



Forest Service Controls Over Service Contracts

Audit Report 08601-0007-41

OIG reviewed FS controls to ensure service contracts were awarded competitively and the agency was obtaining the best value for the Government.

OBJECTIVE

Our audit objective was to determine whether FS had adequate controls in place to ensure that its service contracts were awarded competitively and that the agency was obtaining the best value for the Government in compliance with the Federal Acquisition Regulation.

RECOMMENDS

We recommend the FS Washington office issue guidance for competing contracts, establish guidelines for supervisory reviews, require FS to monitor regions, and require FS regions to use the national contract for the leadership training course when appropriate.

REVIEWED

OIG reviewed 71 FS service contracts awarded during FYs 2013-2015 and pertinent laws, regulations, policies, and procedures related to them; interviewed key personnel; and ascertained the adequacy and effectiveness of FS oversight and monitoring related to the pre-award process.

WHAT OIG FOUND

OIG found that the Forest Service (FS) overpaid for certain types of service contracts. Specifically, FS did not provide for competition for two different types of contracts. First, FS did not take advantage of an existing national contract that would have allowed it to save money on one of its leadership training courses. Likewise, we found that FS did not compete 14 contracts we reviewed that were awarded to small disadvantaged businesses (also known as Section 8(a) contracts). FS had the option to request approval from the Small Business Administration to compete the Section 8(a) contracts, but did not do so because it was either unaware they could be competed, or it was not required. As a result, FS overpaid for these service contracts and reduced the healthy competition that creates higher contractor performance standards.

In addition, we found that the FS Washington office's oversight of the contracting process was lacking at both the regional and forest levels. FS also did not conduct supervisory reviews of its service contracts prior to award at four of the six sites we visited. As a result, FS lacked assurance that its contracting process complies with agency policies, laws, and regulations intended to safeguard against fraud, waste, and abuse.

Finally, we found that 92 percent of the FS's contract files we reviewed were missing at least one piece of key documentation such as evidence of competition, lack of or insufficient documentation to support a fair and reasonable price, and/or an assessment of the contractor's past performance.

We accepted management decision on 12 of the 14 recommendations. Further action from the agency is needed before management decision can be reached on the remaining recommendations.



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



DATE: December 22, 2017

AUDIT
NUMBER: 08601-0007-41

TO: Tony Tooke
Chief
Forest Service

ATTN: Antoine Dixon
Acting Chief Financial Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Forest Service Controls Over Service Contracts

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated experts from your response and the Office of Inspector General's (OIG) position into the relevant sections of the report. Based on your written response, we have accepted management decision on Recommendations 1-2 and 5-14. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

Based on your written response, management decision has not been reached on Recommendations 3 and 4. The information needed to reach management decision on the recommendations is set forth in the OIG Position section following the recommendations. In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective action taken or planned, and the timeframe for implementing the recommendations for which management decision has 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.

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 Forest Service (FS) mission is to sustain the health, diversity, and productivity of the nation's 193 million acres of forests and grasslands to meet the needs of present and future generations. FS manages a system of 154 national forests and 20 national grasslands for the public good in 43 States, the Virgin Islands, and Puerto Rico. To help accomplish its mission, FS awarded over \$3.9 billion in contracts in fiscal years (FY) 2013-2015. About 52 percent of the service contracts were for natural resource management activities that include fire suppression, tree thinning, and forest tree planting. About 7 percent of the service contracts—totaling \$257 million—was awarded for professional support services, including support for program management, human resources, and engineering.

FS uses a variety of procedures when acquiring products and services. These procedures are governed by the Federal Acquisition Regulation (FAR), the USDA Agriculture Acquisition Regulation, and the Forest Service Acquisition Regulation. FS implemented policies, procedures, and responsibilities in the FS Manual for use by acquisition management staff to ensure programs are efficiently and effectively managed in accordance with applicable laws, regulations, and policies.

According to FAR, the vision for the Federal Acquisition System is to deliver the best value product or service to the customer on a timely basis while maintaining the public's trust and fulfilling public policy objectives.¹ "Best value" is the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement. FAR further states that the Federal Acquisition System will satisfy the customer in terms of cost, quality, and timeliness of the delivered product or service by promoting competition when seeking to award a contract.

To obtain the best value for the Government, FS assigns a contracting officer to determine the appropriate contracting vehicle, promote competition, supervise the bid evaluation, and ultimately make the award. Competitive contracts can save money, improve contractor performance, and promote accountability. The contracting officer must promote competition to the maximum extent practicable to obtain the best value for the Government, including taking advantage of opportunities that allow the agency to save money.

In an effort to achieve its small business procurement goals, FS assists small, disadvantaged businesses with competing in the marketplace by awarding service contracts to qualified contractors through the Small Business Administration's (SBA) Section 8(a) Business Development Program.² The Section 8(a) Business Development Program is a business

¹ The customer is the individual or entity requesting the service.

² Every year, SBA works with Federal agencies to set their small business procurement goals. The Small Business Act (the Act) provides that each agency shall have an annual goal that represents the maximum practical opportunity for small business concerns. These small business concerns include those owned and controlled by socially and

assistance program for small disadvantaged businesses that authorizes the SBA to enter into all types of contracts with other agencies and to award subcontracts for performing those contracts to firms eligible for program participation. While FAR allows participants to receive sole-source contracts up to a ceiling of \$4 million for goods and services,³ FAR also provides a process by which agencies can request to compete Section 8(a) service contracts under the \$4 million threshold in an effort to obtain better prices for the Government. The SBA Associate Administrator for Section 8(a) Business Development may approve an agency request for a competitive Section 8(a) award below the competitive threshold of \$4 million.

To assist in the implementation, coordination, and evaluation of fire management training programs for Federal and State agencies, Geographic Area Training Representatives (GATRs), hereafter referred to as training specialists, are assigned to a geographic area.⁴ These training specialists are responsible for the scheduling, coordination, delivery, and evaluation of the fire leadership training program within their geographic area. They also arrange these training courses with vendors approved by the National Wildfire Coordinating Group (NWCG).⁵ In an effort to streamline the contracting process for one of the training courses referred to as L380 Fireline Leadership, FS awarded a national contract.⁶ National contracts can help streamline the contracting process and reduce the administrative costs of isolated individual procurements.⁷ While there are 14 other leadership courses available through the NWCG, the L380 Fireline Leadership course is currently the only course with a national contract.

To ensure FS performed contracting activities in accordance with applicable laws and regulations, the FS Washington office developed an Internal Control Plan⁸ (ICP) to establish plans, methods, and procedures for the regions to conduct internal control reviews of all acquisition management functions,⁹ including contracting, at least once every 4 years. The ICP framework directed regions to prepare, review, and update at least annually, an internal process review plan for conducting compliance reviews. The ongoing compliance reviews provide assurance that regions properly competed, documented, and assessed contracts prior to award and assured their contract files complied with the FAR file and documentation

economically disadvantaged individuals, women, disabled veterans, and qualified small businesses in Historically Underutilized Business Zones. The Act provides for the establishment of government-wide goals for award of not less than 23 percent of the total value of Federal prime contracts to small businesses each year. The goal for socially and economically disadvantaged individuals is set at 5 percent.

³ A “sole-source contract” means a contract for the purchase of supplies or services entered into or proposed to be entered into by an agency after soliciting and negotiating with only one source.

⁴ GATR positions are filled by FS employees and Bureau of Land Management employees from the Department of the Interior.

⁵ The NWCG provides national leadership to enable interoperable wildland fire operations among Federal, State, local, tribal, and territorial partners. The NWCG establishes national interagency wildland fire operations standards and wildland fire position standards, qualification requirements, and performance support capabilities (e.g. training courses, job aids) that enable implementation of NWCG standards.

⁶ The national contract awarded was an Indefinite Delivery Indefinite Quantity (IDIQ) contract. An IDIQ contract is a type of contract that provides for an indefinite quantity of supplies or services during a fixed period of time.

⁷ “Procurement” is the process of obtaining goods and services from outside sources.

⁸ USDA Forest Service Acquisition Management FY 2015-2018 Internal Control Plan.

⁹ Regions also look at grants and agreements, asset management, and leasing.

requirements. The ICP framework requires that the FS Washington office use the results of such reviews to consider any risks or opportunities for review.

Objectives

Our audit objective was to determine whether FS had adequate controls in place to ensure that its service contracts were awarded competitively and that the agency was obtaining the best value for the Government in compliance with the Federal Acquisition Regulation.

