



United States Department of Agriculture

Office of Inspector General





Review of USDA Contract Databases

Audit Report 89901-0001-13

What Were OIG's

Objectives

Our objectives were to evaluate IAS contract data for completeness and anomalies, and to ensure that the data are properly and accurately reported in accordance with laws and regulations.

What OIG Reviewed

We reviewed contract data from IAS for FYs 2011 and 2012, and judgmentally selected samples from six agencies. We reviewed a sample of payments that avoided IAS controls, determined if required contracts were entered into FPDS-NG, and reviewed warrant authorities to ensure COs did not exceed their warrant authority limits.

What OIG Recommends

OPPM should develop procedures—such as periodic reviews—for both OPPM and agencies to ensure all required contracts are entered and tracked in IAS and listed as finalized in FPDS-NG. OPPM should also remind COs of their requirements to ensure information in FPDS-NG is complete and accurate, and should take steps to ensure the 152 contracts identified are listed as finalized in FPDS-NG.

OPPM Needs to Implement and Strengthen Controls Over IAS.

What OIG Found

The Office of Procurement and Property Management (OPPM), the agency responsible for supporting the Department of Agriculture's (USDA) procurement activities, uses the Integrated Acquisition System (IAS), USDA's main procurement database, to manage its procurement process. USDA agencies' contracting officers (CO) are responsible for inputting information in IAS. There were 71,138 IAS contracts for fiscal years (FY) 2011 and 2012, totaling approximately \$3.4 billion. We found 9,014 contract actions entered for payment in the accounting system for contracts that were not entered in IAS. Of the 26 contracts that we judgmentally selected for review, we found that COs did not input required information in IAS for 19 of the contracts. Instead of preparing the contracts in IAS first, COs deviated from established procedures and entered them for payment directly into the Financial Management Modernization Initiative system, USDA's financial database. We also found 152 contracts, totaling \$12.5 million, that were stored in IAS, but either were not transferred to or listed as finalized in the Federal Procurement Data System - Next Generation (FPDS-NG), the database used to report USDA procurements to the public, as required by the Federal Funding Accountability and Transparency Act of 2006 (FFATA).

Ultimately, because OPPM does not have adequate verification procedures to actively monitor procurement-related activities, IAS data are not complete. Consequently, if information is not entered into IAS and properly transferred to FPDS-NG, USDA cannot create accurate reports to publicize how taxpayer funds are being spent, and thus will not be in compliance with FFATA.

OPPM generally agreed with our findings. We accepted OPPM's management decision on all seven recommendations.



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



DATE: September 25, 2014

AUDIT
NUMBER: 89901-0001-13

TO: Lisa M. Wilusz
Associate Director
Office of Procurement and Property Management

ATTN: Lennetta Elias
Audit Liaison Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Review of USDA Contract Databases

This report presents the results of the subject review. Your written response to the official draft report, dated September 18, 2014, is included, in its entirety, at the end of this report. Your responses and the Office of Inspector General's position are incorporated into the relevant sections of the report. Based on your written responses, we are accepting your management decision for all audit recommendations in the report, and no further response to this office is necessary.

In accordance with Departmental Regulation 1720-1, final action needs 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 Department of Agriculture's (USDA) Chief Acquisition Officer (CAO) and Senior Procurement Executive (SPE) have overall responsibility for USDA's procurement activities. Within USDA, the Assistant Secretary for Administration has been designated as the CAO, and the Director of the Office of Procurement and Property Management (OPPM) has been designated as the SPE. Within OPPM, the Procurement Policy Division (PPD) is responsible for Departmentwide procurement policy and regulations, including the *Agriculture Acquisition Regulation* (AGAR) and information or guidance for the USDA acquisition workforce.¹

USDA procures the products and services it needs on a highly decentralized basis. The acquisition of goods and services needed to support USDA programs is accomplished through procurement offices managed by the various USDA agencies, with oversight provided by OPPM. On behalf of the CAO and SPE, heads of the contracting activity (HCA) are responsible for developing and maintaining an acquisition career management program in compliance with mandatory acquisition training and experience standards.² There are 11 heads of contracting activity designees (HCAD) in USDA who are charged with monitoring training for contracting officers (CO). These HCADs have the authority to issue and revoke a CO's warrant authority.³ HCADs are also responsible for establishing policies and procedures to implement the FAR. The FAR is the primary regulation used by all Federal executive agencies in the acquisition of supplies and services with appropriated funds and was established to codify uniform policies for acquisition of supplies and services by executive agencies pursuant to the Office of Federal Procurement Policy Act of 1974.^{4,5} Additional procurement policy and guidance is found in Departmental regulations.

