



U.S. RAILROAD RETIREMENT BOARD

## OFFICE OF INSPECTOR GENERAL

# The Acquisition Management Function at the Railroad Retirement Board Was Not Fully Adequate or Effective

Report No. 19-14

September 27, 2019



## What DP George & Company Found

DP George & Company (DP George) determined that the acquisition management function at the Railroad Retirement Board (RRB) was not fully adequate or effective.

DP George found weaknesses in the areas of outdated policy and procedures, contract files with problems throughout the contract lifecycle, instances of non-compliance with the Federal Acquisitions Regulation, and instances of insufficient requisitions.

## What DP George Recommends

To address the weaknesses identified in this audit, DP George made 15 detailed recommendations. DP George recommended that policy and procedures be made current; contract files contain appropriate documentation for solicitation, award, administration, and closeout; sufficient amounts be requisitioned; improve reporting to Federal Procurement Data System; and best practices for Human Capital Management be followed.

Management concurred with 11 recommendations and did not concur with 4 recommendations.

## What We Did

The Office of Inspector General (OIG) for the Railroad Retirement Board (RRB) engaged DP George to conduct a performance audit of the RRB's Acquisition Management Function. The audit objectives were: (1) assess the effectiveness of RRB's Division of Acquisition Management's policies, procedures, practices, and internal controls in contract management according to applicable laws and regulations; and (2) test the compliance with Federal Acquisition Regulation during contract lifecycle/phases: preaward, award, administration, and closeout. This audit was conducted in accordance with the performance audit standards established by Generally Accepted Government Auditing Standards. DP George is responsible for the audit report and the conclusions expressed therein. RRB OIG does not express any assurance on the conclusions presented in DP George's audit report.

The scope of this audit is acquisition management at the RRB during fiscal years 2013 through December 2018.



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## EXECUTIVE SUMMARY

September 25, 2019

Mr. Martin Dickman, Inspector General  
Railroad Retirement Board  
Office of Inspector General  
844 North Rush Street  
Chicago, IL 60611-1275

Dear Mr. Dickman,

DP George & Company, LLC (DPG) audited the Railroad Retirement Board (RRB) acquisition management function, against federal acquisition regulations, RRB relevant policies and procedures, and other best practices guidance for the federal acquisition process. Performance against these criteria is the responsibility of RRB's management. DPG's responsibility is to make a determination regarding RRB's performance against the criteria.

DPG conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (2011 Revision, as amended). Those standards require that DPG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings, conclusions, and recommendations based on the audit objectives. Stated objectives for our audit were to:

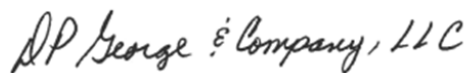
1. assess the effectiveness of RRB's Division of Acquisition Management's policies, procedures, practices, and internal controls in contract management according to applicable laws and regulations; and
2. test the compliance with the Federal Acquisition Regulation (FAR) during contract lifecycle/phases: preaward, award, administration, and closeout.

The evidence obtained provides a reasonable basis for DPG's findings, conclusions, and recommendations based on the audit objectives.

Based on the test work performed, our audit determined that the acquisition management function at the RRB was not fully adequate or effective for the period reviewed. The detailed findings for the audit are presented in the Audit Results section of this report.

We appreciate the cooperation and assistance extended by RRB and the OIG staff during the audit.

Sincerely,

  
DP George & Company, LLC  
Alexandria, Virginia

## OBJECTIVE(S), SCOPE, AND METHODOLOGY

The objectives of this audit were to perform an evaluation of the Railroad Retirement Board (RRB) acquisition management function. The evaluation included: 1) assessing the effectiveness of RRB's Division of Acquisition Management's policies, procedures, practices, and internal controls in contract management according to applicable laws and regulations; and 2) testing the compliance with the FAR during contract lifecycle/phases: preaward, award, administration, and closeout.

To accomplish our objectives, we:

- identified criteria provided in applicable laws, regulations, and best practices related to acquisition management;
- identified, reviewed, and evaluated RRB policies and procedures related to the acquisition management process;
- interviewed key management and staff, and conducted walkthroughs;
- obtained and reviewed RRB's strategic plan and acquisition planning process;
- obtained and reviewed RRB and Acquisition Management's human capital plan;
- obtained and reviewed data from the Federal Procurement Data System (FPDS) Next Generation;
- tested a sample of solicitations from Fiscal Year (FY) 2013 through Q1 FY 2019;
- tested a sample of awarded contracts from FY 2013 through FY 2018; and
- tested all closed contracts from FY 2013 through FY 2018.

