



United States Department of Agriculture
Office of Inspector General





Review of Procurement Operations

Audit Report 92501-0001-12

What Were OIG's Objectives

The objectives of this audit were to evaluate the effectiveness of the controls POD has in place to ensure the integrity of the requisition, solicitation, and procurement processes across Departmental Management and Staff Offices involving vendors, procurement staff, and OCIO personnel.

What OIG Reviewed

We judgmentally selected a sample of 18 IT-related contract award identification numbers from fiscal years 2009, 2010, and 2011, from which we reviewed associated IT requisitions, solicitations, and contract award documentation.

What OIG Recommends

OPPM should require a centralized repository for procurement and invoicing documents, and update IAS guidance to address user account issues and how IAS will interface with the Department of Agriculture's new financial system. We also recommended that OPPM identify whether other contracting officers have exceeded their warrant authority and establish internal controls to ensure warrant levels are not exceeded.

OIG audited OPPM-POD to evaluate the effectiveness of the controls in place to ensure the integrity of the procurement process.

What OIG Found

The Office of Procurement and Property Management's (OPPM) Procurement Operations Division (POD) is responsible for processing procurements for Departmental Management and Staff Offices. OIG reviewed POD's controls over the procurement process and found several issues POD needs to address. First, POD was not keeping sufficient documentation during the acquisition and invoicing processes for Departmental Management and Staff Office information technology (IT) procurements. This occurred because POD did not require a centralized method or system—such as the Integrated Acquisition System (IAS) or the Enterprise Content Management system (ECM)—to track and store all documentation. Second, Departmental Management and Staff Office personnel had issues with IAS user accounts, including undefined user roles and users with excessive access abilities. This occurred because the Procurement Systems Division (PSD), which manages IAS, has not kept the system up-to-date to safeguard against vulnerabilities, including the documentation of how IAS integrates with the Department's new accounting system. We found that a POD contracting officer signed three contract actions that exceeded the contracting officer's warrant authority. This went undetected by POD because it did not have formalized policies and procedures to monitor contracting officers' actions, which was conveyed to management in November 2011.

OPPM generally agreed with OIG's findings and we have reached management decision on 10 of the report's 12 recommendations.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: September 27, 2013

AUDIT
NUMBER: 92501-0001-12

TO: Lisa Wilusz
Director
Office of Procurement and Property Management

ATTN: Lennetta Elias
Audit Liaison

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Review of Procurement Operations

This report presents the results of the subject audit. Your written response to the draft report, dated August 30, 2013, is included in its entirety at the end of the report. Excerpts from your response and the Office of Inspector General's position are incorporated in the relevant sections of the report. Based on your response, we were able to accept management decision on Recommendations 1-2 and 5-12 in the report. To reach management decision on the remaining recommendations, please see the relevant OIG Position sections in the audit report.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendations for which management decisions have not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publically available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

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Background and Objectives

Background

The Procurement Operations Division (POD) is the contracting office responsible for processing the procurements of Departmental Management (DM) and Staff Offices.¹ Originally a part of DM, in 2012, POD was realigned under the Office of Procurement and Property Management (OPPM). POD consists of three branches: the Information Technology (IT) Contracting Branch, the Service Supply and Construction Contracting Branch, and the International Technology Services Branch. For this audit, all contract actions reviewed pertained to IT acquisitions and payments, which were processed by the IT Contracting Branch.

Each branch within POD has its own branch chief and designated contracting officers. Contracting officers prepare solicitations, awards, and contract modifications, which are assigned to them based on workload, expertise, and warrant authority. The branch chiefs are contracting officers with an unlimited warrant authority and can approve contracts for higher amounts. Branch chiefs are also responsible for reviewing certain contract file documentation prior to awarding a new contract or modifying an existing contract. POD also relies on the Department of Agriculture's (USDA) agencies to ensure agencies' procurement needs are met, especially for technical or IT-based acquisitions. The liaison between the agency and POD is the contracting officer's representative (COR).

In addition to POD, OPPM manages the Procurement Systems Division (PSD); its mission is to provide dynamic and integrated solutions, products, and services in support of USDA's leadership and acquisition community. PSD's primary responsibility is the development, deployment, operation, and maintenance of a Department-wide procurement application known as the Integrated Acquisition System (IAS), as well as supporting USDA's acquisition community of 6,000 users. USDA utilizes IAS to assist with its purchasing and contracting for goods and services procured from different vendors around the country. For example, POD uses IAS to process contract awards and modifications, and maintains paper-based files that detail the contract actions, decisions, and justifications made during the procurement.