According to the FAR, COs are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of contracts, and safeguarding the interests of the United States in its contractual relationships.⁶ Additionally, COs prepare solicitations, awards, and contract modifications, which are assigned to them based on workload,

¹ According to the *Code of Federal Regulations Title 48 - Federal Acquisition Regulations System*, chapter 4, subchapter A, section 401.101 (October 1, 2011), AGAR prescribes policies and procedures that implement and supplement the *Federal Acquisition Regulation* (FAR), specific to USDA. On October 1, 2012, OPPM Procurement Advisory 107 discontinued the use of AGAR Advisories and replaced them with a new series designated as USDA Procurement Advisories. For the purposes of this audit, we used the AGAR Advisory designations that were in effect for the period covering our audit.

² AGAR Advisory 85, *Acquisition Workforce, Training, Delegation, and Management System* (May 9, 2008).

³ HCADs are employees designated by the HCA to carry out the functions of the HCA. The 11 HCADs are from the following agencies: Animal and Plant Health Inspection Service (APHIS); Agricultural Research Service (ARS); Farm Service Agency (FSA); which has two HCADs—one for IAS and one for the Web Based Supply Chain Management System which only contains purchases of commodities; Food Safety and Inspection Service (FSIS); Food and Nutrition Service (FNS); Forest Service (FS); Natural Resources Conservation Service (NRCS); Office of Inspector General (OIG); OPPM - Procurement Operations Division (POD); and Rural Development (RD).

⁴ FAR 1.101 and 1.103 (September 13, 2012).

⁵ Office of Federal Procurement Policy Act, Public Law 93-400 (August 30, 1974).

⁶ FAR 1.602-2 (September 13, 2012).

expertise, and warrant authority. AGAR Advisory 100A provides information concerning the appointment of warranted COs, the scope of warrant authority, and the consequences of exceeding or inappropriately using one's warrant authority. COs are responsible for understanding warrant limitations and ensuring the awards they make comply with those limitations.⁷

The Office of the Chief Financial Officer (OCFO) and OPPM assist USDA in acquiring goods and services. The Integrated Acquisition System (IAS) facilitates USDA's procurement activities from requisitioning to contract management to authorizing invoice payment. Via the IAS interface with OCFO's financial accounting system, Financial Management Modernization Initiative (FMMI), invoice payments are made to contractors, utilizing purchase orders for goods and services.⁸

OPPM's Procurement Systems Division (PSD) is primarily responsible for developing, deploying, and maintaining IAS. IAS is USDA's enterprise-wide acquisition system, which serves 6,000 users.⁹ It was designed to streamline and automate contract management and acquisition processes throughout USDA.

The General Services Administration's Federal Procurement Data System - Next Generation (FPDS-NG) is a database established to collect information about the Government's procurements to track how and where tax dollars are spent.¹⁰ Information in FPDS-NG is published on USASpending.gov, which offers public users access to the spending patterns of the Federal Government. IAS interfaces with FPDS-NG to provide USDA contract information electronically.

Objectives

Our objectives were to analyze contract data in IAS to check for completeness and anomalies, and to ensure that contract data are properly and accurately reported in accordance with laws and regulations.

We also reviewed contracts with multiple modifications or high dollar modifications during the first year, and tested to ensure that contractors were not on the Excluded Parties List. We did not identify any errors in these areas.

⁷ AGAR Advisory 100A, *USDA Contracting Officers Warrant Guidelines* (May 1, 2012).

⁸ According to OCFO's FMMI website, FMMI is USDA's web-based financial system, which manages over \$100 billion in disbursements.

⁹ With the interface to FMMI, IAS has been configured to support standards for transactions completed in the system.

¹⁰ FAR 4.606 (September 13, 2012).

Section 1: Insufficient Oversight

Finding 1: OPPM Needs to Implement and Strengthen Controls Over IAS

OPPM has not established active monitoring controls and processes to ensure required procurement information is recorded in IAS, and therefore complete. We identified the following issues: (1) COs did not enter all required contracts into IAS; (2) in some instances, the interface between IAS and FPDS-NG, a database used to report procurement information to the public, did not function as designed so that information from IAS would be transferred to or listed as finalized in FPDS-NG; and (3) IAS' limited capability for storing COs' various warrant amounts rendered the system inaccurate and incomplete.¹¹ Overall, this occurred because agencies were not including required contract information in IAS, USDA's system of record. Additionally, we found that, in the case of IAS data being transferred to FPDS-NG, COs did not always ensure that the information was successfully migrated—such as in instances when the interface between IAS and FPDS-NG was not functioning. Ultimately, because OPPM, the agency responsible for supporting USDA's procurement activities, does not have adequate verification procedures to actively monitor procurement-related activities, IAS data are not complete. Consequently, if information is not entered into IAS, then interfaced with FPDS-NG, and listed as finalized, USDA cannot create accurate reports to publicize how taxpayer funds are being spent, and thus will not be in compliance with the Federal Funding Accountability and Transparency Act of 2006 (FFATA).