We assessed the reliability of the solicitations data received by: 1) reviewing the data to identify gaps in the sequential numbering, and 2) making inquiries of agency officials knowledgeable about the data regarding any gaps. We assessed the reliability of the awards data received by: 1) comparing it against award information contained in the Federal Procurement Data System (FPDS), and 2) making inquiries of agency officials knowledgeable about the data regarding any discrepancies with FPDS. We assessed the reliability of the closeout data received by: 1) discussing the process used to gather the data with agency officials, and 2) reviewing the data for reasonableness.

The scope of our audit covered policies and procedures effective for the period from FY 2013 through Q1 FY 2019. We selected a sample of solicitations from the FY 2013 through Q1 FY 2019 period (See Appendix II), a sample of high risk awards<sup>1</sup> from the FY 2013 through FY 2018 period (See Appendix III), and all contract closeouts from the FY 2013 through FY 2018 period.

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<sup>1</sup> DPG defined high risk contracts as follows: 1) Any award where the total award value exceeded \$1 million over the course of the FY 2013 through FY 2018 audit period, or 2) Any award where the total award value exceeded \$100,000 over the course of the FY 2013 through FY 2018 audit period and the contract did not meet the Level 4 exclusion criteria in BBO 5. DPG also excluded any awards where the total award value was over \$100,000 but none of the individual Fiscal Year award amounts exceeded \$100,000.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our audit objectives.

We conducted our fieldwork from October 2018 through August 2019. During our audit, we performed site visits to the RRB headquarters in Chicago, Illinois in October 2018, April 2019, June 2019, and July 2019.

## BACKGROUND

Annually, the RRB acquires goods and services that the agency cannot perform, or that an outside vendor can perform more effectively and efficiently. These goods and services can include, but are not limited to those related to information technology, Medicare claims processing, medical services, maintenance, security, telecommunications, quality assurance, engineering and custodial services, utilities, and travel management. It is critical that RRB identify and mitigate its acquisition management risks. Without well-designed and implemented controls, RRB's contracts could be vulnerable to such risks as project failures, poor contractor performance, cost overruns, schedule slippages, purchases that are inconsistent with management objectives, and noncompliance with legal requirements. These investments can suffer from a lack of disciplined and effective management, such as project planning, requirements definition, and program oversight and governance. The total amount listed in FPDS for RRB contract awards during the FY 2013 to FY 2018 period was \$230 million.

The Federal Acquisition Regulations System is established for the codification and publication of uniform policies and procedures for acquisition by all executive agencies. The Federal Acquisition Regulations System consists of the Federal Acquisition Regulation (FAR), which is the primary document, and agency acquisition regulations that implement or supplement the FAR. The FAR System does not include internal agency guidance. The basic procurement objective is to promote and provide for full and open competition in soliciting offers and awarding Government contracts. As an executive branch agency, RRB is required to follow the FAR.

The U.S. Government Accountability Office (GAO) published *Framework for Assessing the Acquisition Function at Federal Agencies*. GAO developed this framework to provide senior acquisition executives, as well as GAO and other accountability organizations, an ability to assess at a high level the strengths and weaknesses of agencies' acquisition functions. This framework comprises four interrelated cornerstones that GAO's work has shown promote an efficient, effective, and accountable acquisition function: 1) organizational alignment and leadership, 2) policies and processes, 3) human capital, and 4) knowledge and information management.

Basic Board Order 5 (BBO 5) designates the Board Members, Director of Administration (DA), the Contracting Officers, and ordering officials as the only officials who may commit the RRB to contractual obligations for goods and services. The Division of Acquisition Management (AM) is responsible for administering RRB's acquisition management activities, including: establishing, communicating, and monitoring compliance with agency policy and procedures.

Consistent with good internal controls, federal regulations require that documentation in contract files be sufficient to constitute a complete history for the purposes of: 1) informing 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 inquiry. RRB maintains its acquisition

management documentation electronically in archived Federal Financial System (FFS) files, electronically in the Financial Management Integrated System (FMIS), and in centrally maintained hard copy contract files.

Staff in various RRB units work together to execute and monitor RRB contracts.

- Contracting officers and contract specialists are acquisition management staff. Contracting Officer's Representatives (CORs) work for the RRB unit that identified the need and initiated the acquisition request.
- Contracting officers ensure that all necessary actions for effective contracting are performed, oversee contractor compliance with the terms of the contract, and safeguard the interests of the government in RRB's contractual relationships. The contracting officer is the only person authorized to enter into, modify, and terminate a contract.
- Contracting specialists represent and assist a contracting officer throughout the contract process; however, contracting specialists are not authorized to enter into, modify, or terminate a contract.
- CORs ensure that program requirements (buyer needs) are clearly defined, monitor the contractor's performance, and provide technical direction to the contractor.