Besides IAS, USDA also utilizes the Enterprise Content Management (ECM) system to house electronic copies of invoices. Specifically, ECM is a National Information Technology Center (NITC)-based, mission-critical system that allows USDA to manage business documents, including correspondence. USDA agencies and offices are utilizing the ECM Invoice Processing

¹ Departmental Management and Staff Offices for the purposes of this report consist of the Office of Advocacy and Outreach, Office of Human Resource Management, Office of the Administrative Law Judges, Office of the Judicial Officer, Office of Operations, Office of Homeland Security and Emergency Coordination, Office of Small and Disadvantaged Business Utilization, Office of Procurement and Property Management, Office of Budget and Program Analysis, Departmental Management, Office of the Chief Financial Officer, Office of Communications, Assistant Secretary for Civil Rights, Office of the Chief Economist, Office of the Executive Secretariat, Office of the General Counsel, Office of the Chief Information Officer, Office of Congressional Relations, Office of Ethics, National Appeals Division, and Office of the Secretary of Agriculture. These entities will be referred to as "DM" for the remainder of the report.

Module to store USDA invoices in a centralized repository; managers use the module to manage the approval and payment processing of invoices. During the course of our audit, an additional invoice processing module was introduced within USDA. The Department of Treasury's Internet Processing Platform (IPP), once fully implemented across all USDA agencies and offices, will provide a single integrated, secure system to simplify how USDA manages vendor invoices and intra-Government transactions. Because IPP was in the implementation phase during our fieldwork, no formalized testing of the system was performed.

As part of its oversight responsibilities, the Office of Inspector General (OIG) performs an annual review to assess the Office of Chief Information Officer's (OCIO) compliance with the Federal Information Security Management Act (FISMA). During the fiscal year (FY) 2011 FISMA audit, OIG assessed whether USDA established and maintained a program to oversee systems operated on its behalf by contractors or other entities, [Redacted Text].² We reviewed the agreement between USDA and the IT provider³ to determine whether contractual agreements were properly documented, authorized, and maintained. We identified one contract action that was signed by a contracting officer with inadequate warrant authority. This finding resulted in additional audit work, for which we issued a Fast Report.⁴ Based on the issues identified during our work on the Fast Report, we chose a sample of OCIO IT requisitions, solicitations, and contract awards, which narrowed the focus of our audit to OPPM POD's IT Contracting Branch.

Objectives

The objective of this audit was to evaluate the effectiveness of the controls POD has in place to ensure the integrity of the requisition, solicitation, and procurement processes across Departmental Management and Staff Offices involving vendors, procurement staff, and OCIO personnel.

² [Redacted Text]

³ Referred to as "IT Contract" for the purposes of this report.

⁴ *Information Technology Contract* (92501-0001-12(1), November 16, 2011).

Section 1: Documentation and Controls

Finding 1: Insufficient Procurement Documentation

We found that POD was not keeping sufficient documentation on the acquisition and invoicing processes for USDA IT procurements. This occurred because OPPM does not require a centralized method to track and store all documentation. Instead, information documenting contract decisions and actions is sometimes input into the information systems, but sometimes is retained in email, or not stored at all. Additionally, POD does not always review documentation, and occasionally had data input errors. Because of inadequate documentation, OPPM cannot demonstrate that contracts were awarded in the Department's best interest. OPPM also lacks a complete history for approved invoices totaling \$8.5 million.

POD is responsible for procuring DM and Staff Offices' IT products and services, and must do so in a spirit of open competition. According to the Federal Acquisition Regulation (FAR), USDA must maintain sufficient documentation and a complete history of all contracting actions to provide a basis for decisions and actions, provide information for reviews, and furnish essential facts in the event of litigation or Congressional inquiries.⁵ Additionally, OMB Circular A-123 states that agencies must timely record expenditures to ensure accountability and reliable financial and statistical records, and that agency management should have a clear, organized strategy with well-defined documentation processes that contain an audit trail.⁶ FAR 32.907(c) also requires that a Government official must authorize all invoice payments. To comply with this, OPPM determined that, while contracting officers would prepare solicitations, awards, and contract modifications, the contracting officer's representative (COR) would authorize the invoice and forward it to the contracting officer for approval within IAS.

However, we found that POD had not been keeping sufficient documentation in accordance with these standards. For example, we looked at 18 awards for IT acquisitions conducted in FYs 2009, 2010, and 2011—11 of which were awarded under blanket purchase agreements (BPA). These BPAs allow recurring purchases to be made through one agreement, rather than requiring a new agreement for each purchase. Because BPAs establish a longstanding contractual agreement, it is important that they be solicited and awarded in a fair and competitive manner. We found that 10 of the 11 BPA contract files did not contain supporting documentation justifying the vendor selection process. Without this justification, POD has no assurance that BPAs were solicited in a spirit of open competition, and that agreements were made to the best advantage of the Government. A Presidential memorandum has expressed concerns that excessive reliance on contracts with a limited number of sources increases the risk that taxpayer funds will be spent on wasteful or inefficient contracts.⁷ We found that 1 of the 6 BPA holders was issued 75 of 140 orders (approximately 54 percent). We reviewed eight of these orders, and found that none provided a justification for offering the award solely to the awarded vendor. While POD may have justifiable reasons for doing so, this must be documented.

⁵ FAR Subpart 4.801(a)-(b), *Federal Acquisition Regulation Federal Acquisition Circular 2005-51*, April 1, 2011.

⁶ OMB Circular A-123, *Management's Responsibility for Internal Control*, December 21, 2004.