In 2012, Secretary Vilsack launched the Blueprint for Stronger Service, directing USDA agencies to take steps to cut costs and modernize operations. Such efforts involved improving the Department's oversight of contracts, including better acquisition management and data analysis. OPPM's PSD is responsible for providing products and services to support USDA's acquisitions—primarily through developing, deploying, operating, and maintaining IAS, the Departmentwide procurement system. The Privacy Act System of Records Notice (SORN) for IAS published in 2008, states that IAS was intended to be a new system of record and that the records should include “information incident to and developed in the acquisition process.”¹² Agency COs are also required to ensure contract actions are accurately listed and finalized in FPDS-NG, the database used to report information to the public and meet the reporting requirements of FFATA.¹³

However, we found that oversight of USDA procurement processes broke down at three levels. First, we found COs did not enter all appropriate contracts into IAS, and instead entered some contract actions only into FMFI, USDA's database for disbursing payments to contractors. Next, we noted that even when COs did enter contracts into IAS, in some instances, the information was not transferred to, or listed as finalized, in FPDS-NG. Finally, we found that IAS, which currently stores information regarding COs and their warrant authority, was

¹¹ In order for contracts to be reportable, they must not only be present in FPDS-NG, but also be listed as finalized in FPDS-NG.

¹² This includes, but is not limited to, “solicitations and statements of work; contractor bids, quotes, and proposals; awards; and other documents relevant to particular acquisitions.” The Privacy Act SORN, Federal Register Doc. E8-8917, volume 73, number 80, pages 22125-22127 (April 24, 2008).

¹³ FAR 4.603(a) and (b) and FAR 4.604(b)(1) (September 13, 2012).

inaccurate and incomplete—which hinders agencies’ and OPPM’s oversight of procurement activities.¹⁴

IAS Incompleteness

Generally, the invoice payment process for most contracts originates in IAS, and payments are made through an interface with FMMI.¹⁵ According to the Privacy Act SORN for IAS, “USDA has developed and implemented a new system of records designated as [IAS]. The records in this system include all information incident to and developed in the acquisition process.” With this functionality, IAS has the ability to facilitate payment to the contractor for an IAS contract. To do this, records should be stored in IAS prior to FMMI payment. Both the National Institute of Standards and Technology Special Publication (NIST SP) 800-53 and the Federal Information Security Management Act (FISMA) require IAS to have specific checks, controls, and system integrity validations to ensure content is accurate, consistent, and reasonable.^{16, 17} However, these requirements alone do not necessarily ensure that the COs responsible for entering information into IAS are following these guidelines. Internal controls—such as regular monitoring—must be implemented at both the agency and OPPM levels to ensure all agencies follow existing procedures and that required contracts are accurately accounted for.

Although there may be valid circumstances for contract actions to originate outside of IAS, in the course of our audit, we found 9,014 contract actions, such as purchase orders, for contracts that were not entered in IAS.¹⁸ Purchase orders are used to pay contractors and normally originate in IAS. Instead, we found instances where COs directly entered the contract action into FMMI for invoice payment, without a corresponding contract in IAS, during fiscal year (FY) 2012. We judgmentally selected a sample of 26 contract actions associated with contracts, and found that 19 contracts, totaling \$795,429.09, should have been recorded in IAS, but were not.¹⁹ Specifically, of the 19 contracts:

- Eight were not entered into IAS because the agency responsible for the contract was not using IAS at the time.

¹⁴ At the time of our audit, IAS only stored one warrant authority per CO. With recent proposed modifications to IAS, the system should now be able to include multiple warrant authorities.

¹⁵ Certain financial transactions—such as cooperative agreements and lease agreements—would not go through IAS and are allowed to originate in FMMI. Our judgmental sample of 26 contract actions included 7 such contracts. Therefore, we only considered the 19 contracts that should have originated in IAS in this finding.

¹⁶ NIST SP 800-53, R3, section SI-1 (August 2009).

¹⁷ FISMA 2002, *Title 3 – Information Security*, section 301 (December 17, 2002).

¹⁸ We were unable to determine the total dollar amount of the universe of directly entered FMMI contracts. The information we were given pertained to line items on a purchase order; the only way to determine the total value of the purchase order was to look up each individually in FMMI. As a result, we did not quote a dollar amount for the 9,014 purchase orders in our subset of the universe.

¹⁹ The 26 contract actions were judgmentally selected based on their “commitment item description” field indicating they may be contracts required to be entered in IAS, such as “other contract services” or “miscellaneous services.” The sample was further screened to reduce the likelihood of qualified contract actions directly entered into FMMI.

- Seven were not entered into IAS because the contractors were unable to properly register on the online Federal contractor database, the System for Award Management (SAM), previously known as the Central Contractor Registration (CCR) system, as required. Therefore, the contractor would not be listed in IAS, and the contract would not be released.
- One was entered directly into FMFI by a CO to expedite payment.
- Three were not entered into IAS, but the agencies involved had no explanation for why this occurred.