The RRB strives to maintain a first-class acquisition system that makes maximum use of competitive procedures, uses past performance as an evaluation factor in awarding contracts, and ensures that contractors meet all delivery requirements and schedules for goods and services. This is intended to help ensure that the RRB consistently pays the lowest price for products and services commensurate with quality, service, value, delivery, and reliability by promoting full and open competition to the maximum practical extent when procuring goods and services, awarding purchase orders only to responsible contractors, and closely managing solicitations and their resulting contracts. Related to human capital planning, the RRB will also continue to have knowledgeable acquisition specialists and CORs. The RRB has improved its competitive acquisition process by using a fully automated acquisition subsystem within the RRB's Financial Management Integrated System (FMIS).



## AUDIT RESULTS

Our audit determined that the RRB acquisition management function was not fully adequate or effective. The RRB policies and procedures have not been updated in the past nine years and do not contain sections specific to the closeout process. Testing of the contract lifecycle/phases (preaward, award, administration, and closeout) identified that contract files do not present an accurate history of the lifecycle because they are not effectively documented. Testing also identified instances where FAR and/or RRB requirements were not followed.

We provide 15 recommendations aimed at addressing these weaknesses.

### Finding #1: RRB Policies and Procedures Are not Current

The RRB establishes agency procurement policy in BBO 5 and agency procurement procedures in Administrative Circular OA-14 (OA-14). We determined that these documents are not current. The most recent update to OA-14 was in October 2009. It is not indicated within BBO 5 when the most recent update occurred. Testing over the administration phase of the contract lifecycle identified that the current requirement within BBO 5 for project directors and contracting officer technical representatives (COTRs) to submit monthly reports to the contracting officer (CO) is not being adhered to and may no longer be warranted. We also determined that policies and procedures pertaining to the contract closeout process are not included in either document.

The outdated status of these documents resulted from the placement of limited resources within the Division of Acquisition Management on other priorities.

The GAO's Standards for Internal Control in the Federal Government indicates that effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors. Management also documents internal control to meet operational needs. Documentation of controls, including changes to controls, is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity.

The existing policies and procedures guidance does not adequately communicate the current processes and control activities that employees must perform to effectively accomplish the procurement process.

## RECOMMENDATIONS

We recommend that the RRB Board:

1. update Basic Board Order 5 to align procurement policies with current federal acquisition regulation and agency practice.

We recommend that the Office of Administration/Division of Acquisition Management:

2. update Administrative Circular OA-14 and implement the necessary updates to align procurement procedures with current federal acquisition regulation and agency practices.

## MANAGEMENT'S COMMENTS

The Office of Administration and Division of Acquisition Management concurred with Recommendations 1 and 2.

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### **Finding #2:** Contract Files do not Contain Relevant Documentation to Evidence the Solicitation Process

DPG selected a sample of 62 solicitations performed between FY 2013 and Q1 FY 2019 (See Appendix II). We reviewed the corresponding contract files and requested documentation to evidence the process followed and support the decisions made for each solicitation. We found that the contract files reviewed were not fully supported in the following areas:

- 39 contract files where a Determination and Findings (D&F) or other summary was not present in the file to indicate the basis for the final decision;
- 16 contract files where goods or services greater than \$25,000 were procured and we could not find evidence in the file that the procurement was posted on FedBizOpps or another acceptable contract vehicle such as GSA eBuy or NASA SEWP;
- 12 contract files that were not micropurchases or sole-source procurements where we could not find evidence in the file that bids/offers were sought from at least 3 sources;
- 12 contract files where we could not find evidence in the file of the market research performed for the solicitation; and
- one (1) contract file where a sole-source procurement was performed but the justification for the sole-source procurement was not evidenced in the file.

We also noted that contract files were not organized in a consistent manner from contract to contract.

Existing RRB policies and procedures do not contain sufficient guidance to ensure the consistency and completeness of the solicitation documentation maintained within the contract files.

The GAO's *Standards for Internal Control in the Federal Government* indicates that management should clearly document internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records should be properly managed and maintained.

As a result of the missing documentation, the RRB hardcopy contract files do not effectively present a history of the actions taken and decisions made to support of the solicitations process.