⁷ *Memorandum for the Heads of Executive Departments and Agencies, Subject: Government Contracting*, March 4, 2009.

In addition, the 18 awards for IT acquisitions that we reviewed generally lacked documentation that would justify decisions and ensure that procurement actions were carried out fairly:

- For 6 of the 18 awards, the documentation in the contracting files inadequately supported the awarding decisions, meaning that POD lacks the information necessary to defend its actions, if disputed.
- For 3 of the 18 awards reviewed, the contract file did not document how and where the offer was presented to the public, which is required to determine fair and open competition.⁸
- For 12 of the 18 awards, Federal Procurement Data System-Next Generation (FPDS-NG)⁹ data did not accurately represent the information contained in the contract file, such as justification for sole-source contracts, or the number of offers received.

We also audited the 106 invoices pertaining to these awards and found that 50 invoices, relating to 11 contracts and totaling approximately \$8.5 million, did not have a COR's documented approval. The COR's approval is key because the COR has the necessary knowledge, insight, and responsibility for verifying that the invoice is for work that was actually performed or delivered.

These issues occurred because (1) POD has not been using a centralized method of tracking and storing all documents and did not maintain support for invoice payments and awards in its contract files, (2) POD has not been effectively reviewing files, and (3) one of the data systems used requires manual data entry, leaving it vulnerable to input errors.

Lack of Centralized Storage System

We found that POD did not have sufficient documentation because it has not been using a centralized method of tracking and storing all documentation, even though USDA has systems in place that could accomplish this. USDA's procurement information system, IAS, stores records generated during the procurement process. Despite the fact that this system is available, we found that USDA is not using it regularly. For example, we found that contracting officers were using the system to generate the contract award identification (ID), but were not storing justifications for the awards in IAS, the contract file, or anywhere else. Also, the Department has a system in place to track and store invoice data, which relies upon two systems: IAS and ECM. However, we have found that CORs are not consistently using the invoicing system, ECM. As a result, information and CORs' approvals are not consistently stored in any single location, and can easily be misplaced or lost. CORs often, instead, approve invoices through email, which does not allow easy monitoring, tracking, centralized storage, or communication of important details.

⁸ Agencies must post offers in a public forum, such as the Federal Business Opportunities (www.fedbizops.com) webpage, and allow all suitable vendors to submit proposals. Without proof of where the offer was presented for competition, USDA cannot defend its assertion that the proposal was truly a fair and open competition.

⁹ FPDS-NG is used to track all contract actions within the Federal Government for contracts whose estimated value is \$3,000 or more.

When asked, OPPM officials stated they thought they had required IAS to be implemented; however, officials could not provide evidence supporting the requirement to implement IAS and did not specify which documents needed to be stored in IAS. OPPM should require the use of these or other similar systems as a central repository for procurement and invoice documentation.

In response to our audit work, OPPM issued Agriculture Acquisition Regulation (AGAR) Advisory 105 on October 1, 2012, which requires USDA personnel to use automated procurement systems for processing and storing procurement records. This guidance states that contracting officers should fully utilize the automated procurement system capability to create and maintain a complete electronic procurement/contract file inside the system and references FAR 4.803, which lists 42 types of records that are normally contained within a contract file, including justifications and approvals, determinations and findings, and associated documents. If properly adhered to and enforced, AGAR Advisory 105 should address these documentation issues and the corresponding audit recommendation for creating a centralized database of electronic procurement records.

In addition, the Department of the Treasury is currently deploying a Governmentwide invoice processing system. IPP will provide a single integrated, secure system to simplify how USDA manages vendor invoices and intra-Government transactions. For payment, vendors will submit their invoices to IPP, which will electronically record and notify USDA of any invoice awaiting payment. IPP also automates and supports an invoice approval process by offering multiple approval steps and options to delegate, reassign, or escalate an invoice if it is not processed properly. Once DM and Staff Offices have migrated to IPP and vendors begin to use the payment platform, its use could assist OPPM in maintaining and tracking invoices and invoice approvals that were not always being completed, as noted in our audit findings.

Ineffective Review

Additionally, POD had not effectively reviewed the FYs 2009, 2010, and 2011 procurement files we reviewed. Although POD had a policy in place to review pre-contract actions, it was not always being followed. For example, we found POD management did not review 4 of the 18 files that we had identified as lacking documentation to support the award decision—even though these files were subject to review, according to the POD contract review policy. In February 2012, which was subsequent to the scope of our sample, OPPM issued a more stringent pre-contract review procedure. This new procedure, if followed, should help identify missing documentation. Therefore, we are not making a recommendation to address this finding at this time.

Manual Data Errors

Finally, some documentation issues—such as lack of justification for sole-source contracts or the number of offers received—occurred because of manual input errors. When we spoke to agency officials, they explained that, because some FPDS-NG fields require manual data entry, sometimes contracting officers input information inaccurately, as was the case with the 12 of 18 contract files with inaccurate information. OPPM should ensure information is properly entered into FPDS-NG.