While the Privacy Act SORN for IAS already stated that IAS was intended to be a new system of record and that the records should include “all information incident to and developed in the acquisition process,” OPPM also issued AGAR Advisory 105 on October 1, 2012, which specifically requires COs to utilize IAS.²⁰ This additional guidance addresses some of the problematic situations we identified. For example, agencies explained that of the 19 contracts we identified, 8 occurred because the agency responsible was not using IAS at the time.

Second, OPPM must ensure that agencies work with contractors to make sure that contractors are listed in IAS. To do so, contractors first need to be listed in the online Federal contractor database, SAM, previously known as CCR. Once contractors are in SAM, they can then be interfaced with and listed in IAS. According to agencies, because contractors for 7 of the 19 contracts were not able to properly register on the online Federal contractor database, these contracts were not entered in IAS.²¹

Third, OPPM must guarantee that agencies establish a procedure to ensure that, in instances where COs input contracts directly into FMFI, the information is later added into IAS. Although OPPM does have procedures requiring COs to input contracts into IAS in most instances, we found cases where COs deviated from these procedures and instead input the information directly into FMFI. For 1 of our 19 contracts, we found the contract was entered directly into FMFI by a CO to expedite payment. Without controls in place—such as a periodic check at both the agency and OPPM levels—to ensure that contracts in FMFI are also listed in IAS, these issues could continue to occur.

If invoice payments for contracts required to be in IAS are entered directly into FMFI, instead of going first through IAS, OPPM may not have access to all the information needed for oversight of service contracts, such as the purchase requisition, the award document, and the receipt or record of completion. Additionally, if the information is not

²⁰ AGAR Advisory 105, *Use of Automated Procurement Systems* (October 1, 2012), was created during the performance of another OIG audit, *Review of Procurement Operations*, Audit Report 92501-0001-12 (September 2013).

²¹ According to one agency that encountered this issue, vendors were not in SAM initially due to system errors. Most of these issues also occurred at the end of the FY—when the pressure is heaviest on the contracting staff to get the contracts processed—and several staff members stated that wait times for assistance from the SAM Help Desk were very long. The other agency which experienced difficulty with vendors being listed in IAS stated that the vendor’s registration status had expired. Because it was also the end of the FY, the CO could not wait the 24 to 48 hours it usually takes to update the vendor’s status in IAS, so the award was processed directly into FMFI.

in IAS, it would not be subject to IAS' controls and edit checks. Finally, if contract information and actions are not in IAS, they will not be automatically transferred over to FPDS-NG, which is required and will be discussed in the following paragraphs.

The IAS/FPDS-NG Interface Did Not Function as Designed

We also found that not all required contracts were transferred to, or listed as finalized, in FPDS-NG. Information in IAS is supposed to be automatically transferred to FPDS-NG, the Governmentwide database containing contract information available to the public. Per the FPDS-NG user's manual, that information can only be used for reporting if it is listed as finalized within FPDS-NG.^{22, 23}

Information from FPDS-NG is used on USASpending.gov, a website which provides transparency to the public about how its tax dollars are spent. Under the FAR, executive agencies are required to use FPDS-NG to maintain publicly available information about all unclassified contract actions over the micro-purchase threshold of \$3,000, and for any modifications to those actions that change previously reported contract data.²⁴ According to the FAR, it is the COs' responsibility to ensure information is complete in FPDS-NG.²⁵ Additionally, as with IAS, it is OPPM's responsibility to ensure that USDA contract information from previous FYs is complete and accurate in FPDS-NG.²⁶

Of the 71,138 contracts in IAS, we found 152 contracts, totaling nearly \$12.5 million for FYs 2011 and 2012, which were either not listed as finalized in FPDS-NG, or not in FPDS-NG at all, and which should have been. Of the 152 contracts, we reviewed the 29 highest-dollar contracts to identify why they were not in FPDS-NG or listed as finalized. We found that, while issues stemmed from various interface anomalies—which OPPM PSD has taken steps to resolve—ultimately, these issues occurred and may continue to occur because (1) the COs responsible for these contracts did not review FPDS-NG records to ensure that information was indeed finalized and complete in FPDS-NG, and (2) OPPM and agencies do not sufficiently review FPDS-NG contract data.

First, COs need to ensure that contracts are listed as finalized in FPDS-NG. When we spoke to agencies, several attributed the problematic contracts to interface problems. OPPM explained that, while users cannot bypass the interface, on rare occasions when the FPDS-NG interface was not functioning properly, the CO could contact the IAS Help Desk to temporarily disable a specific contract's requirement to input the information into FPDS-NG.²⁷ In such instances, however, OPPM stated it would then be the CO's responsibility to input this information into FPDS-NG. Because COs did not always take this measure when there were interface problems, FPDS-NG was incomplete. Currently,

²² *FPDS-NG User's Manual*, version 1.3 (October 2008).