## RECOMMENDATION

We recommend that the Office of Administration/Division of Acquisition Management:

3. update standard policies and procedures to clearly convey the documentation required to be maintained in the contract file in order to support the solicitation phase; and

4. develop and implement standard checklist guidance to be included in the contract file that lists the required solicitation documentation, identifies if the documentation was applicable to the solicitation, and indicates the section in which the supporting documents are located.

## MANAGEMENT COMMENTS

The Division of Acquisition Management concurred with Recommendations 3 and 4. Acquisitions Management disagreed with the assertion that a D&F or other summaries are required for solicitation files. Acquisition management also provided additional information regarding the one sole-source procurement noted in the finding.

## DPG RESPONSE

The FAR Subpart 4.802 (a)(1) indicates that the contract office file should document the basis for the acquisition and the award. The FAR Subpart 4.803 provides examples of records normally contained in the contract file, and FAR Subpart 4.803(2) lists justifications and approvals, D&Fs, and associated documents as examples. For the 39 files noted, a D&F or other summary was not provided and DPG was not able to determine the basis for the decision from other documentation contained in the file. We view the use of a D&F or other summary as an effective means of communicating the decision basis. However, if RRB is able to establish the basis for award without the use of a D&F or other summary when implementing recommendations 3 and 4, then we would consider that acceptable in the context of the FAR requirements established in Subpart 4.8.

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### **Finding #3: Contract Files do not Contain Relevant Documentation to Evidence the Award and Administration Process**

DPG selected a sample of 53 high risk contracts awarded between FY 2013 and FY 2018 (See Appendix III). We reviewed the corresponding contract files and requested documentation supporting the award and administration process performed for each contract. We found that the contract files reviewed were not fully supported in the following areas:

- 11 contract files where the award document (SF 1449) and/or modifications (SF 30) in the file were not signed by the contractor;
- six (6) awards where the required Conflict Of Interest (COI) statement was not presented to the vendor;
- four (4) contract files that did not contain all of the SF 30s issued for the contract; and
- two (2) contract files where the SF 1449 and/or SF 30 in the file were not signed by the contracting officer.

Also contained within the sample were 38 contracts where a COR was appointed by the contracting officer. DPG requested the signed copies of the COR designation letters for these 38 contracts. The RRB was unable to provide designation letters for 27 of the contracts and a signed designation letter for five of the contracts.

Lastly, we noted that contract files were not organized in a consistent manner from contract to contract.

Existing RRB policies and procedures do not contain sufficient guidance to ensure the consistency and completeness of the award and administration documentation maintained within the contract files. RRB also did

not have controls in place to confirm that the conflict of interest statement was included in the contract or solicitation.

The GAO's *Standards for Internal Control in the Federal Government* indicates that management should clearly document internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records should be properly managed and maintained.

BBO 5 establishes that all contracts with private sector vendors for goods and services will include the following provision:

The contractor agrees not to have any direct or indirect financial or familial interest, or engage in any activity, which conflicts substantially, or appears to conflict substantially, with the contractor's duties under this contract. The contractor further agrees that the RRB shall have the exclusive right to determine whether such a conflict of interest exists, and whether it is substantial. Failure of the contractor to adhere to this provision will, at the discretion of the RRB result in the immediate termination of the contract without any further liability of the RRB.

FAR guidance states that the contracting officer shall designate and authorize in writing and in accordance with agency procedures, a COR on all contracts and orders other than those that are firm-fixed price, and for firm-fixed-price contracts and orders as appropriate, unless the contracting officer retains and executes the COR duties. The COR shall be designated in writing, with copies furnished to the contractor and the contract administration office. FAR provides further that the contract administration office file should contain any document modifying the normal assignment of contract administration functions and responsibility.

As a result of the missing documentation, the RRB hard copy contract files do not effectively present a history of the actions taken and decisions made to support of the award and administration process. The ability of the RRB to resolve a conflict, should it arise, is also diminished by not presenting the COI statement to the vendor in either the award or solicitation document.

## RECOMMENDATION

We recommend that the Office of Administration/Division of Acquisition Management:

5. update standard policies and procedures to clearly convey the documentation required to be maintained in the contract file in order to support the award and administration phase;
6. develop and implement standard checklist guidance to be included in the contract file that lists the required award and administration documentation, identifies if the documentation was applicable to the award, and indicates the section in which the supporting documents are located;
7. obtain the signed copies of the contracting officer's representative designation letter for the identified contracts and include them in the contract files;
8. include obtaining the signed contracting officer's representative designation letter as part of standard checklist guidance to be included in the contract file listing required award and administration

documentation, identifying if the documentation was applicable to the award, and indicating the section in which supporting documents are located; and

9. establish a checklist or other control process to ensure that the required conflict of interest statement is presented to vendors.