Without sufficient documentation, USDA will not have full transparency in procurement operations and cannot ensure that contracts were awarded in a fair and openly competitive manner in the Department's best interest, or that procurement records can be adequately produced to support awarding decisions in defense of disputed contract actions and decisions. Additionally, because of inadequate documentation, OPPM lacks a complete history for \$8.5 million in approved invoices.

Recommendation 1

Require Departmental use of automated systems, such as IAS and/or similar systems, to maintain contractual documentation in a centralized repository, including documents generated during the procurement and invoicing process.

Agency Response

In the agency's response, dated August 30, 2013, OPPM officials stated the Procurement Policy Division issued AGAR Advisory 105 on October 1, 2012, regarding the use of IAS. OPPM only manages IAS, consisting of Prism and iProcurement. OPPM will continue to explore the applicability of adding other systems to the Department's mandate.

OIG Position

We accept OPPM's management decision.

Recommendation 2

Develop a process to verify information entered into the FPDS-NG so that it accurately reflects information contained in the contract file.

Agency Response

POD will revise its internal Acquisition Operating Procedure Number 8, Pre-award and Post-award File Review, to include FPDS-NG by August 30, 2013.

OIG Position

We accept OPPM's management decision.

Finding 2: Internal Controls for IAS Need to be Strengthened

We found 6 IAS users with excessive access authorities and 20 IAS user roles that were undefined. This occurred because PSD, which manages IAS, did not have procedures in place to verify excessive access rights, or to verify that temporary account escalations were timely removed. Also, PSD had not updated its guidance on how IAS would interact with the Department's current Financial Management Modernization Initiative (FMMI) system, even though most USDA agencies have fully implemented FMMI. Additionally, multiple user roles occurred because OPPM had not successfully integrated two standalone software packages in IAS.¹⁰ Unknown access types, multiple user roles, and temporary access can increase the risk of personnel potentially performing unauthorized functions, violating segregation of duties, as well as hindering OPPM's oversight regarding the actions taking place within IAS. In addition, if an interconnection is not properly designed, security failures could compromise the connected systems and the data that they store, process, or transmit. Without controls in place to prevent and address these issues, USDA's procurement process will remain vulnerable.

As a Federal information system, IAS is subject to the National Institute of Standards and Technology (NIST) Special Publication 800-53 guidance, which requires controls to be implemented for accessing and maintaining an information system.¹¹ Specifically, OPPM's PSD must develop and implement an access control policy and procedure, which addresses the purpose, scope, roles, and responsibilities for allowing access to IAS, including how access is authorized and established. PSD must also manage IAS user accounts, including (1) identifying account types, (2) specifically authorizing and monitoring the use of guest/anonymous and temporary accounts, (3) deactivating temporary accounts that are no longer required, and (4) periodically reviewing accounts. Additionally, the OPPM Procurement Management Narrative, which is based on OMB A-123 guidance, documents the internal control environment related to procurement activities within USDA. The narrative specifically prohibits a user from having two conflicting roles within IAS. This restriction ensures that users do not have the ability to single-handedly complete the entire purchasing process within IAS.

We found that IAS had several user account issues within DM and Staff Offices. Specifically, IAS had 44 user roles (such as requisitioner, receiver, and contracting officer). However, 20 of these 44 roles were undefined in IAS supporting documentation, which could allow a user unknown authorities that may violate internal control and segregation of duty procedures. Additionally, while we did not identify any instances of a violation of segregation of duties, we found that 6 of the 208 IAS users in DM and Staff Offices had access abilities in excess of the internal controls outlined by OPPM's Procurement Management Narrative—which could potentially allow users to violate segregation of duties. We also noted that of the 45 IAS users with approval authority in OPPM, 1 had a temporary approval authority within IAS that remained active for 16 months. Temporary authorities or access rights should be monitored and removed when no longer needed to prevent unauthorized transactions from occurring.

¹⁰ The two standalone commercial off-the-shelf (COTS) business software suites are Oracle iProcurement and PRISM Procurement.

¹¹ NIST, *Recommended Security Controls for Federal Information Systems and Organization*, AC-1 and AC-2, August 2009.

These user account errors occurred because PSD did not have procedures in place to verify excessive access rights, or to verify that temporary account escalations are removed in a timely manner. We also found that users have multiple user roles because OPPM has attempted to integrate two standalone software packages in IAS. During the IAS implementation, it was determined two separate software packages were needed to form the foundation of IAS. However, because each package generates user roles for each user, using two packages has resulted in multiple user roles.¹² PSD should consider using only one software package, particularly since these software packages duplicate functions and data. Based on a PSD analysis, if OPPM were to use only one software package, it would save \$3 million to \$4 million annually through reduced software licenses, employee and contractor costs, and data storage requirements. OPPM is aware of this issue and has stated that it plans to research this issue further. Once OPPM has researched these issues, it should implement sufficient procedures to streamline IAS.