²³ Before an award can be released in IAS, IAS requires verification from FPDS-NG that the record is listed as complete. This process is automatically triggered for contracts greater than the micro-purchase threshold.

²⁴ FAR 4.603(b) (September 13, 2012).

²⁵ FAR 4.604(b)(1) (September 13, 2012).

²⁶ *Improving Federal Procurement Data Quality - Guidance for Annual Verification and Validation* (May 31, 2011).

²⁷ The IAS Help Desk is staffed by a third-party company that is under contract to OPPM.

OPPM does not obtain activity logs from the IAS Help Desk to follow up on any instances in which the FPDS-NG interface requirement was temporarily disabled in the contracting process.

Additionally, OPPM and agencies need to perform periodic checks to make sure that all required contracts are listed as finalized in FPDS-NG. Currently, OPPM selects a sample of contracts for verification, and then has each agency's head of contracting activity designees (HCAD) verify that the information for this sample of FPDS-NG contracts matches the information listed for those contracts in IAS. However, this review does not identify contracts that are in IAS, but are missing from FPDS-NG. Without a periodic check at both the agency and OPPM levels in place, OPPM and agencies will remain unaware of incomplete data and, therefore, will be unable to address it. OPPM PSD has released an update to address the interface problem, which will automatically designate the FPDS-NG as finalized, once the CO completes the record. While this may ensure the IAS/FPDS-NG interface is online and functioning, OPPM should develop a periodic procedure to ascertain that the required IAS contracts are finalized in FPDS-NG.

While we acknowledge that interface anomalies are inevitable, controls must be in place at both the agency and OPPM level to ensure that the accuracy and completeness of information is not compromised when such instances do occur. OPPM officials stated that they believed that the interface problem was rare; however, if information is not successfully transferred from IAS to FPDS-NG and listed as finalized, USDA cannot create accurate reports to publicize how taxpayer funds are being spent, and thus will not be in compliance with FFATA.

OPPM Does Not Have a Complete Central Database of COs' Warrant Authorities

OPPM is responsible for maintaining a current list of COs and their warrant authorities so that the present status of USDA's acquisition workforce can be determined. This list is also used annually to inform the Office of Federal Procurement Policy and the Federal Acquisition Institute of USDA's current acquisition workflow status.

We found, at the time of our audit, that COs often have different warrant authorities for different types of acquisitions. We also found that OPPM kept a separate, manually compiled list outside of IAS that stored this data. However, this list did not contain all of the COs' multiple warrant authorities. This occurred because IAS could only store one warrant authority level for each CO in IAS. This list was sometimes inaccurate and incomplete. For example, we identified 20 COs that were listed as exceeding their warrant authorities, but found that no current COs actually had exceeded their warrant authority. The one CO that did exceed their warrant authority is no longer with USDA. Without a reliable list of CO warrant amounts, OPPM cannot ensure that COs are not exceeding their authorities. The agency stated that the updated IAS contracts module now provides enhanced enforcement of CO warrant level by specific types of acquisitions to prevent COs from exceeding their warrant authority. After obtaining an IAS extract from OPPM listing the COs, their warrant types, and dollar limits associated with each

warrant type, we acknowledge that this control will help mitigate inappropriate contract obligations in the future.

In response to a recent OIG audit, OPPM has improved IAS to store CO warrant information and has required in AGAR Advisory 105 that all agencies use IAS. OPPM also agreed to update its processes, which included 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. Now that all agencies have transitioned to IAS, IAS should be the system of record and other lists should not be used.

Recommendation 1

Coordinate with OCFO to evaluate a sample of contract actions not entered in the Integrated Acquisition Systems (IAS), and determine the feasibility and cost benefit of discovering procurement dollars missing from IAS for the first 9 months of FY 2014 (October 2013 through June 2014). If material, work with the heads of contracting activity designees (HCAD) to retroactively ensure that all appropriate USDA contracts are input into IAS.

Agency Response

The Office of Procurement and Property Management (OPPM) will coordinate with OCFO, by March 31, 2015, to evaluate a sample of contract actions not entered in the Integrated Acquisition System (IAS) to determine if it is feasible and cost effective to identify procurement dollars missing from IAS during the first nine months of FY 2014. If material, Heads of Contracting Activity Designees (HCAD) will be contacted to ensure all appropriate USDA contracts are retroactively input in IAS. The estimated completion date is March 31, 2015.

OIG Position

We accept management decision for this recommendation.

Recommendation 2

Issue guidance to each HCAD to develop and implement procedures at both the agency and the Office of Procurement and Property Management (OPPM) Procurement Policy Division (PPD) levels, such as periodic reviews of specific contracts that were directly processed for invoice payment in the Financial Management Modernization Initiative (FMMI) system, to ensure that all required contracts are in IAS.