## MANAGEMENT COMMENTS

The Division of Acquisition Management concurred with Recommendations 5, 6, and 9. The Division of Acquisition Management did not concur with Recommendations 7 and 8 on the basis that FAR Subpart 1.602-2(d), BBO-5, and OA-14 are silent on any requirement to obtain a countersignature from the designated COR and maintain such in the contract file.

## DPG RESPONSE

The FAR Subpart 4.803(b)(2) lists any document modifying the normal assignment of contract administration functions and responsibility as an example of documentation that should be included in the contract administration office contract file. We note that the COR designation letter contains a signature line and that inclusion of the signed designation letter in the contract file serves as an effective control to confirm that the COR received the letter and is aware of their responsibilities. We maintain our recommendations that signed copies of the COR designation letter be included in the contract files and incorporated as part of standard checklist guidance.

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### **Finding #4: Insufficient Requisition Amounts Identified in the Award and Administration Process**

DPG selected a sample of 53 high risk award contracts awarded between FY 2013 and FY 2018 (See Appendix III). We reviewed the requisition history from the applicable FFS or FMIS system to determine if sufficient funding was in place prior to award. We found that requisition amounts were not sufficient in the following nine instances:

- five (5) instances where the awarded amount was greater than the total funds available per the requisition document;
- two (2) instances where the contract award date was prior to the date on the requisition documentation; and
- two (2) instances where requisition documentation was not provided.

The total amount associated with the nine awards was \$2.6 million.

We determined that controls were not effectively executed to establish sufficient funding within the financial system prior to obligating contractual amounts.

Administrative Circular OA-14 requires that employees involved in any procurement process know the budgetary control, data entry, and transaction approval procedures. These controls include entering a requisition with sufficient funding before incurring an actual obligation through a procurement or contract. Also, if a purchase will exceed the funding available under the obligating document, the obligating document should be modified before the additional obligation is incurred and a request for payment is received.

Obligating funds before sufficient funding is established introduces the risk that funds may need to be drawn from other projects in order to fund the shortfall or in the worst case, that the agency incurs a violation of the anti-deficiency act.

## RECOMMENDATION

DPG recommends that the Office of Administration/Division of Acquisition Management:

10. review established obligation controls and assess the need to implement stronger systems or supervisory review controls to prevent the situation from recurring.

## MANAGEMENT COMMENTS

The Office of Administration and Division of Acquisition Management did not concur with Recommendation 10. In their response, they took exception to the inclusion of the potential for an anti-deficiency violation as part of the effect for the finding. The Office of Administration and Division of Acquisition Management also provided explanations for each of the nine (9) instances identified in the finding.

## DPG RESPONSE

Our recommendation is based on the information provided to us by RRB through the end of our audit fieldwork which indicated that adequate funding was not in place. During the course of our audit, DPG requested explanations for the items noted. The explanations included in RRB's response were not provided in response to our requests. We note that one of the documentation examples listed under FAR Subpart 4.803(a)(3), as normally contained in contract files, is evidence of availability of funds. We maintain our recommendation that the Office of Administration and Division of Acquisition Management review established obligation controls and assess the need to implement stronger systems or supervisory review controls to prevent the situation from recurring. We suggest that the guidance in FAR Subpart 4.803(a)(3) be considered in the review process.

The requisition and obligation controls are independent control processes designed to ensure that sufficient funding is available at the point of obligation. DPG maintains that if the requisition process is not executed as designed, the risk of an anti-deficiency act violation occurring increases because another control must identify and correct the shortfall.

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### **Finding #5: Contract Files do not Contain Relevant Documentation to Evidence the Closeout Process**

FAR provides a process and timeframes for closing contract files once evidence of physical completion has been accomplished. To ensure compliance with the FAR closeout process, RRB developed a contract closeout checklist to be completed for each applicable contract. DPG selected all 29 contract closeouts identified by RRB between FY 2013 and FY 2018. We reviewed the corresponding closeout checklists and related documentation to evidence the closeout process. We found that the contract closeouts were not fully completed in the following areas:

- 27 checklists where only a portion of the checklist information was completed to accomplish closeout;
- two (2) checklists not received; and
- six (6) instances where obligated funds remained in FMIS beyond the closeout date.

DPG also noted that while the closeouts represented the period from FY 2013 to FY 2018, final completion of the checklists reviewed was not accomplished until April and May of 2019.

The delayed and partial completion of the closeout checklists resulted from the placement of limited resources within the Division of Acquisition Management on other priorities.