In addition to the user account issues identified, PSD has also not outlined how IAS interconnects with the Department's current FMFI system. When we spoke with agency officials, they stated that they were waiting for all USDA agencies and offices to utilize FMFI before formally documenting how the two systems would interact. However, this work should have been done before conversion to a new financial system to ensure a smooth implementation of FMFI and to identify any control risks present by interconnecting the systems. As of February 2013, all USDA agencies were using FMFI to some extent. If the interconnection is not properly designed, security failures could compromise the connected systems and the data that they store, process, or transmit.^{13, 14}

Undefined user roles, multiple user roles, and temporary access can increase the risk of personnel potentially performing unauthorized functions, violating segregation of duties, as well as hindering OPPM's oversight regarding what actions are taking place within IAS. Without updated guidance, IAS will not be safeguarded against vulnerabilities, as well as any potentially problematic interactions with FMFI. Since OPPM uses IAS to process DM and Staff Office procurements, control weaknesses may compromise the integrity of the procurement process.

Recommendation 3

Implement sufficient procedures to periodically review all IAS accounts in order to detect excessive access rights, and to verify temporary account access is removed in a timely manner.

Agency Response

PSD has an established program for the review/re-certification of both Privileged and Non-Privileged accounts. PSD, as a result of this report, has already taken action to ensure that roles

¹² These software packages are commercial off-the-shelf products. While they have standalone capabilities, OPPM has decided to utilize both without properly interfacing them.

¹³ FMFI is a COTS enterprise resource planning (ERP) solution to replace the legacy mainframe systems with an advanced, Web-based financial management system. (http://info.fmfi.usda.gov/About/About_home.html).

¹⁴ NIST SP 800-47, *Security Guide for Interconnecting Information Technology Systems*, August 2002.

that are not used in IAS have been removed and all user roles are well defined. PSD will explore procedures to enable regular agency and internal review by user permissions/roles.

OIG Position

We are unable to reach management decision based on OPPM's response. We acknowledge that PSD has established procedures for the review of both privileged and non-privileged accounts. However, at the time of our audit, PSD did not have procedures in place to specifically detect IAS access rights in conjunction with user warrant authorities, which, when combined, can give a user excessive access rights. Additionally, PSD did not have a procedure in place to detect users that were granted temporary account access that had not been timely removed. In order to reach management decision, PSD should incorporate procedures to identify these types of user accounts into its established review of privileged and non-privileged user accounts.

Recommendation 4

Update guidance to incorporate IAS's interface with the FMFI system.

Agency Response

According to OPPM's response, new IAS documents will no longer contain information and references to FFIS. Existing IAS documents will be canceled, revised, or replaced, as necessary.

OIG Position

We are unable to reach management decision based on OPPM's response. In order to reach management decision, PSD needs to update existing IAS documentation to incorporate the interconnections with FMFI.

Recommendation 5

Evaluate whether OPPM can streamline IAS from two software packages to one.

Agency Response

PSD has already issued a Task Order to analyze options for the future state of IAS.

OIG Position

We accept OPPM's management decision.

Section 2: Warrant Authority Exceeded

Finding 3: POD Lacks a Process to Effectively Monitor and Administer Oversight of the IT Contracting Branch

We found a USDA contracting officer signed three contract actions that exceeded the contracting officer's warrant authority. POD did not detect this issue because it lacks formalized policies and procedures to adequately monitor and administer effective oversight of the IT Contracting Branch. Specifically, while POD reviewed weekly reports from its contracting officers, these reports are informal and did not provide information needed to identify the contracting officers' violations. Because the warrant authority was exceeded, the contracts are unauthorized commitments, and must be ratified by someone with sufficient authority. Additionally, without proper oversight of the contracting officer's actions, unauthorized commitments may continue to occur. These issues were conveyed to POD in November 2011 and corrective actions were taken.

According to the FAR, contracting officers may bind the Government only to the extent of the authority delegated to them.¹⁵ In addition, according to the FAR and AGAR,¹⁶ the action taken by the USDA official without the appropriate warrant authority constitutes an "unauthorized commitment" and requires that the contract be ratified.¹⁷ Documentation of the ratification should be in the contract file for audit purposes.

However, we found that a contracting officer in POD's IT Contracting Branch signed an IT contract that exceeded his/her warrant authority. We also noted that the same contracting officer later signed two other contract actions in excess of his/her warrant authority.

We discussed this issue with Departmental officials, who agreed that the contracting officer did not have the proper warrant authority to sign the IT contract. The Deputy Director of OPPM concurred that signing a contract that exceeded a warrant level is considered an unauthorized commitment. In response, POD reduced the contracting officer's warrant authority from \$5 million to \$500,000 and stated that this was the appropriate disciplinary action. Additionally, signatory responsibilities for the IT contract have been assigned to another contracting officer, who has the appropriate warrant authority.

Upon further review, we learned that this contracting officer had a history of violating FAR requirements and exceeding his/her warranted authority. Previously, it was noted that the contracting officer acted outside of assigned roles and responsibilities; disclosed sensitive contractual information to vendors; authorized a contractor to work, even though funding was

¹⁵ FAR 1.602-1.

¹⁶ FAR 1.602-3(a) and AGAR 401.602-3(a).