Section 1: FS May Overpay By Not Taking Advantage of Opportunities to Increase Competition for Contracts

Finding 1: FS is Not Fully Using Benefits from National Contracts for Fire Leadership Training

Competitive contracts can save money, improve contractor performance, and promote accountability for results. We found that some FS regions were not taking advantage of an existing national contract that would allow it to save money on one of its leadership training courses. This occurred because not all training specialists were aware of the national contract for the leadership training course. Moreover, these training specialists were not required to determine if the national contract would result in a lower price. Additionally, we identified 14 leadership training courses purchased by FS where FS could benefit economically from a national contract. As a result, FS wasted taxpayer dollars by overpaying for its training courses.

Federal regulations¹⁰ express the intention to deliver the best value¹¹ product or service to the customer while also maintaining the public's trust and fulfilling policy objectives. Therefore, the contracting officer must promote competition to the maximum extent practicable to obtain supplies and services from the source whose offer is the most advantageous to the Government and, therefore, the taxpayer.¹²

We found FS was not promoting competition to the maximum extent practicable. Specifically, FS was not taking advantage of opportunities to compete its contracts for Fireline Leadership Training under a national contract. Competing these contracts under a national contract would result in potential cost savings and promote healthy competition. The purpose of the national contract was to allow for a consistent and competitive avenue for awarding training opportunities to vendors and reducing the administrative costs of contracts for goods and services. National contracts reduce such costs by eliminating the need for renegotiating recurring contracts. In September 2016, FS issued a national contract to three approved vendors/lead instructors for a course available to all FS units and agency partners. This course, the L380 Fireline Leadership Training Course for unit supervisors, covers topics such as the application of leadership styles, communicating vision and intent, team building, detecting operational error, and managing stress.

We found that one FS region could have saved at least \$4,800 by taking full advantage of the national contract when scheduling the L380 course. In March 2017, the FS region did not use the national contract when scheduling a course with the same vendor that was awarded the national contract. The region, working directly with this vendor, paid a total of \$21,000 for the course. In contrast, had FS used the national contract, the region would have paid only \$16,200

¹⁰ 48 C.F.R. § 1.102(a).

¹¹ FAR states that "best value" means the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement.

¹² 48 C.F.R. § 13.104.

to the same vendor. When asked why the national contract was not used for this training session, FS said that some of the training specialists were using the national contract, while others were not. FS told us this session of the L380 course was going to be canceled because agency staff was unable to lead the session. Also, the staff had a short timeframe to schedule a replacement, so they worked directly with an approved vendor. However, had FS been fully using the national contract, FS would have known that the prices charged by the vendor were significantly lower because the national contract provides pre-negotiated prices. Hence, the region could have had a task order¹³ issued against the national contract and saved nearly 23 percent while using the same vendor. In another FS region, we found that FS conducted two L380 sessions in fall 2016 and paid \$21,000 and \$26,000 for the courses, respectively. Had that region used the existing national contract, FS would have saved at least \$4,800 and \$9,800, respectively, while still using the same vendor.

Besides the L380 Fireline Leadership course, NWCG has 14 other leadership classes available in its catalog. Several of these courses are available multiple times per year throughout the country. When we searched the NWCG catalog online for leadership courses, we saw that NWCG offered 19 L180 Human Factors in the Wildland Fire Service courses in FY2016 and FY2017. Additionally, NWCG offered 16 L381 Incident Leadership courses during the same period.

National contracts allow for a consistent and competitive avenue for awarding training opportunities to vendors. Competition between the national contract holders will likely create higher contractor performance standards because past performance of past training deliveries is an evaluation factor for task orders. Moreover, national contracts can help streamline the contracting process and reduce the administrative costs of isolated individual contracting actions. Thus, FS should require regions to use the national contract for the L380 Fireline Leadership Training Course when it would result in a cost savings to the Government and also determine other training courses that would benefit from a national contract.

Recommendation 1

Require Forest Service (FS) regions to use the national contract for the L380 Fireline Leadership Training Course when it would result in a cost savings to the Government.

Agency Response

In its December 7, 2017, response, FS stated:

FS concurs with this recommendation. The Agency will reiterate the policy in USDA Procurement Advisory 101, “Shared First Policy in USDA Contracts” citing these audit findings and collaborate with the Branch Chief, Fire & Aviation Training, to distribute to the Regional Training Officers and AQM Regional Directors.

FS provided an estimated completion date of December 15, 2018, for this action.

¹³ A “task order” means an order for services placed against an established contract.

OIG Position

We accept FS' management decision on this recommendation.

Recommendation 2

Determine other training courses that would benefit from a national contract. For those courses, issue national contracts and require FS regions to use them when it would result in cost savings to the Government.

Agency Response

In its December 7, 2017, response, FS stated:

The Deputy Director, Fire and Aviation Management, Aviation, Operations and Risk Management, will collaborate with the Branch Chief, Fire & Aviation Training, to determine if there are other fire leadership training courses managed by the FS that would benefit from national contracts. These courses will be provided to AQM for potential strategic sourcing opportunities. In accordance with Procurement Advisory 101, "Shared First Policy in USDA Contracts," Fire & Aviation and Acquisition Management will work together to develop the best acquisition methods, type of contract vehicles and establish ordering procedures to require FS regions to use these contracts.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We accept FS' management decision on this recommendation.

Finding 2: FS is Not Competing SBA Section 8(a) Contracts

SBA's Section 8(a) Business Development program is a business assistance program that provides small, disadvantaged businesses with the opportunity to compete for service contracts with the Government. This program is also beneficial to FS because it allows for increased competition to help ensure available resources at competitive costs. Nevertheless, we found that FS did not solicit competition for any of the 14 Section 8(a) contracts we reviewed.¹⁴ This occurred because either contracting officers erroneously believed Section 8(a) contracts could not be competed unless they reached a threshold of \$4 million, or because FS was accustomed to not competing the Section 8(a) contracts because FAR did not require it. As a result, FS may have overpaid for its Section 8(a) service contracts and reduced the competition that would create higher performance standards.

Federal regulations¹⁵ express the intention to deliver the best value¹⁶ product or service to the customer while also maintaining the public's trust and fulfilling policy objectives. Therefore, the contracting officer must promote competition to the maximum extent practicable to obtain supplies and services from the source whose offer is the most advantageous to the Government.¹⁷ Federal regulations also state that the SBA Associate Administrator for Business Development may approve a contracting office's request for a competitive Section 8(a) award below the competitive threshold.¹⁸

We selected 14 Section 8(a) contracts to review and found that none of these contracts were competed. Although not required, FS had the option to request approval from SBA to compete the Section 8(a) contracts, but did not do so because it was either unaware they could be competed, or it was not required. We performed a search on the SBA Dynamic Small Business Search database and found additional Section 8(a) vendors who could have qualified for the same work for these contracts, thus indicating the vendors could have competed for these contracts.¹⁹ These vendors were located within the same State and county in the vicinity where the work occurred. Specifically, 57 Section 8(a) vendors located within the same State in addition to 11 Section 8(a) vendors located within the same county could have performed the same work under a temporary help service contract.²⁰ Similarly, in another State, 64 Section 8(a)

¹⁴ Of the 71 contracts we reviewed, 14 (20 percent) were Section 8(a) contracts. In FY 2016, FS spent close to \$122 million on Section 8(a) contracts.

¹⁵ 48 C.F.R. § 1.102(a).

¹⁶ FAR states that 'best value' means the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement.

¹⁷ 48 C.F.R. § 13.104.

¹⁸ 48 C.F.R. § 19.805-1(d).

¹⁹ The SBA Dynamic Small Business Search database is a tool contracting officers use to identify potential small business contractors for upcoming contracting opportunities.

²⁰ Under temporary help services contracts, companies supply workers to clients' businesses for limited periods of time to supplement the working force of the client.

vendors located within that State could have performed the same work for a receptionist service contract.²¹

We asked the contracting officers why they were not awarding these contracts competitively, and they said FAR did not require it. The contracting officers referenced FAR 19.805-1, which states that an acquisition offered to the SBA under the Section 8(a) program shall be awarded based on competition limited to eligible Section 8(a) participants when the anticipated total value of the contract will exceed \$4 million. In other words, the contracting officers said they believed Section 8(a) contracts could not be competed unless they reached a threshold of \$4 million. The contracting officers also said Section 8(a) contracts are usually direct awards for which the contracting officers can award the contract directly to a Section 8(a) firm without any competition.