FAR provides that; the administrative closeout procedures must ensure that contract funds review is completed, and excess funds are de-obligated. Further, FAR requires the contracting officer administering the contract to ensure that a contract completion statement containing the following information is prepared:

- 1) Contract administration office name and address (if different from the contracting office).
- 2) Contracting office name and address.
- 3) Contract number.
- 4) Last modification number.
- 5) Last call or order number.
- 6) Contractor name and address.
- 7) Dollar amount of excess funds, if any.
- 8) Voucher number and date, if final payment has been made.
- 9) Invoice number and date, if the final approved invoice has been forwarded to a disbursing office of another agency or activity and the status of the payment is unknown.
- 10) A statement that all required contract administration actions have been fully and satisfactorily accomplished.
- 11) Name and signature of the contracting officer.
- 12) Date.

Additional FAR guidance identifies the following with respect to time standards for closing out contract files:

- files for firm-fixed-price contracts, other than those using simplified acquisition procedures, should be closed within 6 months after the date on which the contracting officer receives evidence of physical completion;
- files for contracts requiring settlement of indirect cost rates should be closed within 36 months of the month in which the contracting officer receives evidence of physical completion; and
- files for all other contracts should be closed within 20 months of the month in which the contracting officer receives evidence of physical completion.

Delaying the completion of the closeout process reduces the effectiveness of contractor evaluations and overstates the obligated funds balance in FMIS.

## RECOMMENDATION

DPG recommends that the Office of Administration/Division of Acquisition Management:

11. establish standard procedures for identifying and tracking contracts that have been physically completed; and
12. take steps to ensure the remaining balances are de-obligated in FMIS in a timely manner.

## MANAGEMENT COMMENTS

The Office of Administration and Division of Acquisition Management concurred with Recommendations 11 and 12.

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**Finding #6: Inaccurate Reporting to the Federal Procurement Data System**

The FPDS provides a comprehensive web-based tool for agencies to report contract actions. The resulting data provides a basis for recurring and special reports to the President, the Congress, GAO, Federal executive agencies, and the general public. DPG identified 12 instances where the contract number reported in FPDS was incorrect. In two of these instances, DPG noted that amounts were reported to FPDS for both the incorrect and correct contract numbers.

The process used by RRB to review reported amounts prior to submitting them in FPDS was not effective.

FAR guidance provides that the Senior Procurement Executive in coordination with the head of the contracting activity are responsible for developing and monitoring a process to ensure timely and accurate reporting of contractual actions to FPDS.

Contract information made available to the public is not accurately reflected.

#### RECOMMENDATION

DPG recommends that the Office of Administration/Division of Acquisition Management:

13. review the established control process used to transmit information to the Federal Procurement Data System and update the process in order to report information more accurately; and
14. revise the information previously reported in the Federal Procurement Data System to reflect the correct contract numbers and amounts.

#### MANAGEMENT COMMENTS

The Office of Administration and Division of Acquisition Management concurred with Recommendations 13 and 14.

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**Finding #7: Best Practices for Human Capital Management**

Several of the findings identified by our audit were influenced by limited resources within the Division of Acquisition Management. DPG determined that an overall human capital plan was drafted by the RRB in 2015 but never finalized because it was not required by the Office of Management and Budget (OMB). Adequate human capital planning should specifically address the approaches in place to ensure that the acquisition workforce is properly positioned to support the agency needs. It is not clear from the documentation provided during our audit, how RRB coordinates the various elements of human capital management in a manner that supports and benefits the acquisition workforce without a documented plan.



GAO's *Framework for Assessing the Acquisition Function at Federal Agencies* provides four cornerstones for establishing an efficient, effective, and accountable acquisition process. The third cornerstone of the guidance focuses on the role of human capital and stresses that effective human capital management ensures that an agency has the right staff in the right numbers applying skills where needed to accomplish the mission effectively. Creating an acquisition workforce with the right skills and capabilities can be a challenge given changes to acquisition processes, the introduction or expansion of alternative contracting approaches, and increased reliance on services provided by the private sector. In addition, agencies are facing a growing number of employees who are eligible for retirement, which could create an imbalance with regard to acquisition experience and skill sets.

Without adequate numbers of properly trained resources, the Division of Acquisition Management is not positioned properly to support agency requirements.

## RECOMMENDATION

DPG recommends that the Office of Administration/Division of Acquisition Management:

15. implement a human capital plan or alternative strategy document that contains specific strategies to support the acquisitions workforce in the longer term and add additional resources in the shorter term.