¹⁷ When a contract is entered into that exceeds the contracting officer's authority, it is referred to as an "unauthorized commitment." To correct this situation, an authorized official must "ratify" the "unauthorized commitment," which requires that the individual, who entered into the commitment, explain why the warrant authority was exceeded.

not available;¹⁸ and signed contract actions in excess of his/her warrant authority. Management was aware of previous warrant authority misuse. In one instance, the contracting officer's warrant was reduced from \$25 million to \$200,000, but he/she still maintained a warrant and continued to sign IT contract actions. Based on this history of repeated violations, it does not appear that management has taken effective measures to prevent the recurrence of inappropriate actions.

These issues have persisted because POD lacks a process to adequately monitor and administer effective oversight of its IT Contracting Branch. While the IT Contracting Branch Chief requires the staff to complete a weekly report that shows the status of the solicitations and contracts that the contracting officers are working on, OIG noted that the reports are not formal in nature or functioning as designed and did not identify the contracting officer's violation of FAR and AGAR guidance.¹⁹ When we reviewed the weekly reports for this contracting officer, we found that they were incomplete and did not indicate what contract actions the contracting officer signed. Specifically, the status report for the period when this contract was signed did not state the amount of the award, including the base and option years, and did not note that the contracting officer had signed the contract. Moreover, reports from the previous month did not indicate that the contracting officer had worked with OCIO when soliciting and awarding the IT contract.²⁰ When asked why the contracting officer had signed the contracts that had exceeded his/her designated warrant authority, the contracting officer explained that these mistakes were inadvertent; the contracting official had a heavy workload and was aware that the IT Contracting Branch was shorthanded. Without information, such as specific contract actions, or regular reviews of the reports, inadvertent oversights can go unaddressed. We concluded that POD needs to formalize the process for completing the weekly status reports, so they become a valuable control for the Contracting Branch Chief's oversight of contracting officers.

We noted in the November 2011 Fast Report that POD should document why the contracting officer exceeded his/her designated warrant authority level and take the necessary action to ensure that IT contracts are administered in accordance with Federal and Departmental regulations. POD should review other contract actions signed by this individual, as well as other contracting officers, to determine if they have exceeded their warrant authority, implement effective procedures to prevent this from recurring, and take any necessary disciplinary action. If unauthorized commitments are identified, the contract actions need to be ratified. In addition, USDA needs to notify vendors when the designated USDA contracting officer changes by issuing a contract modification.

OPPM responded to the Fast Report ([http://www.usda.gov/oig/webdocs/92-501-0001-12\(1\).pdf](http://www.usda.gov/oig/webdocs/92-501-0001-12(1).pdf)) upon its release and subsequently on February 12, 2012. Based on these responses, we are able to reach management decision upon issuance of this report. Additionally, on March 22, 2013, we received a status update from OPPM, detailing the corrective action taken to address the issues noted in this finding, including revising a checklist to ensure all pre- and post-award

¹⁸ In FY 2005, five contract actions were ratified because in 2004, the contracting officer authorized a vendor to work prior to ensuring funds were available.

¹⁹ The IT Contracting Branch Chief required his staff, per an email dated June 2009, to complete a template that shows the status of the solicitations and contracts that the contracting officers are working on to help monitor his staff.

²⁰ We reviewed the weekly status reports for January through April 2010.

acquisition requirements are documented, developing a procurement management oversight plan, and performing a complete review of contract files. According to the update, all recommendations have been addressed with the exception of an Acquisition Management Review of POD; the results of this review are pending. Based on the initial response and the subsequent actions taken, no additional response to Recommendations 6-12 is necessary.

Recommendation 6

Ratify the IT contract and have the contracting officer document why the warrant level was exceeded, as required by the FAR and the AGAR.

Recommendation 7

Take the necessary actions to ensure that all contracts are administered in accordance with Federal and Departmental regulations.

Recommendation 8

Determine if other contracting officers exceeded their warrants and take any appropriate management action.

Recommendation 9

Implement the necessary internal controls to ensure warrant levels are not exceeded.

Recommendation 10

Formalize the weekly status reporting tool and implement the necessary controls to help ensure the reports provide effective oversight of contracting officers' procurement activities.

Recommendation 11

Ratify all contracts that were obligated by contracting officers with insufficient warrant authority.

Recommendation 12

Issue a modification for all contracts where the contracting officer has changed.

Scope and Methodology

We conducted this audit to evaluate the effectiveness of the controls POD has in place to ensure the integrity of the requisition, solicitation, and procurement processes across DM and Staff Offices involving vendors, procurement staff, and OCIO personnel. POD, under OPPM's authority, is responsible for processing DM and Staff Offices' procurements, totaling approximately \$1.4 billion in contract awards for FYs 2009, 2010, and 2011.²¹

Fieldwork was conducted at USDA offices located in Washington, D.C., and Kansas City, Missouri, from May 2012 through March 2013. We judgmentally selected a sample of IT requisitions, solicitations, and contract awards from FYs 2009, 2010, and 2011. The time period was chosen based on the timing of the initial contracts identified in our Fast Report (92501-01-12(1)). We initially selected 18 contract files. However, during our invoice review, we expanded this to 21 contract files because some of the invoices included within the sample were for multiple contract awards. Additionally, we chose our sample based on OCIO IT requisitions, solicitations, and contract awards, which narrowed the procurement focus of our audit to OPPM POD's IT Contracting Branch. Due to our scope, 20 of the 21 contract files we reviewed were the responsibility of one contracting officer, which was also the same contracting officer that had made the unauthorized commitments.