Although the contracting officers did not violate any FAR requirement when directly awarding Section 8(a) contracts, FAR does allow Section 8(a) contracts to be competed below the \$4 million threshold. FAR states, “The SBA Associate Administrator for 8(a) Business Development . . . may approve an agency request for a competitive 8(a) award below the competitive thresholds.”²² We also spoke with SBA officials from two field offices and the national office to get their perspective on awarding Section 8(a) contracts competitively, and they said Section 8(a) contracts under \$4 million could be awarded competitively if the contracting staff gets SBA approval. They stated that other Federal agencies have requested to compete their Section 8(a) contracts under the \$4 million threshold and that SBA had approved them.

On May 23, 2017, FS officials told us they were open to competing Section 8(a) contracts when multiple Section 8(a) vendors could compete for them; however, because of the additional work involved, they were concerned this could create a disincentive for contracting officers to use Section 8(a) contracts. We assert that to obtain the best value for the Government, FS needs to establish guidelines for directing contracting officers on when to compete the Section 8(a) contracts.

Competition is a cornerstone of the Federal Acquisition System and a critical tool for achieving the best possible return. Competitive contracts can save money, improve contractor performance, and promote accountability for results. Thus, we recommend the FS Washington office issue guidance for when contracting officers should compete Section 8(a) service contracts and monitor regions to ensure they comply with the guidance.

Recommendation 3

Issue guidance for when FS contracting officers should compete Section 8(a) service contracts.

²¹ The 121 vendors from the 2 States were determined from the SBA Dynamic Small Business Search database accessed on May 10, 2017, and August 31, 2017. The database shows the names of potential vendors on the day and time the system is accessed. It does not keep a historical record of potential vendors. Therefore, we could not determine the precise number of potential vendors for the Section 8(a) contracts we reviewed.

²² FAR 19.805-1(d).

Agency Response

In its December 7, 2017, response, FS stated:

FS does not concur with this recommendation. The Agency respectfully disagrees with the premises of Finding 2. The SBA describes the 8(a) Business Development Program as a business assistance program for small disadvantaged businesses, helping thousands of aspiring entrepreneurs to gain a foothold in government contracting. SBA touts sole source contracts as a benefit of the program.²³ According to the USDA, the objective of the 8(a) Program is to help eligible small firms become independently competitive.²⁴ The Agency asserts awards to certified 8(a) contractors are not intended to provide available resources at competitive costs. FAR Subpart 19.805 regulates the SBA and an agency matching the agency's requirements with the capabilities of 8(a) participants. Competitive thresholds and requirements are clearly defined in the federal regulations.

Finding 2's narrative asserting "Federal regulations also state that the SBA Associate Administrator for Business Development may approve a contracting office's request for a competitive Section 8(a) award below the competitive threshold" is incomplete. FAR 19.805-1(d) goes on to state "Such requests will be approved only on a limited basis and will be primarily granted where technical competitions are appropriate or where a large number of responsible 8(a) participants are available for competition. In determining whether a request to compete below the threshold will be approved, the SBA Associate Administrator for Business Development will, in part, consider the extent to which the contracting activity is supporting the 8(a) program on a noncompetitive basis. The agency may include recommendations for competition below the threshold in the offering letter or by separate correspondence to the SBA Associate Administrator for Business Development."

While some SBA offices may approve requests to compete 8(a) contracts under the competitive threshold, requiring competition negates a primary agency incentive and benefit of 8(a) sole source: the ability to quickly award. Requesting SBA permission and approval to compete, soliciting, evaluating, and awarding competitively constitute an increased workload with no guarantee of overall cost savings.

The Agency concludes FAR Part 19.805 Competitive 8(a) guidance is sufficient with no additional agency supplementation required or value added. The Agency will add language to the Procurement Procedures, Guidance, and Instructions (PGI), Chapter 19, referencing FAR Part 19.805, and instructing contracting offices to notify the Washington office AQM Policy of requests for competitive Section 8(a) awards below the competitive threshold.

²³ SBA Contracting Website on 8A Business Development Program: <https://www.sba.gov/contracting/government-contracting-programs/8a-business-development-program/about-8a-business-development-program>.

²⁴ USDA's Departmental Management on 8A: <https://www.dm.usda.gov/smallbus/8a.htm>.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We do not accept management decision on this recommendation. OIG disagrees with FS' assertion that awards to certified Section 8(a) contractors are not intended to provide available resources at competitive costs, as FAR provides a process in which service contracts under the \$4 million threshold can be offered for competition. As was noted in the FS' response above, FAR allows for competition under the \$4 million competitive threshold where a large number of responsible Section 8(a) participants are available for competition. SBA officials we spoke to were supportive of competing the Section 8(a) contracts when there are large numbers of available vendors in order to achieve cost savings to the Government. Competing the Section 8(a) contracts in these circumstances will also ensure that all available Section 8(a) firms participating in the SBA Business Development Program are treated fairly and equitably when pursuing government contracts.

OIG is not recommending that FS compete all Section 8(a) contracts, only those where there are large numbers of available vendors and the potential for cost savings is the greatest. While OIG understands the appeal to sole source the Section 8(a) contracts to avoid the additional time and resources needed to compete them, we believe FS has a fiduciary responsibility to the taxpayer to take advantage of opportunities to achieve cost savings for the Government, while still meeting the intent of SBA's Business Development Program. To reach management decision on this recommendation, FS needs to either (1) provide documentation, such as a cost/benefit analysis, showing that it would not be cost beneficial to compete the Section 8(a) contracts, even when there are large numbers of available vendors, or (2) issue guidance for when FS contracting officers should compete Section 8(a) service contracts.

Recommendation 4

Monitor FS regions to ensure they comply with the guidance issued in the prior recommendation.

Agency Response

In its December 7, 2017, response, FS stated:

FS does not concur with this recommendation. The Agency does not concur with the recommendation to issue supplemental competitive 8(a) guidance. Please refer to the FS Response to Recommendation 3 above. The Agency will monitor requests by instructing contracting officers to notify the WO AQM Policy of requests for competitive Section 8(a) awards below the competitive threshold. This language will be added to the Procurement Procedures, Guidance, and Instructions (PGI), Chapter 19, along with a reference to FAR Part 19.805.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We do not accept management decision on this recommendation. To reach management decision on this recommendation, FS needs to agree to monitor FS regions to ensure they comply with the guidance issued in the prior recommendation.

Section 2: FS Must Ensure Oversight of the Contracting Process

Finding 3: FS is Not Adequately Monitoring the Contracting Process

The FS Washington office's oversight of the contracting process is lacking at the regional level. We found that FS Washington office staff led only 2 of the 35 Internal Process Reviews (IPRs) of the contracting process conducted at the regions during our review period.²⁵ Additionally, FS Washington office staff neither tracked nor followed up on the recommendations from regions' IPRs to identify risk areas or ensure corrective actions had taken place. Although the regions completed corresponding action plans for the IPRs conducted during our review period at the locations we visited, none of the locations actually tracked the corrective actions and ensured the regions implemented an action plan. This occurred because FS did not assign the resources to adequately monitor the regions' contracting process. As a result, FS lacked assurance it provided accurate information on the effectiveness of its internal control's ability to support effective and efficient program activities. In addition, without tracking corrective actions and adequate monitoring, FS lacked assurance that the contracting process complied with agency policies, laws, and regulations intended to safeguard against waste or fraud.

The FS manual requires management to review its program, activities, and units to ensure accountability, efficiency, and effectiveness in program management so risks are reasonably managed to assure achievement of management and agency strategic goals.²⁶ It further states that a corrective action plan should be developed, the status of corrective actions tracked, and corrective actions closed after certification of completion. FS' Internal Process Review Plan (IPRP) also states management will review all corrective action items regularly to ensure forward progress in addressing the identified issues.

During our review of the IPRs, we identified areas in the IPR process where FS Washington office participation was not adequate and tracking was nonexistent.

The FS Washington Office is Not Adequately Monitoring Regions' Contracting Process

FS developed the ICP²⁷ to set the framework for the regions to conduct internal control reviews of all acquisition management functions including the contracting process at least once every 4 years through IPRs.²⁸ FS implemented IPRs to increase accountability and to determine whether FS acquisition management functions are efficiently and effectively carried out in accordance with applicable regulations, such as FAR, as well as whether management policies and assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

²⁵ IPRs of Rocky Mountain Research Station, Southern California AQM Service Area, and Northeastern Area.

²⁶ FSM 1400, Controls, Chapter 1410, Management Review (June 1, 2007).

²⁷ USDA Forest Service Acquisition Management FY 2015-2018 Internal Control Plan.

²⁸ "Acquisition Management" is the process of obtaining resources needed. Contract negotiations, cost and price analysis, and contract administration are included in this process.