Agency Response

By December 31, 2014, OPPM will update existing guidance, Procurement Advisory 105A, which currently requires contracts to be entered in IAS. The revised version will add a requirement for each HCAD to develop and implement procedures, such as periodic reviews of specific contracts that were directly processed in the Financial Management Modernization Initiative (FMMI), to ensure all required contracts are in IAS. The estimated completion date is December 31, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 3

Confirm that all USDA contractors are registered in the System for Award Management (SAM), and can therefore be listed in IAS.

Agency Response

By December 31, 2014, OPPM will update existing guidance, Procurement Advisory 105A, requiring HCADs to ensure all USDA contractors are registered in the System for Award Management (SAM), and can therefore be listed in IAS. The estimated completion date is December 31, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 4

Work with the agencies to confirm the 152 contracts identified are transferred to, and listed as finalized in, the Federal Procurement Data System - Next Generation (FPDS-NG).

Agency Response

OPPM Procurement Systems Division (PSD) is developing a report in the IAS reporting utility (Discoverer) to show all awards that are for more than \$3,000 that are in approved or released status but do not have an FPDS approval number in IAS. This report should be available by October 31st, 2014, and will be made available to the OPPM PPD, and all agencies through the Discoverer reporting utility. This report will provide OPPM PPD and the agencies the ability to track the clearing out of the existing 152 contracts that do not have finalized records in FPDS-NG (recommendation #4) and enable OPPM PPD and the agencies to periodically check for new awards that do not have a finalized record in FPDS-NG (recommendation #7).

OPPM PSD will conduct outreach with the agencies on the availability of this new management tool. The estimated completion date is October 31, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 5

Issue guidance requiring agency Contracting Officers (COs) to make sure information in FPDS-NG is complete, as required by the Federal Acquisition Regulation (FAR).

Agency Response

By December 31, 2014, OPPM will update existing guidance, Procurement Advisory 87C, to emphasize that Contracting Officers (CO) must ensure information in FPDS-NG is complete, as required by the Federal Acquisition Regulation (FAR). The estimated completion date is December 31, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 6

Develop and implement procedures for OPPM Procurement Systems Division (PSD) to provide, on a monthly basis, an IAS Help Desk activity log of instances in which the FPDS-NG interface was temporarily disabled, in order for PPD to take proper action in confirming that required IAS contracts are listed as finalized in FPDS-NG.

Agency Response

The IAS Help Desk has implemented internal procedures to document in a log any instance of IAS Help Desk action to deviate from the normal FPDS-NG interface in order to allow for the processing of awards that do not have a valid FPDS-NG record. This log will be provided to the OPPM PPD on the 1st day of each calendar month. The estimated completion date is December 31, 2014.

OIG Position

We accept management decision for this recommendation.

Recommendation 7

Develop and implement a procedure for OPPM PPD and agencies to periodically make sure that required IAS contracts are listed as finalized in FPDS-NG.

Agency Response

OPPM PSD is developing a report in the IAS reporting utility (Discoverer) to show all awards that are for more than \$3,000 that are in approved or released status but do not have an FPDS approval number in IAS. This report should be available by October 31st, 2014, and will be made available to the OPPM PPD, and all agencies through the Discoverer reporting utility. This report will provide OPPM PPD and the agencies the ability to track the clearing out of the existing 152 contracts that do not have finalized records in FPDS-NG (recommendation #4) and enable OPPM PPD and the agencies to periodically check for new awards that do not have a finalized record in FPDS-NG (recommendation #7). PSD will conduct outreach with the agencies on the availability of this new management tool. The estimated completion date is October 31, 2014.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

We performed this audit to analyze 71,138 IAS contracts from FYs 2011 and 2012 to check for completeness and anomalies, and to ensure that the data are properly and accurately reported in accordance with laws and regulations. We initially interviewed nine major procurement agencies with HCADs: the Agricultural Research Service, the Animal and Plant Health Inspection Service, the Farm Service Agency, the Food and Nutrition Service, the Food Safety and Inspection Service, the Forest Service, the Natural Resources Conservation Service, OPDM Procurement Operations Division, and Rural Development.²⁸

To review IAS' content, we obtained data extracts from IAS, FMFI, and FPDS-NG, and judgmentally selected a sample of contracts from IAS for FYs 2011 and 2012. Our universe consisted of 71,138 contracts in IAS, totaling approximately \$3.4 billion.²⁹ We excluded purchase card data from our universe, and only included contracts with a status of "Released," "Approved," "Completed," or "Closed."³⁰ We judgmentally selected samples that demonstrated the six most pressing anomalies, listed below:³¹

- 13 contracts with vendors listed on the Excluded Parties List System.
- 20 contracts with the highest number of modifications during the first year.
- 20 contracts with the highest modification percentage change increase in original award amount during the first year.
- 20 COs for 21 contracts who potentially exceeded their warrant authority.
- 29 highest-dollar IAS contracts greater than the micro-purchase threshold of \$3,000 that were not transferred to or listed as finalized in FPDS-NG.
- 26 contract actions directly entered into FMFI, and not into IAS.