To accomplish our audit objectives, we performed the following procedures:

- Obtained and reviewed documents, such as OPPM policies and procedures, to gain an understanding of the processes for processing contract actions and invoice payments.
- Interviewed appropriate OPPM, POD, PSD, and OCIO staff, and third-party vendors to verify contracting actions, invoice payments, and review applicable procedures.
- Reviewed and assessed selected contract file documentation against FAR, AGAR, and Departmental policies and procedures.
- Reviewed internal controls implemented for IAS, as well as the corresponding policies and procedures, to determine if the policies were suitably designed and conformed to the minimum security requirements mandated by NIST.
- Reviewed the DM and Staff Office IAS users and verified all users were active employees.
- Specifically, for contract actions, we compared the information contained within IAS and ECM to corresponding contract files and invoice documentation to validate the reliability of the data. We also reviewed contract actions to determine the following:
 - solicitation competition requirements were met;
 - award decision justifications were documented within the contract files;

²¹ Report obtained via www.USASpending.gov as of April 9, 2013.

- contract files meeting the POD internal review guidelines were properly reviewed;
 - invoices were properly approved by the appropriate official;
 - invoice data were reviewed, and all invoices provided by POD were verified to match the invoices provided by the vendor and investigated for any anomalies;
 - invoice data contained in IAS were validated with actual invoices provided by POD; and
 - information within the contract was compared to data contained in FPDS-NG.
- Discussed the issues we found during our review with OPPM personnel to obtain their positions and responses.

We obtained a DM and Staff Office contract and invoice data extract from IAS. We tested the reliability of the data specific to our scope by comparing physical documentation to the electronic information contained within IAS. Additionally, we tested access controls and authorized users of IAS, only as it pertains to DM and Staff Office personnel. We did not perform any additional testing of the reliability of IAS data outside of our sample. We relied on invoice copies located within ECM specific to our sample and compared the data to physical copies of the invoices. However, we did not validate the data outside of our sample, nor did we review any ECM system controls to determine the control environment's effect on the reliability of the data.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Abbreviations

AGAR	Agricultural Acquisition Regulation
BPA	Blanket Purchase Agreement
COR	Contracting Officer's Representative
DM	Departmental Management
ECM	Enterprise Content Management
FAR	Federal Acquisition Regulation
FISMA	Federal Information Security Management Act
FMMI	Financial Management Modernization Initiative
FPDS-NG	Federal Procurement Data System-Next Generation
FY	Fiscal Year
IAS	Integrated Acquisition System
ID	Identification
IPP	Internet Processing Platform
IT	Information Technology
NIST	National Institute of Standards and Technology
NITC	National Information Technology Center
OCIO	Office of Chief Information Officer
OIG	Office of Inspector General
OPPM	Office of Procurement and Property Management
POD	Procurement Operations Division
PSD	Procurement Systems Division
USDA	USDA Department of Agriculture

**USDA'S
OFFICE OF PROCUREMENT AND
PROPERTY MANAGEMENT'S
RESPONSE TO AUDIT REPORT**



**United States
Department of
Agriculture**

August 30, 2013

Office of the
Assistant Secretary
for Administration

TO: Rod DeSmet
Deputy Assistant Inspector General for Audit

Office of
Procurement
and Property
Management

FROM: Joe Ware /s/ for Lisa M. Wilusz
Senior Procurement Executive
Office of Procurement and Property Management (OPPM)

300 7th Street
Southwest
Room 302
Reporters Building

SUBJECT: Review of Procurement Operations (Audit Number 92501-01-12)

Washington, DC
20024-9300

The Office of Procurement and Property Management's (OPPM) reviewed the Office of Inspector General's (OIG) draft report regarding controls over the Procurement Operation Division's requisition, solicitation, and procurement processes, involving vendors, procurement staff, and Departmental Management and Staff Office personnel. The actions presented herein correspond to the recommendations discussed in the OIG draft report, concerning the subject audit, dated June 19, 2013.

Recommendation 1

OPPM should require Departmental use of automated systems, such as the Integrated Acquisition System, the Internet Processing Platform, and/or similar systems, to maintain contractual documentation in a centralized repository, including documents generated during the procurement and invoicing process.

***Action 1** - Procurement Policy Division (PPD), issued the AGAR Advisory 105 on October 1, 2012 for use of IAS. OPPM only manages IAS, consisting of Prism and IProcurement. OPPM will continue to explore the applicability of adding other systems to the Department's mandate.*

Recommendation 2

OPPM should develop a process to verify information entered into the Federal Procurement Data System-Next Generation to help ensure it accurately reflects information contained in the contract file.