FS' ICP states that the Washington office will use the regions' IPR results to prepare the yearly national assessment to identify possible risk areas in acquisition management functions. For the risk areas identified, the Washington office acquisition management staff will conduct on-site reviews to evaluate all risk areas.²⁹ We found that the Washington office did not use IPR results to complete the yearly national assessment during our review period. Consequently, no risk areas were identified to cause the Washington office to conduct on-site reviews at the regions. Furthermore, we found that the FS Washington office led only 2 of the 35 IPRs the regions conducted on the contracting process during our review period. In lieu of participating in the IPRs or conducting its own review of the regions, the FS Washington office generally relied on the regions to review each other.

On May 23, 2017, we discussed the above issue with the FS Washington office. FS officials recognize the need for more oversight of the IPR process. The officials informed us that in July 2016, the Washington office began conducting IPRs of the regional offices due to challenges with the regions conducting reviews of each other and review reports not being done. Even so, FS cautioned that it may revert back to the regions performing reviews of each other if the agency continues to have financial constraints.

FS is Not Tracking and Ensuring Regions Implement IPR Recommendations

FS internal process review teams report their findings and recommendations in an IPR report, and the unit reviewed completes a corresponding action plan detailing the corrective action that will take place for each recommendation.³⁰ We found that, although regions completed corresponding action plans at three of the six locations we visited during our audit, none of the three locations actually tracked the corrective actions to ensure timely and effective results. Further, these three locations did not ensure they had implemented the action plan. For one regional office and two acquisition management (AQM) service areas/zones in which action plans were completed, regional acquisition management directors and national forest supervisory contracting officers did not track the corrective actions planned to ensure the region had implemented corrective actions.

The FS Washington office is not involved in monitoring action plan implementation or tracking corrective actions taken to address IPR recommendations. FS Washington office officials stated that the regional acquisition management directors are responsible for monitoring action plan implementation and the tracking of corrective actions for their region. We found that regional acquisition management directors were not monitoring the implementation of action plans or tracking the recommendations. The review teams and the regional acquisition management directors generally did not follow up on IPR recommendations until the next IPR four years later.

²⁹ USDA Forest Service Acquisition Management FY 2015-2018 Internal Control Plan.

³⁰ A unit can be a regional office, national forest, or research station.

In our review of the IPRs conducted during our scope period, we identified cases where FS review teams cited significant issues related to competition in 15 of the 28 IPRs that looked at the competitive aspect of contracts. These issues included insufficient justification or lack of documentation for not using full and open competition. We found file compliance issues in 13 of the 35 IPRs and documentation issues, including missing or insufficient documentation as required by FAR or agency policies, in 32 of the 35 IPRs. We identified similar compliance and documentation issues during our review (see Finding 5).

In interviews with officials during the audit and during our May 23, 2017, meeting with the FS Washington office, FS advised us that it is planning to create a position at the Washington office to help monitor the IPRs, including tracking and following up on corrective actions. However, FS officials informed us that they have yet to receive the funding to create the position.

Because adequate monitoring of action plan implementation and tracking of corrective action is not in place, officials did not follow up on deficiencies found during IPRs until the next acquisition management IPR—4 years later. For instance, in an IPR conducted in October 2014 at one of the locations OIG visited, the FS review team recommended the immediate termination of one contract.³¹ It made the recommendation because no valid documentation to support the continuation of the contract existed, and the contract exceeded its maximum dollar amount of \$3 million by an additional \$3 million. Nevertheless, during our site visit to the location in February 2017, we found that region charged additional activities to the contract in August 2015, and no evidence indicated the region ever terminated the contract.

The IPR is a process designed to identify risks, correct weaknesses, and ensure acquisition management functions are efficiently and effectively carried out in accordance with management policies and applicable laws. Without adequate oversight of the IPR process, FS lacks assurance that the IPRs regions conducted met their intended purpose. Consequently, we recommend FS prioritize resources in order for the Washington office to continue conducting IPRs at the regions and that the reviews cover those risk areas in acquisition management functions identified during the yearly national assessment. In addition, we recommend FS establish a process to ensure regions document, track, and implement all corrective actions to address recommendations made in IPRs in a timely manner.

Recommendation 5

Prioritize resources in order for the Washington office to conduct Internal Process Reviews of the regions.

³¹ The site visited was the Southern California AQM Service Area in Arcadia, California.

Agency Response

In its December 7, 2017, response, FS stated:

FS concurs with this recommendation. The Agency will update its Internal Process Review requirements to allow for a more effective use of limited Washington office resources.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We accept FS' management decision on this recommendation.

Recommendation 6

As required, use the regions' Internal Process Review results to prepare the yearly national assessment to identify possible risk areas in acquisition management functions.

Agency Response

In its December 7, 2017, response, FS stated:

FS concurs with this recommendation. The current Agency Acquisition Management Internal Control Plan states "A Report will be completed summarizing the results of the National Assessment, time permitting." The Agency will update the Internal Control Plan to require that the yearly national assessment be completed and the results presented at the annual Acquisition Management Directors Meeting.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We accept FS' management decision on this recommendation.

Recommendation 7

Follow up during the Washington office's Internal Process Reviews on all risk areas in acquisition management functions identified in the yearly national assessment.

Agency Response

In its December 7, 2017, response, FS stated:

FS generally concurs with this recommendation. The Agency will add an assessment of the prior FY's national assessment high risk areas to its Internal Process Review requirements.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We accept FS' management decision on this recommendation.

Recommendation 8

Implement the Internal Process Review Team's recommendation that the contract at the Southern California Acquisition Management (AQM) Service Area be immediately terminated and determine whether any further administrative actions should be taken regarding the contract.

Agency Response

In its December 7, 2017, response, FS stated:

FS concurs with this recommendation. The Agency will close out the contract and determine whether further administrative action should be taken.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We accept FS' management decision on this recommendation.

Recommendation 9

Establish a process to ensure all corrective actions to address recommendations made in Internal Process Reviews are documented, tracked, and implemented in a timely manner.

Agency Response

In its December 7, 2017, response, FS stated:

FS concurs with this recommendation. The Agency will establish a process to ensure Internal Process Review corrective actions are tracked to completion.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We accept FS' management decision on this recommendation.

Finding 4: FS Has Not Made Supervisory Review a Priority

Supervisory reviews ensure contract files contain all the necessary documentation of contracting actions to show these actions comply with appropriate authorities and Federal acquisition requirements. FS did not conduct supervisory reviews of its service contracts prior to their award at four of the six sites we visited.³² At the remaining two sites, FS staff stated that Supervisory Contracting Officers had conducted the supervisory reviews; however, nothing was provided to indicate that those reviews had been performed.³³ Most FS units were also unaware that there was a standardized checklist for the reviews, and in cases where FS told us it conducted supervisory reviews, the checklist was not used to document the review, as required. This occurred because FS did not make supervisory reviews a priority at three of the sites visited because the Supervisory Contracting Officer position was vacant. The remaining site believed that supervisory reviews only needed to be performed on contracts over \$1 million. Due to a lack of clear guidance, neither region established a standardized review process to ensure that the supervisory reviews were adequately conducted and documented. As a result, FS lacked assurance that contracts were properly competed, documented, and assessed to ensure that FS has obtained the best value for the Federal Government and therefore the taxpayer.

According to FS' IPRP, each unit is expected to perform ongoing reviews of individual work files created in accomplishment of the acquisition function and to maintain records of those reviews. Peers or supervisors—not the individual responsible for the file—shall perform ongoing unit-level compliance reviews. To ensure consistency in the reviews, the IPRP requires regions to use a standardized checklist to serve as the minimum guideline for conducting supervisory reviews and states that units should create summaries of documents reviewed by the unit throughout the year to include: (1) identification of the file, (2) identification of the specialist creating the action, (3) a statement that all checklist items have or have not been met, (4) a signature of the reviewing official, and (5) the date of the review.

The FS Washington office developed an IPRP template as a guide for FS regions to develop their own regional IPRP for conducting reviews of contracts. FS regions would develop their own regional IPRP and establish a standardized review process within the region. The IPRP requires that regions develop and submit a standardized review checklist to the FS Washington office for approval prior to implementation and use in conducting their reviews. According to an FS Washington office official, each region should establish its own frequency for conducting reviews. In both regions we visited, the regions established that FS select 10 percent of all contracts for supervisory review. However, despite IPRP guidance, the staff at FS units said they were unclear on the requirements and/or were unaware of the standardized review checklist.

In both of the regional offices we visited, FS had not established a standardized review process, nor had it developed procedures on how the regions were to perform supervisory reviews.