## MANAGEMENT COMMENTS

The Office of Administration and Division of Acquisition Management did not concur with Recommendation 15. In their response, they indicated that components of the original human capital plan have been implemented through the strategic management of human capital. Their response identified measures being taken to address human capital at an RRB-wide level such as completion of a workforce analysis, use of the Learning Management System (LMS), rehire of annuitants, re-establishment of the Training and Development Section within the Bureau of Human Resources, and the agency Executive Candidate Development Program.

The response also noted that the scope of the audit on this finding centered solely on review of the agency's human capital and that the finding asserts that Acquisition Management lacks "adequate numbers of properly trained resources." RRB management indicates that audit staff did not ask or query the acquisition staff as to Acquisition Management specific or acquisition workforce training and certification requirements and records. Finally, the response indicates that the RRB Procurement section of the Acquisition Management Division is at full staff, as of the date of our draft report.

## DPG RESPONSE

DPG requested a copy of RRB's human capital plan from both Acquisitions Management and Human Resources during our audit and as indicated in the finding, was informed that the plan was drafted but was not finalized. The information provided in RRB's response regarding strategic management of human capital was not provided during our audit in response to our requests. The additional information does provide details on the elements of RRB's overall human capital strategy but does not detail how RRB has specifically addressed the needs of the acquisition workforce. Our recommendation is based on best practices guidance established by GAO that identifies elements of human capital planning to be considered specifically for the acquisition workforce. We maintain that RRB should implement a human capital plan or alternative strategy document that contains specific strategies to support the acquisitions workforce in the longer term.

DPG did request and received the Acquisition Management training plan. We also gained an understanding of the process used to certify CORs through our interviews with Acquisition Management staff. The effect presented in our finding is not an assertion that current staff is not properly trained. It is an assertion that if proper attention is not placed on the acquisition workforce within the human capital planning process, that adequate numbers of resources who are properly trained will not be in position to support agency needs going forward.

The timely closeout of contract files and the quality of support maintained within the contract files are conditions identified in our audit that stemmed from a lack of resources during the period for our audit. While RRB indicates in its response that it is fully staffed, we maintain our recommendation to consider adding resources in the shorter term that can help implement recommended changes and remain current with existing requirements.

## APPENDIX I MANAGEMENT COMMENTS



UNITED STATES OF AMERICA  
RAILROAD RETIREMENT BOARD  
844 NORTH RUSH STREET  
CHICAGO, ILLINOIS 60611-1275

OFFICE OF ADMINISTRATION

September 24, 2019

Michael Smith, CPA  
Partner  
DP George & Company, LLC  
2121 Eisenhower Avenue, Suite 100  
Alexandria, VA 22314

RE: Audit of RRB Acquisition Function – Draft Audit report dated 09/06/2019

Mr. Smith,

I and RRB's Chief of Acquisition Management have completed and prepared the agency response to your subject draft audit report. Following are the Finding Titles, audit recommendations and the Office of Administration and Acquisition Management division (OA/AM) combined response for each recommendation.

Finding #1: RRB Policies and Procedures are not current

### RECOMMENDATIONS

We recommend that the RRB Board:

1. update Basic Board Order 5 to align procurement policies with current federal acquisition regulation and agency practice.

We recommend that the Office of Administration/Division of Acquisition Management:

2. update Administrative Circular OA-14 and implement the necessary updates to align procurement procedures with current federal acquisition regulation and agency practices.

### MANAGEMENT'S COMMENTS

The Office of Administration (OA) and Division of Acquisition Management (AM) agree with recommendations to update BBO5 and OA-14. AM plans to update OA-14 by the end of the 2<sup>nd</sup> Quarter of FY2020. OA and AM will work with the appropriate bureaus and offices to provide assistance to update BBO5 by the 2<sup>nd</sup> Quarter of FY2020. AM plans to update OA-14 according to current processes and procedures, and also include the contract close-out process.

Finding #2: Contract Files do not Contain Relevant Documentation to Evidence the Solicitation Process

#### RECOMMENDATION

We recommend that the Office of Administration/Division of Acquisition Management:

3. update standard policies and procedures to clearly convey the documentation required to be maintained in the contract file in order to support the solicitation phase; and
4. develop and implement standard checklist guidance to be included in the contract file that lists the required solicitation documentation, identifies if the documentation was applicable to the solicitation, and indicates the section in which the supporting documents are located.

#### MANAGEMENT COMMENTS

AM agrees with the above recommendations #3 and 4. AM will update OA-14 as stated in the comments above for Finding #1, which will include the policy for required contract and solicitation file documentation. AM will also develop a standard checklist for required documentation for solicitation files and award files.