***Action 2** - OPPM issued AGAR Advisory NO. 87C, USDA Federal Procurement Data Quality Plan, dated September 5, 2008, to implement policy and procedure of the verification and validation of the Federal procurement data submitted to General Service Administration to comply with the Office of Federal Procurement Policy's (OFPP) directive that Federal Agencies verify and validate the accuracy of the information entered into the Federal Procurement Data System (FPDS). In addition, the Procurement Operations Division will revise its internal Acquisition Operating Procedure (AOP) Number 8, Preaward and Postaward File Review, to include FPDS-NG by August 30, 2013.*

Recommendation 3

OPPM should implement sufficient procedures to periodically review all Integrated Acquisition System accounts in order to detect excessive access rights and to verify temporary account access is removed in a timely manner.

Action 3 – The Procurement Systems Division (PSD) has an established program for the review/re-certification of both Privileged and Non-Privileged accounts. PSD, as a result of this report, has already taken action to ensure that:

- *Roles that are not used in IAS have been removed.*
- *All user roles are well defined.*

PSD will explore procedures to enable regular Agency and internal review by user permissions/roles.

Recommendation 4

OPPM should update its guidance to incorporate the Integrated Acquisition System's interface with the Financial Management Modernization Initiative system.

Action 4 - New IAS documents will no longer contain information and reference to FFIS. Existing IAS documents will be canceled, revised, or replaced, as necessary.

Recommendation 5

OPPM should evaluate whether it can streamline the Integrated Acquisition System from two software packages to one.

Action 5 - PSD has already issued a Task Order to analyze options for the future state of IAS.

Recommendation 6

Ratify the IT contract and have the contracting officer document why the warrant level was exceeded, as required by the Federal Acquisition Regulation and the Agricultural Acquisition Regulation.

Action 6 – Action completed per Recommendation #12. However, the AMRAP is pending action by OPPM, Procurement Policy Division. Refer to Fourth Data Center in Support of the USDA eMail Consolidation Audit 92-501-0001-12 (1), Recommendation No. 1.

Recommendation 7

Take the necessary actions to ensure that all contracts are administered in accordance with Federal and Departmental regulations.

Action 7 - Action completed per Recommendation #12. However, the AMRAP is pending action by OPPM, Procurement Policy Division. Refer to Fourth Data Center in Support of the USDA eMail Consolidation Audit 92-501-0001-12 (1), Recommendation No. 2.

Recommendation 8

Determine if other contracting officers exceeded their warrants and take any appropriate management action.

Action 8 - Action completed per Recommendation #12. However, the AMRAP is pending action by OPPM, Procurement Policy Division. Refer to Fourth Data Center

in Support of the USDA eMail Consolidation Audit 92-501-0001-12 (1), Recommendation No. 3.

Recommendation 9

Implement the necessary internal controls to ensure warrant levels are not exceeded.

Action 9 - Action completed per Recommendation #12. Refer to Fourth Data Center in Support of the USDA eMail Consolidation Audit 92-501-0001-12 (1), Recommendation No. 4. Recommendation 4, item (e) (AMRAP Review) as shown on the subject audit will be provided upon completion.

Recommendation 10

Formalize the weekly status reporting tool and implement the necessary controls to help ensure the reports provide effective oversight of contracting officers' procurement activities.

Action 10 - Action completed per Recommendation #12. Refer to Fourth Data Center in Support of the USDA eMail Consolidation Audit 92-501-0001-12 (1), Recommendation No. 5.

Recommendation 11

Ratify all contracts that were obligated by contracting officers with insufficient warrant authority.

Action 11 - Action completed per Recommendation #12. Refer to Fourth Data Center in Support of the USDA eMail Consolidation Audit 92-501-0001-12 (1), Recommendation No. 6.

Recommendation 12

Issue a modification for all contracts where the contracting officer has changed. OPPM responded to the Fast Report ([http://www.usda.gov/oig/webdocs/92-501-0001-12\(1\).pdf](http://www.usda.gov/oig/webdocs/92-501-0001-12(1).pdf)) upon its release and subsequently on February 12, 2012. Based on these responses, we are able to reach management decision upon issuance of this report. Additionally, on March 22, 2013, we received a status update from OPPM, detailing the corrective action taken to address the issues noted in this finding, including revising a checklist to ensure all pre- and post-award acquisition requirements are documented, developing a procurement management oversight plan, and performing a complete review of contract files. According to the update, all recommendations have been addressed with the exception of an Acquisition Management Review of POD; the results of this review are pending. Based on the initial response and the subsequent actions taken, no additional response to Recommendations 6-12 is necessary.

Action 12 - Action completed per Recommendation #12. Refer to Fourth Data Center in Support of the USDA eMail Consolidation Audit 92-501-0001-12 (1), Recommendation No. 7.

Please contact Brinder Billups at Brinder.Billups@dm.usda.gov or 202-720-8946 with any questions or concerns.

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