³² Southeast Regional Office (Region 8), Pacific Southwest Regional Office (Region 5), Francis Marion and Sumter National Forests (Eastern AQM Service Zone), and Angeles National Forest (Southern California AQM Service Area).

³³ National Forests in Mississippi (Western AQM Service Zone) and Tahoe National Forest (Central California AQM Service Area).

Besides the regional offices, none of the FS units we visited were aware of the standardized review checklist developed by their regional office to be used when conducting the supervisory reviews. In one region, FS staff said they believed the supervisory reviews were only required for contracts that exceeded \$1 million. As a result, FS staff reviewed none of the contracts in this region and therefore did not provide accountability for any of these contracting actions.

According to IPRP guidance, supervisory reviews of contract files should be documented on a standardized review checklist that includes a statement whether all checklist items have/have not been met, a signature of the reviewing official, and the date of the review. Our review of selected contract files determined there was no evidence that FS performed any supervisory reviews. In the cases where FS told us reviews were conducted, FS provided nothing to indicate the regions had performed those reviews.

FS staff informed us that the Lead Contracting Officer positions were vacant, and these vacancies were a contributing factor to why supervisory reviews were not performed at three of six sites we visited. Despite the vacancies in Lead Contracting Officers, FS should have established an Acting Lead Contracting Officer to perform the supervisory reviews or at a minimum established a peer review system as allowed in the IPRP guidance. We found that none of the sites we visited had a peer review process to mitigate the lack of supervisory reviews. Most of the FS staff we interviewed stated that neither supervisory nor peer reviews were the priority for their unit. The following table illustrates problems identified according to location.

Table 1—Exceptions Noted With Supervisory Reviews at Sites Visited

Site Location	Reviews Not Performed	Reviews Not Documented	Lead Contract Officer Position Vacant	No Standard Review Procedures
R8 Regional Office	X		X	X
Western AQM Service Zone		X	X	X
Eastern AQM Service Zone	X			X
R5 Regional Office	X			X
Central California AQM Service Area		X		X
Southern California AQM Service Area	X		X	X

Supervisory reviews would have likely found and corrected the types of problems we identified during our review of selected contracts. Problems we found include:

- inadequate documentation to support competition,
- insufficient information to constitute a complete history of contracting actions,
- insufficient support of contractor’s past performance,
- no fair or reasonable price determination, and
- insufficient documentation to support a cost or price analysis in the contract files.

See Finding 5 for more details.

Lack of supervisory reviews led to the suspension of a Contracting Officer's warrant at one of the locations we visited in Region 8.³⁴ Our review of selected contracts that the Contracting Officer worked on revealed potential errors with awarding Section 8(a) contracts and poor documentation. In addition to the Contracting Officer's suspended warrant, the FS unit had to suspend and reissue 10 of the Contracting Officer's contracts valued at over \$5.6 million. We believe these issues would likely not have occurred had there been adequate supervisory review of the Contracting Officer's contracts.

We discussed the issues with FS Washington office officials on May 23, 2017. FS agreed that IPRP guidance could be clarified to ensure a standardized supervisory review process is established within each region. In addition, one FS official stated that it would be helpful if each region's AQM Director provided each supervisor with a copy of the IPRP so the supervisors were aware of the review requirement and the AQM Directors verified the completion of these reviews.

FS should establish guidelines for conducting supervisory reviews to emphasize the importance of conducting reviews and ensuring consistency in the reviews performed. In addition, FS should monitor units to ensure reviews meet the established guidelines and their required frequency.

Recommendation 10

Establish guidelines for conducting supervisory reviews of service contracts, including the frequency of the reviews.

Agency Response

In its December 7, 2017, response, FS stated:

FS generally concurs with this recommendation. The Agency will add guidance to the Procurement Procedures, Guidance, and Instructions (PGI), Chapter 4, to refer Contracting Officers to the Internal Process Review requirements for supervisory reviews.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We accept FS' management decision on this recommendation.

Recommendation 11

Require that all FS units make it a priority to complete the reviews.

³⁴ The suspension of the Contracting Officer's warrant occurred prior to our audit.

Agency Response

In its December 7, 2017, response, FS stated:

FS generally concurs with this recommendation. The Agency will issue written direction through Line Officers emphasizing the importance of supervisory reviews of service contracts.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We accept FS' management decision on this recommendation.

Recommendation 12

Monitor FS units to ensure they complete the reviews in compliance with the guidelines established in Recommendation 10.

Agency Response

In its December 7, 2017, response, FS stated:

FS generally concurs with this recommendation. The Agency will develop instructions for monitoring the review process.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We accept FS' management decision on this recommendation.

Finding 5: FS Contract Files Missing Key Documentation

We found that 92 percent of FS' contract files we reviewed were missing at least one piece of key documentation, such as evidence of competition, insufficient or no documentation to support a fair and reasonable price, and/or an assessment of the contractor's past performance.

Additionally, three of six FS locations we visited could not locate at least one contract file we requested. This occurred because FS' acquisition management lacked oversight and standard file maintenance procedures at the FS units we reviewed. As a result of incomplete contract files, FS was unable to support the basis for its contract award decisions or provide information for reviews and investigations in the event of litigation and Congressional inquiries.

Federal regulations require Federal agencies to implement a records maintenance program so that complete contract files are filed or otherwise identified and preserved and that those files can be readily located when needed.³⁵ OMB Circular A-130 also requires agencies to ensure that their records management program provides adequate and proper documentation of agency activities as well as ensure the ability to access records, regardless of form.³⁶ In addition, Federal regulations require that contract files shall be sufficient to constitute a complete history of the contract.³⁷ The policy of the U.S Government is to contract for supplies and services at fair and reasonable prices.³⁸ Documenting the competition used for an acquisition is critical in providing transparency as to the rationale for the selection of the appropriate contractor.

We selected 71 files for review from two regional offices and four AQM service areas/zones and found the following:

- Twelve of the 71 files reviewed did not contain or had insufficient evidence of competition. While a sole-source contract may possibly be warranted in certain situations, we found little to no documentation as to why a contractor was selected on sole-source justifications, or on offers made on a solicitation for contracts.³⁹
- Twenty-one of the 71 files we reviewed did not contain or had insufficient documentation that supported the determination of a fair and reasonable price for items and services in the contract—which may include certified cost or price data. In addition, 19 of the 71 files we reviewed did not contain or had an insufficient cost or price analysis of quotes received. A

³⁵ 48 C.F.R. § 4.801 (a) states, "The head of each office performing contracting, contract administration, or paying functions shall establish files containing the records of all contractual actions."

³⁶ OMB, Transmittal Memorandum No. 4, Management of Federal Information Resources, Circular A-130 (Nov. 28, 2000).

³⁷ 48 C.F.R. § 4.801 (b) states, "The documentation in the files shall be sufficient to constitute a complete history of the transaction..."

³⁸ 48 C.F.R. § 13.106-3 (a) states, "Basis for award. Before making award, the contracting officer must determine that the proposed price is fair and reasonable."

³⁹ 48 C.F.R. § 6.302-1(b)(1) states, "When there is a reasonable basis to conclude that the agency's minimum needs can only be satisfied by (1) unique supplies or services available from only one source or only one supplier with unique capabilities..."

price analysis is critical because it allows FS to ensure it is paying a fair and reasonable price for goods and services.

- Twenty-five of the 71 files reviewed did not contain or had insufficient Government estimates of price. A Government program’s cost estimate provides a basis for comparing prices proposed by contractors/vendors for goods and services.
- Forty-one of the 71 files reviewed—more than half—did not contain documentation supporting FS had assessed the contractor’s past performance. When FS chooses contractors to provide goods and services, it should choose only contractors who have a record of successful past performance or demonstrate current superior ability to perform.⁴⁰ By not evaluating and documenting past performance, FS ran the risk of not getting the best value for goods and services. In addition, for contracts that required a formal review of the contractor’s past performance via the Federal Awardee Performance and Integrity System,⁴¹ 19 of the 23 contract files that required this review had insufficient documentation to support this had been done.⁴² Confidence in a potential contractor's ability to satisfactorily perform contract requirements is an important factor in making best value decisions in the purchase of goods and services.⁴³
- Fifty-four of the 71 files we reviewed did not have sufficient information to constitute a complete history of the contracting actions. A complete history of the contract action is important for: 1) providing a complete background as a basis for informed decisions at each step in the acquisition process, 2) supporting actions taken, 3) providing information for reviews and investigations, and 4) furnishing essential facts in the event of litigation or Congressional inquiries.⁴⁴

In addition to the contract files missing key documentation, three locations we visited could not locate at least one contract file we requested after having staff—including Contracting Officers no longer assigned to the area—search all possible places for a file.⁴⁵ Ultimately, FS could not account for the missing files. At the three locations, we observed inadequate security over contract files. For example, there was no designated area for storing the files, access to the files

⁴⁰ 48 C.F.R. 1.102-2 (a) (3).

