PROCUREMENT AND CONTRACTING

EXECUTIVE SUMMARY

We found that the Commission has generally implemented the provisions of the Federal Acquisition Streamlining Act. It has also taken appropriate action on recommendations from a prior OIG review of major contracts.

The Office of Information Technology (OIT) has reorganized, and has plans to address significant weaknesses in contracting for systems development. We are recommending that it implement these plans. Our other recommendations to enhance procurement and contracting include: ensuring that unneeded contract funds are promptly deobligated; encouraging the regions to use blanket purchase agreements for repetitive purchases; and training regional procurement staff.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our primary objective was to determine whether the Commission appropriately implemented the provisions of the Federal Acquisition Streamlining Act. We also sought to review actions taken on recommendations in a prior audit of major contracts (Audit No. 239), and to address a significant OIT weakness in contracting and project management (described in our recent semi-annual Congressional reports).

During the audit, we interviewed Commission procurement staff; reviewed procurement policies and procedures, and other relevant documentation; and examined a judgment sample of twenty small purchases awarded in fiscal year 1998, and seven ongoing OIT contracts, among other procedures.

The audit was performed between November 1998 and May 1999 in accordance with generally accepted government auditing standards.

BACKGROUND

The Federal Acquisition Streamlining Act (FASA) of 1994 aimed to promote economy and efficiency in contracting. FASA allowed procurements under $100,000 to be awarded as small purchases, under simplified procedures, if agencies publicized them electronically.

FASA encouraged the use of simplified and cost effective procedures such as the use of imprest funds, purchase orders, blanket purchase agreements, and the government wide credit card. For large procurements, it encouraged the use of multiple indefinite quantity contracts under a single solicitation (known as Government Wide Acquisition Contracts, or GWAC).

The Office of Administrative and Personnel Management (OAPM) has overall responsibility for Commission procurement and contracting. OAPM's Procurement and Contracting Branch processes and approves headquarters purchase orders and contracts, based on requisitions submitted by user offices. Generally, the Branch Chief or other branch staff act as the Contracting Officer, while staff in the user offices act as the Contracting Officer's Technical Representative (COTR). The field offices have authority to issue their own purchase orders and contracts, within defined limits.

AUDIT RESULTS

We found that the Commission has generally implemented the provisions of FASA. It publicizes procurements on its Web site, which raises the threshold for small purchases to $100,000 (from $25,000). During the first quarter of fiscal year 1999, 391 out of 420 procurements, or 93%, were small purchases.

OAPM has also issued guidance on use of simplified procurement methods, including SECR 10-4, Blanket Purchase Agreements, and SECR 10-6, The Government Wide Commercial Credit Card Program. OIT has participated in GWACs of the Department of Transportation, National Institute of Health, and General Services Administration, and has developed a solicitation (ITTOC) for a its own multiple award contract similar to a GWAC.

Procedures for deobligating unneeded contract funds need improvement. Over $1 million in funds from fiscal years 1997 and 1998 needs to be deobligated. We estimate that $300,000 in fiscal year 1999 contract obligations may also be available for deobligation.

Generally, we found that OAPM took action on the recommendations in a prior Office of Inspector General (OIG) audit of major contracts. [1] OIT has plans to improve contracting and management of large systems development projects. Our detailed findings and recommendations follow.

DEOBLIGATION OF CONTRACT FUNDS

Among other tests, we examined deobligation of contract funds after purchase orders or blanket purchase agreements (BPAs) ended. We expanded our testing when we found evidence that deobligation was not being performed timely, for a variety of reasons. These included reassignment of Contracting Officers' Technical Representatives (COTRs); insufficient knowledge of deobligation procedures by COTRs; and insufficient written guidance.

---

[1] This audit was performed by a contractor under a task order with the OIG.

By scanning accounting records, we identified 91 purchase orders or BPAs from fiscal years 1997 and 1998 with total outstanding balances over $1 million. These balances need to be deobligated.

Similarly, we identified over $500,000 in outstanding balances for 79 procurements from fiscal year 1999. Based on spending trends to date, we estimate that $300,000 of this amount may be available for deobligation. [2]

Recommendation A

The Office of Administrative and Personnel Management (OAPM), in consultation with the Office of the Comptroller and the Office of the Executive Director, should issue detailed guidance to divisions and offices for timely deobligation of contracts. The guidance should include procedures for notifying the Comptroller's Office when purchase orders or BPAs expire, and for ensuring continuity in contract administration when COTRs are reassigned. Because of staff turnover, OAPM should reissue the guidance periodically as a reminder.

CONTRACTING FOR SYSTEM DEVELOPMENT PROJECTS

OIT has recognized that its contracting and management of system development projects needs improvement. Among other actions, It has reorganized and established an Office of Planning and Project Management.

Senior staff in that office briefed us on the planned improvements. These plans are expected to be implemented over the next year, and will be applied to new rather than existing projects.

OIT intends to institute enhanced procedures for approval of major projects (defined as over $25,000 and more than one month in duration). User requests and justifications will be forwarded to OIT, which will perform a preliminary analysis and cost estimate. Then the project will be reviewed by the Information Technology Capital Planning Committee (ITCPC), which has representatives from the Chairman's Office, the Office of the Executive Director, OIT, and a user office.

If the project is approved by the ITCPC, OIT will prepare a detailed requirements analysis and refine its cost estimate. The ITCPC would have to approve substantial changes in estimated costs. Approved projects would be monitored through software project management tools OIT has recently acquired.

OIT indicated that support from users and senior management will be necessary for the success of these changes. Also needed will be information on the Commission's strategic direction (to help plan the information systems architecture).

OIT staff stated that a life cycle management tool it has acquired (processMax by pragmaSystems), if fully implemented and consistently utilized, can result in organizations operating at level 2 in the Software Engineering Institute's Capability Maturity Model (CMM). According to OIT, operating at CMM level 2 requires the consistent implementation of repeatable processes that span the software development life cycle.

---

[2] During our review, the Office of Administrative and Personnel Management began to examine contracts for which it is the using office (*e.g.*, the Print Shop's), to identify OAPM funds that can be deobligated.

Recommendation B

OIT, in consultation with the Office of the Executive Director, the Capital Planning Committee, and user offices, should implement its planned changes to contracting and project management for software development (*i.e.*, enhanced procedures for approval of major projects, use of project management software).

USE OF BLANKET PURCHASE AGREEMENTS

As stated in SECR Regulation 10-4, blanket purchase agreements (BPAs) can reduce paperwork and administrative costs for repetitive purchases from one or more vendors. A blanket purchase agreement establishes prices and terms for ordering. Then, individual purchases can be made by telephone, rather than through a written purchase order.

By reviewing fiscal year 1998 accounting records, we identified 45 small purchase orders placed with four sellers in the regional offices. These purchases (generally, for office supplies and court reporter services) could have been handled more efficiently through a BPA.

Recommendation C

The Office of Administrative and Personnel Management should encourage regional offices to use blanket purchase agreements when appropriate (or a credit card).

PROCUREMENT TRAINING

Regional administrative contacts generally are responsible for procurement administration, including acting as the Contracting Officer's Technical Representative (COTR). The eleven regional contacts told us that they have not received training in the Federal Acquisition Streamlining Act, or in the duties of a COTR. Without this training, they may not use the most efficient procurement methods (such as a BPA rather than individual purchase orders; see above finding).

Recommendation D

The Office of Administrative and Personnel Management should provide appropriate procurement training to regional administrative contacts, including use of BPAs and credit cards.