported Information*.

Conclusion

As construction progresses additional audit work will be performed to cover construction progress monitoring, payments processed, and Recovery Act reporting. We will monitor implementation of corrective actions for the recommendations presented in this report. To the extent possible we will report on corrective actions taken as we continue to review the contract monitoring aspects of this procurement.

DATE: June 18, 2010

REPLY TO
ATTN OF: 50703-01-HQ

TO: Gil H. Harden
Assistant Inspector General for Audit

FROM: W.R. Ashworth //s//
Director for Management Services

SUBJECT: Procurement Oversight Audit of South Building Modernization
(Phase 4a, Wing 5) Project

This memorandum is in response to the Office of the Inspector General (OIG) memorandum of May 13, 2010. Your report suggested several recommendations regarding Procurement Oversight of the South Building Modernization (Phase 4a, Wing 5) Project using American Recovery and Reinvestment Act of 2009 (ARRA) funds.

OIG maintains that Management Services (MS) has not developed policies and procedures for Recovery Act reporting and had errors in the information reported on Recovery.gov.

MS has only one ARRA project which consists of two contracts managed under a single office. As such, we do not believe it is necessary to develop and implement elaborate policies and procedures to govern the ARRA reporting process. MS does have effective procedures in place to prevent and avoid administrative and technical errors and to ensure that reporting entries comply with the Office of Management and Budget (OMB) guidelines. The reporting error noted by the OIG is viewed by MS as a data entry error as opposed to a matter of procedure.

To ensure that the transparency and accountability requirements of the Recovery Act are met, MS concurs with the four recommendations and responses are as follows:

Recommendation 1: Management Services should standardize a process for reviewing and validating data reported on Recovery.gov with information in USDA's core financial accounting systems.

Management Response – Concur. Financial Management Modernization Initiative (FMMI) was not fully operational at the time of initial reporting of financial information.

Currently, FMMI validates data reported on Recovery.gov. Management Services will develop a standardized process for reviewing and validating the financial data in FMMI before the data is reported on Recovery.gov. Expected completion – July 1, 2010.

Recommendation 2: Management Services should formalize its Recovery Act reporting processes and procedures to ensure consistency in reporting throughout the life of Recovery Act funded contracts.

Management Response – Concur. Management Services coordinates with Office of Operations, Financial Management Division, and Procurement Operations Division in gathering the funded contracts information before being reported in the Recovery.gov database. Management Services will document the current procedures to ensure consistency in reporting throughout the life of Recovery Act funded contracts. Expected completion – July 1, 2010.

Recommendation 3: Management Services should standardize a process for reviewing the completeness and accuracy of Prime Recipient data; any noted errors should be communicated to the recipient in a timely manner and tracked for correction.

Management Response – Concur. Management Services currently reviews data submitted by Prime Recipient(s) on an initial award basis and quarterly thereafter and provides comment(s) via www.federalreporting.gov whether errors are detected or not in order to show the review process has taken place. If errors are detected, subsequent reviews are undertaken until all corrections are completed. These comments are posted within the time limits prescribed by OMB. Management Services will document the current procedures. Expected completion – July 1, 2010.

Recommendation 4: Management Services should formalize procedures to ensure recipient data are reviewed prior to their being reported on Recovery.gov to ensure accuracy and consistency in reporting throughout the life of Recovery Act-funded contracts.

Management Response – Concur. Management Services coordinates with Office of Operations, Financial Management Division, and Procurement Operations Division to gather recipient data for entry before reporting in the Recovery.gov database. Management Services will document the current procedures. Expected completion – July 1, 2010.

If there are any questions regarding Management Responses; please contact Patricia Jackson at (202) 720-0253 or via email: patriciaa.jackson@usda.gov.