⁴¹ 48 C.F.R. § 9.104-6 states that the Federal Awardee Performance and Integrity System is a web-enabled application that is used to collect contractor performance information. Once records are completed in the Federal Awardee Performance and Integrity System, they become available in the Federal Past Performance Information Retrieval System, where they are used to support future acquisitions.

⁴² For contracts in excess of the simplified acquisition threshold of \$150,000, the contracting officer is required to review past performance in the Federal Awardee Performance and Integrity System (48 C.F.R. § 9.104-6).

⁴³ Past Performance Information Retrieval System (last visited August 16, 2017), <https://www.ppirs.gov/>.

⁴⁴ 48 C.F.R. § 4.801(b) states, “The documentation in the files (see [4.803](#)) shall be sufficient to constitute a complete history of the transaction...”

⁴⁵ The Eastern AQM Service Zone at the Francis Marion and Sumter National Forests could not locate three of the eight contract files we requested, the Southern California AQM Service Area at the Angeles National Forest could not locate one of the ten contract files we requested, and the Pacific Southwest Regional Office (Region 5) could not locate one of the eleven contract files we requested.

was unrestricted, the file cabinets containing the files were unlocked, and there was no sign-out sheet to document who had the files when they were removed from the file cabinets.

Complete contract files are critical to FS for the agency to be able to justify actions taken and the agency's rationale for contract actions. Although the FS Washington office had established a standardized checklist for contracting staff to use to ensure the contract files contained all the required information, we found that the checklist was used for only 1 of the 71 contract files we reviewed. Contracting staff did not use a checklist for 47 of the contract files we reviewed. For the remaining contract files we reviewed, contracting staff used their own checklist. Contracting staff at most of the sites we visited told us that they were not required to use the FS Washington office's checklist. Therefore, we are recommending FS units be required to use the FS Washington office's checklist to ensure the contract files contain all required documentation. We are also recommending FS units be required to follow standard file maintenance procedures to ensure that contract files are properly maintained and secured.

Recommendation 13

Require that FS units use the standardized checklist the FS Washington office developed to ensure that the contract files contain all the required documentation.

Agency Response

In its December 7, 2017, response, FS stated:

FS concurs with this recommendation. The Agency will strengthen existing policy guidance to require utilization of standardized national checklists.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We accept FS' management decision on this recommendation.

Recommendation 14

Require that FS units follow standard file maintenance procedures to ensure that contract files are properly maintained and secured.

Agency Response

In its December 7, 2017, response, FS stated:

FS concurs with this recommendation. The Agency will add language to the Procurement Procedures, Guidance, and Instructions (PGI), Chapter 4, to provide instruction for standard electronic contract file structure within the Pinyon application.

FS provided an estimated completion date of December 15, 2018, for this action.

OIG Position

We accept FS' management decision on this recommendation.

Scope and Methodology

We conducted a nationwide audit of FS' service contracts. The scope of our audit work covered service contracts awarded during FYs 2013-2015. To accomplish our objectives, we performed fieldwork at the agency's Washington office, located in Washington, D.C., two regional offices, one research station, and four AQM service areas/zones (for specific locations visited, see Exhibit B).⁴⁶ We performed our audit fieldwork from April 2016 through May 2017.

We non-statistically selected two regional offices and four AQM service areas/zones for review based primarily on the total amount spent on service contracts. We also considered the number of whistleblower complaints related to their administration of service contracts. In addition, at the regional offices and AQM service areas/zones, we non-statistically selected and reviewed 71 service contracts awarded during FYs 2013-2015 based primarily on the total dollars awarded, number of bidders on the contracts, status of the contracts, and whether the contracts related to whistleblower complaints.⁴⁷ We included those contracts coded in the system as "professional, administrative, and management support services" and "natural resources management services" (referred to in the system as Product and Service (PSC) codes "R" and "F" respectively).⁴⁸ We chose these PSC codes because they ranked first and third in total dollars obligated by FS for FYs 2013-2015.

To assess the selected contracts, we used FAR as criteria. In particular, we used the version of FAR in effect at the time the contracts were awarded. Since FAR is frequently updated, the

⁴⁶ FS' Pacific Southwest Region (Region 5) has 3 AQM service areas (Northern California AQM Service Area, Central California AQM Service Area, and Southern California AQM Service Area) responsible for administering contracts for the region's 18 national forests. We selected for review both the Central and Southern California Service Areas. Each service area is responsible for administering the contracts for six national forests. FS' Southern Region (Region 8) has 4 AQM service zones (Eastern AQM Service Zone, Western AQM Service Zone, Northern AQM Service Zone, and Southern AQM Service Zone) responsible for administering contracts for the region's 16 national forests. We selected for review both the Eastern and Western AQM Service Zones, which administer three and six of their region's national forests, respectively. In Region 8, Western AQM Service Zone staff report to the Southern Region's regional office, whereas Eastern AQM Service Zone staff report to the Southern Research Station. Our review at the Southern Research Station was limited to determining its roles and responsibilities related to service contracts administered by the Eastern AQM Service Zone.

⁴⁷ We selected our sample of service contracts to review from the U.S. Department of the Treasury's USA Spending database. FS enters information on its contracts into the General Services Administration's Federal Procurement Data System, which automatically uploads the information into the USA Spending database. To ascertain the reliability of the data in the USA Spending database, we compared the total amount FS obligated for service contracts as of January 25, 2016 (\$3,905,327,163) in the USA Spending database for those contracts awarded during FYs 2013-2015 to the total amount FS obligated as of April 6, 2016 (\$3,988,642,252) in the Federal Procurement Data System. Based on discussions with FS officials, we concluded that the amount obligated in the Federal Procurement Data System was likely greater because it contained two additional months of obligations relating to the contracts. We also reconciled the amounts obligated that were documented in the contract files we reviewed for our sample of selected contracts to the USA Spending database and noted no discrepancies. Our reliance on both the USA Spending database and Federal Procurement Data System was limited to selecting service contracts for review.

⁴⁸ PSCs describe the products, services, and research and development purchased by the Federal Government. These codes indicate what was bought for each contract action reported in the Federal Procurement Data System.

language in the version of FAR in effect at the time the contracts were awarded may differ from the most current version of FAR, published at Title 48 of the Code of Federal Regulations.

In developing the findings for this report, we performed the following steps and procedures.

At the FS' Washington office (see Exhibit B), we:

- Reviewed the pertinent laws, regulations, policies, and procedures related to service contracts;
- Interviewed key personnel, including the director for AQM, to gain an understanding of their roles and responsibilities relating to service contracts;
- Ascertained the level of competition relating to the service contracts, including those for fireline leadership training and Section 8(a) service contracts;
- Reviewed the national contract used for the L380 Fireline Leadership training course to determine the extent of its use and whether national contracts like it should be used for other training courses to achieve cost savings; and
- Ascertained the adequacy and effectiveness of FS reviews, oversight, and monitoring related to the pre-award process for service contracts.

At selected FS regional offices (see Exhibit B), we:

- Reviewed any supplemental guidance the regional office issued relating to service contracts;
- Interviewed key personnel at the regional office, including the regional director for AQM, to determine their roles and responsibilities relating to service contracts;
- Ascertained the level of competition relating to the service contracts, including those for fireline leadership training and Section 8(a) service contracts;
- Ascertained the adequacy and effectiveness of FS reviews, oversight, and monitoring related to the pre-award process for service contracts; and
- Selected and reviewed a non-statistical sample of service contracts and assessed the corresponding contract files for completeness and compliance with FAR.

At selected FS AQM service areas/zones (see Exhibit B), we:

- Reviewed any supplemental guidance the AQM service area/zone issued related to service contracts;

- Interviewed key personnel, including the lead contracting officers, to determine their roles and responsibilities related to service contracts;
- Ascertained the adequacy of FS level of competition relating to fireline leadership training and Section 8(a) service contracts;
- Ascertained the adequacy and effectiveness of FS reviews, oversight, and monitoring related to service contracts; and
- Selected and reviewed a non-statistical sample of service contracts and assessed the corresponding contract files for completeness and compliance with FAR.

During the course of our audit, aside from using the Department of the Treasury's USA Spending database to select our sample of projects to review, we did not solely rely on or verify information in any agency information systems. We also make no representation regarding the adequacy of any agency computer systems, or the information generated from them because evaluating the effectiveness of information system or information technology controls was not one of the audit's objectives.