We started survey work in November 2012 at USDA offices in Washington, D.C. and Kansas City, Missouri. Fieldwork was conducted from January 2013 through July 2014. To accomplish our audit objectives, we performed the following audit procedures:

- Obtained and reviewed contracting policies and procedures put in place by OPDM—including standard operating procedures, checklists, and any advisories that agencies may

²⁸ The universe of procurement agencies comprises a total of 11 major procurement agencies. Because OIG is USDA's tenth procurement agency, we did not include OIG in our review. OIG's procurement operations would be reviewed by OIG's Office of Compliance and Integrity (OCI). OCI performs independent quality assurance and internal control reviews of OIG operations. Additionally, FSA has two procurement offices within the agency—one deals with commodity procurements, which we did not review, since commodities go through a different procurement process. As such, we consider our auditable universe for the IAS procurement database to be the nine major procurement agencies.

²⁹ Before beginning an analysis of this information, we performed tests to ensure data completeness and validity by checking for duplicates, confirming control totals, and determining whether records applied to FYs 2011 and 2012.

³⁰ IAS could be configured to provide agencies with the option of using IAS to manage their purchase card programs. However, OIG recently conducted an audit of FY 2011 purchase card data; therefore, purchase card data were excluded from this audit's universe so as to not duplicate audit work already completed. We are currently finalizing the results of this review.

³¹ Within each of these six samples, we limited the contracts to six of the nine procurement agencies in our universe to keep the burden on the agencies low.

have sent out that documented any change in the procurement process—as well as the FAR and AGAR Advisories, to better understand the Department’s contracting processes.

- Interviewed 9 of the 11 agency HCADs and acting HCADs, who were responsible for overseeing the procurement process, to understand HCAD responsibilities, and specific guidelines and policies about the procurement processes for their respective agencies.
- Interviewed staff responsible for maintaining contractor-related information systems—in particular, IAS—and collected documentation, such as user guides and data dictionaries, to become familiar with the systems.
- Gained access to IAS data to analyze for anomalies and ensure that the data are properly and accurately reported in accordance with laws and regulations.
- Reviewed warrant authorities against issued warrant certificates to ensure COs did not exceed their warrant authority limits.
- Discussed issues found in each contract’s data during our review with agency personnel responsible for their respective contract to validate our analysis and obtain the agency’s response.

Our reliance on IAS was limited to performing our analysis of FYs 2011 and 2012 data. Our efforts focused on providing reasonable assurance that IAS data did not contain significant errors which would undermine the credibility of our analyses and conclusions. Although data from FMFI and FPDS-NG were used, we did not audit these two databases for data reliability since our objective was focused on the completeness of IAS.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Abbreviations

AGAR	<i>Agriculture Acquisition Regulation</i>
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
CAO	Chief Acquisition Officer
CCR	Central Contractor Registration
CO	Contracting Officer
FAR	<i>Federal Acquisition Regulation</i>
FFATA	Federal Funding Accountability and Transparency Act of 2006
FISMA	Federal Information System Management Act
FMMI	Financial Management Modernization Initiative
FNS	Food and Nutrition Service
FPDS-NG	Federal Procurement Data System - Next Generation
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FY	Fiscal Year
HCA	Head of Contracting Activity
HCAD	Head of Contracting Activity Designee
IAS	Integrated Acquisition Systems
NIST SP	National Institute of Standards and Technology Special Publication
NRCS	Natural Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OCI	Office of Compliance and Integrity
OIG	Office of Inspector General
OPPM	Office of Procurement and Property Management
POD	Procurement Operations Division
PPD	Procurement Policy Division
PSD	Procurement Systems Division
RD	Rural Development
SAM	System for Award Management
SORN	System of Records Notice
SPE	Senior Procurement Executive
USDA	Department of Agriculture

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



**United States
Department of
Agriculture**

Office of the Chief
Financial Officer

1400 Independence
Avenue, SW

Washington, DC
20250

September 18, 2014

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

FROM: Lisa M. Wilusz -s- Joseph A. Ware
Associate Director FOR
Office of Procurement and Property Management

SUBJECT: Management Response to *Review of USDA Contract Databases*, Audit
No. 89901-0001-13

This responds to your request for management's response to the audit recommendations in the Draft Audit Report No. 89901-0001-13. The management response is attached.

If you have any questions or need additional information, please contact our office at (202) 720-7529.

Attachment

Recommendation 1

Coordinate with OCFO to evaluate a sample of contract actions not entered in the Integrated Acquisition System (IAS), and determine the feasibility and cost benefit of discovering procurement dollars missing from IAS for the first 9 months of FY 2014 (October 2013 through June 2014). If material, work with the Heads of Contracting Activity Designees (HCAD) to retroactively ensure that all appropriate USDA contracts are input into IAS.