We conducted this performance 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Abbreviations

AQM	Acquisition Management
CFR	Code of Federal Regulations
FAR	Federal Acquisition Regulation
FS	Forest Service
FSM	Forest Service Manual
FY	fiscal year
GATR	Geographic Area Training Representative
ICP	Internal Control Plan
IDIQ	Indefinite Delivery Indefinite Quantity
IPR	Internal Process Review
IPRP	Internal Process Review Plan
NWCG	National Wildfire Coordinating Group
OIG	Office of Inspector General
OMB	Office of Management and Budget
PSC	Product and Service Code
SBA	Small Business Administration
USDA	U.S. Department of Agriculture

Exhibit A: Summary of Monetary Results

Exhibit A summarizes the monetary results for our audit report by finding and recommendation. The table below displays questioned costs as the result of our audit work.

Finding	Recommendation	Description	Amount	Category
1	1	FS regions not using national contract for L380 Fireline Leadership training course	\$19,400	Funds To Be Put To Better Use
Total Monetary Results			\$19,400	

Exhibit B: Audit Sites Visited

This exhibit shows the name and location of all FS sites visited.

	LOCATION
FS Washington Office	Washington, DC
<u>Region 8</u>	
Southeast Regional Office	Atlanta, GA
Francis Marion and Sumter National Forests (Eastern AQM Service Zone)	Columbia, SC
Southern Research Station	Asheville, NC
National Forests in Mississippi (Western AQM Service Zone)	Jackson, MS
<u>Region 5</u>	
Pacific Southwest Regional Office	Vallejo, CA
Angeles National Forest (Southern California AQM Service Area)	Arcadia, CA
Tahoe National Forest (Central California AQM Service Area)	Nevada City, CA

Exhibit C: Exceptions Noted During Review of Selected Contracts

This exhibit shows the exceptions noted during our file review for selected contracts.

	Location	Contract Amount	Inadequate or Missing Documentation ("x" denotes an exception)							
			History	Justification, Determination and Findings	Government Estimate of Price	Determination of fair and reasonable price	Cost or Price Analysis	Evidence of Competition	Assessment of Past performance	Other ⁴⁹
1	R8 RO ⁵⁰	\$148,850.64	X							X
2	R8 RO	\$3,372.12	X				X			X
3	R8 RO	\$185,450.99								
4	R8 RO	\$31,360.50	X						X	
5	R8 RO	\$34,965.60	X		X					X
6	R8 RO	\$42,927.98							X	
7	R8 RO	\$94,946.68							X	
8	R8 RO	\$239,991.14	X						X	X
9	R8 RO	\$75,799.00	X						X	X
10	R8 RO	\$7,875.00	X						X	X
11	R8 RO	\$40,000.00	X					X	X	X
12	R8 RO	\$50,730.00	X		X	X	X	X	X	X
13	R8 RO	\$17,000.00	X							X
14	R8 FMS NFs ⁵¹	\$130,445.92	X	X					X	X
15	R8 FMS NFs	\$85,007.45	X			X		X		X
16	R8 FMS NFs	\$28,800.00								
17	R8 FMS NFs	\$67,000.00	X	X						X
18	R8 FMS NFs	\$310,809.40	X		X					X
19	R8 FMS NFs	\$144,866.00	X						X	X
20	R8 FMS NFs	\$53,762.50	X	X		X		X	X	X
21	R8 FMS NFs	\$39,000.00	X		X	X	X	X	X	X
22	R8 FMS NFs	\$4,000,000.00	X	X	X	X	X		X	X

⁴⁹ This column denotes exceptions that were not included in the previous columns. For example, other exceptions noted during our file review of selected contracts included no signed contract award, justification for the type of contract used, or documentation showing the availability of funds for the acquisition.

⁵⁰ R8 RO = Southern Regional Office

⁵¹ R8 FMS NFs = Francis Marion and Sumter National Forests

	Location	Contract Amount	Inadequate or Missing Documentation ("X" denotes an exception)							
			History	Justification, Determination and Findings	Government Estimate of Price	Determination of fair and reasonable price	Cost or Price Analysis	Evidence of Competition	Assessment of Past performance	Other ⁴⁹
23	R8 FMS NFs	\$4,000,000.00	X	X	X	X	X		X	X
24	R8 FMS NFs	\$69,708.00								X
25	R8 FMS NFs	\$74,100.00								
26	R8 FMS NFs	\$300,000.00								
27	R8 FMS NFs	\$300,000.00								
28	R8 FMS NFs	\$300,000.00	X							X
29	R8 FMS NFs	\$217,788.50	X			X	X		X	X
30	R8 FMS NFs	\$233,011.00	X							X
31	R8 NFs in MS ⁵²	\$487,608.50	X			X	X		X	X
32	R8 NFs in MS	\$283,309.00	X							X
33	R8 NFs in MS	\$180,110.00	X		X					X
34	R8 NFs in MS	\$155,210.00	X					X		X
35	R8 NFs in MS	\$123,140.00	X		X					X
36	R8 NFs in MS	\$105,590.00								X
37	R8 NFs in MS	\$93,507.00	X		X	X	X			X
38	R8 NFs in MS	\$85,668.00	X							X
39	R8 NFs in MS	\$25,000.00	X	X				X	X	
40	R8 NFs in MS	\$51,000.00	X					X	X	X
41	R5 RO ⁵³	\$225,250.00	X						X	X
42	R5 RO	\$216,929.00								
43	R5 RO	\$25,588.00	X		X	X	X		X	X
44	R5 RO	\$59,850.00	X		X	X	X	X	X	X
45	R5 RO	\$0.00	X	X	X		X	X	X	X
46	R5 RO	\$9,350.00	X		X					
47	R5 RO	\$185,815.00	X	X	X				X	X
48	R5 RO	\$101,112.00	X		X	X	X		X	X
49	R5 RO	\$25,000.00								X

⁵² R8 NFs in MS = National Forests in Mississippi

⁵³ R5 RO = Pacific Southwest Regional Office

	Location	Contract Amount	Inadequate or Missing Documentation ("X" denotes an exception)							
			History	Justification, Determination and Findings	Government Estimate of Price	Determination of fair and reasonable price	Cost or Price Analysis	Evidence of Competition	Assessment of Past performance	Other ⁴⁹
50	R5 RO	\$107,803.00	X	X	X	X	X		X	X
51	R5 RO	\$63,382.25	X							X
52	R5 SCASA ⁵⁴	\$2,813,534.00	X						X	X
53	R5 SCASA	\$1,530,818.00	X						X	X
54	R5 SCASA	\$682,050.00	X		X	X	X		X	X
55	R5 SCASA	\$265,144.00	X	X	X	X	X	X	X	X
56	R5 SCASA	\$208,800.00	X						X	X
57	R5 SCASA	\$21,629.89	X		X				X	X
58	R5 SCASA	\$73,900.00	X		X					X
59	R5 SCASA	\$59,850.00	X		X	X	X		X	X
60	R5 SCASA	\$59,850.00	X		X	X	X	X	X	X
61	R5 SCASA	\$11,400.00	X	X	X	X	X	X	X	X
62	R5 CCASA ⁵⁵	\$807,070.00	X						X	X
63	R5 CCASA	\$601,427.61							X	
64	R5 CCASA	\$393,643.00							X	
65	R5 CCASA	\$327,092.00							X	X
66	R5 CCASA	\$383,903.00							X	X
67	R5 CCASA	\$23,000.00								
68	R5 CCASA	\$19,950.00	X							X
69	R5 CCASA	\$19,875.00	X		X	X	X			X
70	R5 CCASA	\$90,267.20	X		X	X	X		X	X
71	R5 CCASA	\$24,750.00								X
Total Exceptions			54	11	25	21	19	12	41	57
Percentage Reviewed with Exceptions			76.06	15.49	35.21	29.58	26.76	16.90	57.75	80.28

⁵⁴ R5 SCASA = Southern California AQM Service Area

⁵⁵ R5 CCASA = Central California AQM Service Area

**USDA'S
FOREST SERVICE
RESPONSE TO AUDIT REPORT**



File Code: 1430

Date: December 7, 2017

Route To:

Subject: FS Response to Reach Management Decision on Office of Inspector General Report No. 08601-0007-41, "Forest Service's Control over Service Contracts"

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

Thank you for the opportunity to review and comment on Office of Inspector General (OIG) Draft Report Number 08601-0007-41. The Forest Service generally agrees with the findings and recommendations and appreciates the time and effort that went into the report. The agency's response to the audit recommendations is enclosed. Please contact Antoine Dixon, Chief Financial Officer, at (202) 205-0429 or aldixon@fs.fed.us with any questions.