Management Response: The Office of Procurement and Property Management (OPPM) will coordinate with OCFO, by March 31, 2015, to evaluate a sample of contract actions not entered in the Integrated Acquisition System (IAS) to determine if it is feasible and cost effective to identify procurement dollars missing from IAS during the first nine months of FY 2014. If material, Heads of Contracting Activity Designees (HCAD) will be contacted to ensure all appropriate USDA contracts are retroactively input in IAS.

Date Corrective Action will be Completed: March 31, 2015

Responsible Organization: OPPM

Recommendation 2

Issue guidance to each HCAD to develop and implement procedures at both the agency and OPPM Procurement Policy Division (PPD) levels, such as periodic reviews of specific contracts that were directly processed for invoice payment in the Financial Management Modernization Initiative (FMMI) system, to ensure that all required contracts are in IAS.

Management Response: By December 31, 2014, OPPM will update existing guidance, Procurement Advisory 105A, which currently requires contracts to be entered in IAS. The revised version will add a requirement for each HCAD to develop and implement procedures, such as periodic reviews of specific contracts that were directly processed in the Financial Management Modernization Initiative (FMMI), to ensure all required contracts are in IAS.

Date Corrective Action will be Completed: December 31, 2014

Responsible Organization: OPPM PPD

Recommendation 3

Confirm that all USDA contractors are registered in the System for Award Management (SAM), and can therefore be listed in IAS.

Management Response: By December 31, 2014, OPPM will update existing guidance, Procurement Advisory 105A, requiring HCADs to ensure all USDA contractors are registered in the System for Award Management (SAM), and can therefore be listed in IAS.

Date Corrective Action Will Be Completed: December 31, 2014.

Responsible Organization: OPPM PPD

Recommendation 4

Work with the agencies to confirm the 152 contracts identified are transferred to, and listed as finalized in, the Federal Procurement Data System – Next Generation (FPDS-NG).

Management Response: OPPM Procurement Systems Division (PSD) is developing a report in the IAS reporting utility (Discoverer) to show all awards that are for more than \$3,000 that are in approved or released status but do not have an FPDS approval number in IAS. This report should be available by October 31st, 2014, and will be made available to the OPPM PPD, and all agencies through the Discoverer reporting utility. This report will provide OPPM PPD and the agencies the ability to track the clearing out of the existing 152 contracts that do not have finalized records in FPDS-NG (recommendation #4) and enable OPPM PPD and the agencies to periodically check for new awards that do not have a finalized record in FPDS-NG (recommendation #7). OPPM PSD will conduct outreach with the agencies on the availability of this new management tool.

Date Corrective Action will be Completed: October 31, 2014

Responsible Organization: OPPM PSD

Recommendation 5

Issue guidance requiring agency Contracting Officers (COs) to make sure information in FPDS-NG is complete, as required by the *Federal Acquisition Regulation* (FAR).

Management Response: By December 31, 2014, OPPM will update existing guidance, Procurement Advisory 87C, to emphasize that Contracting Officers (CO) must ensure

information in FPDS-NG is complete, as required by the Federal Acquisition Regulation (FAR).

Date Corrective Action will be Completed: December 31, 2014

Responsible Organization: OPPM PPD

Recommendation 6

Develop and implement procedures for OPPM PSD to provide, on a monthly basis, an IAS Help Desk activity log of instances in which the FPDS-NG interface was temporarily disabled, in order for OPPM PPD to take proper action in confirming that required IAS contracts are listed as finalized in FPDS-NG.

Management Response: The IAS Help Desk has implemented internal procedures to document in a log any instance of IAS Help Desk action to deviate from the normal FPDS-NG interface in order to allow for the processing of awards that do not have a valid FPDS-NG record. This log will be provided to the OPPM PPD on the 1st day of each calendar month.

Date Corrective Action will be Completed: December 31, 2014

Responsible Organization: OPPM

Recommendation 7

Develop and implement a procedure for OPPM PPD and agencies to periodically make sure that required IAS contracts are listed as finalized in FPDS-NG.

Management Response: OPPM PSD is developing a report in the IAS reporting utility (Discoverer) to show all awards that are for more than \$3,000 that are in approved or released status but do not have an FPDS approval number in IAS. This report should be available by October 31st, 2014, and will be made available to the OPPM PPD, and all agencies through the Discoverer reporting utility. This report will provide OPPM PPD and the agencies the ability to track the clearing out of the existing 152 contracts that do not have finalized records in FPDS-NG (recommendation #4) and enable OPPM PPD and the agencies to periodically check for new awards that do not have a finalized record in FPDS-NG (recommendation #7). PSD will conduct outreach with the agencies on the availability of this new management tool.

Date Corrective Action will be Completed: October 31, 2014

Responsible Organization: OPPM

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