/s/ Tony Tooke
TONY TOOKE
Chief

Enclosures (2)



USDA Forest Service (FS)

Office of Inspector General (OIG) Audit Report No. 08601-0007-41
Forest Service's Control over Service Contracts
Official Draft Issued November 15, 2017

Response to the Official Draft Report / Management Decision Request

Recommendation 1: Require Forest Service (FS) regions to use the national contract for the L380 Fireline Leadership Training Course when it would result in a cost savings to the Government.

FS Response (11/29/2017):

FS concurs with this recommendation. The Agency will reiterate the policy in USDA Procurement Advisory 101, "Shared First Policy in USDA Contracts" citing these audit findings and collaborate with the Branch Chief, Fire & Aviation Training, to distribute to the Regional Training Officers and AQM Regional Directors.

Estimated Completion Date: December 15, 2018

Recommendation 2: Determine other training courses that would benefit from a national contract. For those courses, issue national contracts and require FS regions to use them when it would result in cost savings to the Government.

FS Response (11/29/2017): The Deputy Director, Fire and Aviation Management, Aviation, Operations and Risk Management, will collaborate with the Branch Chief, Fire & Aviation Training, to determine if there are other fire leadership training courses managed by the FS that would benefit from national contracts. These courses will be provided to AQM for potential strategic sourcing opportunities. In accordance with Procurement Advisory 101, "Shared First Policy in USDA Contracts", Fire & Aviation and Acquisition Management will work together to develop the best acquisition methods, type of contract vehicles and establish ordering procedures to require FS regions to use these contracts.

Estimated Completion Date: December 15, 2018

Recommendation 3: Issue guidance for when FS contracting officers should compete Section 8(a) service contracts.

FS Response (11/29/2017): FS does not concur with this recommendation. The Agency respectfully disagrees with the premises of Finding 2. The SBA describes the 8(a) Business Development Program as a business assistance program for small disadvantaged businesses, helping thousands of aspiring entrepreneurs to gain a foothold in government contracting. SBA

touts sole source contracts as a benefit of the program.¹ According to the USDA, the objective of the 8(a) Program is to help eligible small firms become independently competitive.² The Agency asserts awards to certified 8(a) contractors are not intended to provide available resources at competitive costs. FAR Subpart 19.805 regulates the SBA and an agency matching the agency's requirements with the capabilities of 8(a) participants. Competitive thresholds and requirements are clearly defined in the federal regulations.

Finding 2's narrative asserting "Federal regulations also state that the SBA Associate Administrator for Business Development may approve a contracting office's request for a competitive Section 8(a) award below the competitive threshold" is incomplete. FAR 19.805-1(d) goes on to state "Such requests will be approved only on a limited basis and will be primarily granted where technical competitions are appropriate or where a large number of responsible 8(a) participants are available for competition. In determining whether a request to compete below the threshold will be approved, the SBA Associate Administrator for Business Development will, in part, consider the extent to which the contracting activity is supporting the 8(a) program on a noncompetitive basis. The agency may include recommendations for competition below the threshold in the offering letter or by separate correspondence to the SBA Associate Administrator for Business Development."

While some SBA offices may approve requests to compete 8(a) contracts under the competitive threshold, requiring competition negates a primary agency incentive and benefit of 8(a) sole source: the ability to quickly award. Requesting SBA permission and approval to compete, soliciting, evaluating, and awarding competitively constitute an increased workload with no guarantee of overall cost savings.

The Agency concludes the FAR Part 19.805 Competitive 8(a) guidance is sufficient with no additional agency supplementation required or value added. The Agency will add language to the Procurement Procedures, Guidance, and Instructions (PGI), Chapter 19, referencing FAR Part 19.805, and instructing contracting offices to notify WO AQM Policy of requests for competitive Section 8(a) awards below the competitive threshold.

Estimated Completion Date: December 15, 2018

Recommendation 4: Monitor FS regions to ensure they comply with the guidance issued in the prior recommendation.

FS Response (11/29/2017): FS does not concur with this recommendation. The Agency does not concur with the recommendation to issue supplemental competitive 8(a) guidance. Please refer to the FS Response to Recommendation 3 above. The Agency will monitor requests by instructing contracting officers to notify WO AQM Policy of requests for competitive Section 8(a) awards below the competitive threshold. This language will be added to the Procurement Procedures, Guidance, and Instructions (PGI), Chapter 19, along with a reference to FAR Part 19.805.

¹ [SBA Contracting Website on 8A Business Development Program: https://www.sba.gov/contracting/government-contracting-programs/8a-business-development-program/about-8a-business-development-program](https://www.sba.gov/contracting/government-contracting-programs/8a-business-development-program/about-8a-business-development-program)

² [USDA's Departmental Management on 8A: https://www.dm.usda.gov/smallbus/8a.htm](https://www.dm.usda.gov/smallbus/8a.htm)

Estimated Completion Date: December 15, 2018

Recommendation 5: Prioritize resources in order for the Washington Office to conduct Internal Process Reviews of the regions.

FS Response (11/29/2017): FS concurs with this recommendation. The Agency will update its Internal Process Review requirements to allow for a more effective use of limited Washington Office resources.

Estimated Completion Date: December 15, 2018

Recommendation 6: As required, use the regions' Internal Process Review results to prepare the yearly national assessment to identify possible risk areas in acquisition management functions.

FS Response (11/29/2017): FS concurs with this recommendation. The current Agency Acquisition Management Internal Control Plan states "A Report will be completed summarizing the results of the National Assessment, time permitting." The Agency will update the Internal Control Plan to require that the yearly national assessment be completed and the results presented at the annual Acquisition Management Directors Meeting.

Estimated Completion Date: December 15, 2018

Recommendation 7: Follow up during the Washington Office's Internal Process Reviews on all risk areas in acquisition management functions identified in the yearly national assessment.

FS Response (11/29/2017): FS generally concurs with this recommendation. The Agency will add an assessment of the prior FY's national assessment high risk areas to its Internal Process Review requirements.

Estimated Completion Date: December 15, 2018

Recommendation 8: Implement the Internal Process Review Team's recommendation that the contract at the Southern California Acquisition Management (AQM) Service Area be immediately terminated and determine whether any further administrative actions should be taken regarding the contract.

FS Response (11/29/2017): FS concurs with this recommendation. The Agency will close out the contract and determine whether further administrative action should be taken.

Estimated Completion Date: December 15, 2018

Recommendation 9: Establish a process to ensure all corrective actions to address recommendations made in Internal Process Reviews are documented, tracked, and implemented in a timely manner.

FS Response (11/29/2017): FS concurs with this recommendation. The Agency will establish a process to ensure Internal Process Review corrective actions are tracked to completion.

Estimated Completion Date: December 15, 2018

Recommendation 10: Establish guidelines for conducting supervisory reviews of service contracts, including the frequency of the reviews.

FS Response (11/29/2017): FS generally concurs with this recommendation. The Agency will add guidance to the Procurement Procedures, Guidance, and Instructions (PGI), Chapter 4, to refer Contracting Officers to the Internal Process Review requirements for supervisory reviews.

Estimated Completion Date: December 15, 2018

Recommendation 11: Require that all FS units make it a priority to complete the reviews.

FS Response (11/29/2017): FS generally concurs with this recommendation. The Agency will issue written direction through Line Officers emphasizing the importance of supervisory reviews of service contracts.

Estimated Completion Date: December 15, 2018

Recommendation 12: Monitor FS units to ensure they complete the reviews in compliance with the guidelines established in Recommendation 10.

FS Response (11/29/2017): FS generally concurs with this recommendation. The Agency will develop instructions for monitoring the review process.

Estimated Completion Date: December 15, 2018

Recommendation 13: Require that FS units use the standardized checklist the FS Washington Office developed to ensure that the contract files contain all the required documentation.

FS Response (11/29/2017): FS concurs with this recommendation. The Agency will strengthen existing policy guidance to require utilization of standardized national checklists.

Estimated Completion Date: December 15, 2018

Recommendation 14: Require that FS units follow standard file maintenance procedures to ensure that contract files are properly maintained and secured.

FS Response (11/29/2017): FS concurs with this recommendation. The Agency will add language to the Procurement Procedures, Guidance, and Instructions (PGI), Chapter 4, to provide instruction for standard electronic contract file structure within the Pinyon application.

Estimated Completion Date: December 15, 2018

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