While DPG did not find a Determination and Findings or other decision summary for all of the sampled solicitations, AM disagrees with their assertion that D&F's or summaries are required for all of the sample files. DPG, in their findings above, did not give the basis, using source documents, for the regulatory or policy requirement for when D&F's or other summaries are required for solicitation files.

AM provides the following information regarding the finding of one solicitation RRB15Q0016 and contract file RRB15C0002 where a sole-source procurement was performed but the justification for the sole-source procurement was not evidenced in the file.

AM staff received written confirmation from the awarded vendor, M-Hance, that they were the software author and sole source for Trove software maintenance support services (document in solicitation/contract file). AM staff also sought competition through a posting of a Request for Information notice posted on the Federal Business Opportunity website seeking other sources that could provide the required Trove software maintenance services. The RRB stated in the notice that the RRB would issue a sole source award to M-Hance if no other sources were capable to provide the services. The RRB did not receive responses to the posting, and awarded the above contract to M-Hance for the Trove software support services. The RRB did seek competition prior to awarding the sole source contract and the file is documented to show the process conducted.

Finding #3: Contract Files do not Contain Relevant Documentation to Evidence the Award and Administration Process

#### RECOMMENDATION

We recommend that the Office of Administration/Division of Acquisition Management:

5. update standard policies and procedures to clearly convey the documentation required to be maintained in the contract file in order to support the award and administration phase;
6. develop and implement standard checklist guidance to be included in the contract file that lists the required award and administration documentation, identifies if the documentation was applicable to the award, and indicates the section in which the supporting documents are located;

7. obtain the signed copies of the contracting officer's representative designation letter for the identified contracts and include them in the contract files;
8. include obtaining the signed contracting officer's representative designation letter as part of standard checklist guidance to be included in the contract file listing required award and administration documentation, identifying if the documentation was applicable to the award, and indicating the section in which supporting documents are located; and
9. establish a checklist or other control process to ensure that the required conflict of interest statement is presented to vendors.

#### MANAGEMENT COMMENTS

AM agrees with recommendations 5, 6 & 9 above. AM will update OA-14 as stated in the comments above for Finding #1, which will include the policy for required contract file documentation. AM will also develop a standard checklist for required documentation for contract files.

AM does not agree with recommendations 7 & 8 as to obtaining COR countersigned copies of the COR designation letter and maintaining said copy in the contract file. FAR Subpart 1.602-2(d) and BBO-5 and OA-14 are silent on any requirement to obtain a countersignature from the designated COR and maintain such in the contract file.

However, AM does agree that AM staff shall maintain CO-issued COR designation/appointment letters in the contract file and will reflect this requirement in the updated checklist and procedures as discussed in our response to Finding #1.

If the RRB, in its review of its policies and procedures, determines to keep this RRB provision as mandatory as stated in the current BBO-5, AM will include the COI statement in solicitations and contracts and will include that as an item on both the solicitation and contract checklists.

#### Finding #4: Insufficient Requisition Amounts Identified in the Award and Administration Process

#### RECOMMENDATION

DPG recommends that the Office of Administration/Division of Acquisition Management:

10. review established obligation controls and assess the need to implement stronger systems or supervisory review controls to prevent the situation from recurring.

#### MANAGEMENT COMMENTS

In response to Finding #4 and Recommendation 10 and particularly the closing sentence of the finding "Obligating funds before sufficient funding is established introduces the risk that funds may need to be drawn from other projects in order to fund the shortfall or in the worst case, that the agency incurs an anti-deficiency violation". OA/AM takes great exception to this inflammatory language. For DP & George or the Office of Inspector General to invoke a potential Anti-deficiency Act violation without definitive evidence is irresponsible.

- Explanation of 5 award amounts greater than Requisition amounts:
  - Award RRB14C0005, was processed in the amount of \$306,060.48 using funds committed with RX 9000140084 in the amount of \$305,611.00.at the end of the

Fiscal Year on 9/29/14. The additional de minimis funds of \$449.48 required above the requisition amount to process the award were taken directly from the budget allocation of the requesting organization. AM, at their request, so as to avoid processing a requisition requiring four levels of approval drew the funds directly from their allotment. The amount of funds directly debited from the organizations budget allocation were available to be committed. The amount of funds directly debited from the organizations budget allocation also fell within the allowable tolerance control set in the RRB's Financial Management Integrated System in effect at the date of award. Tolerance controls are strictly maintained by CFO staff to comply with government financial management practices.

- o Award RRB13C0005 was obligated using funds committed in requisitions 90EY13137 in the amount of \$816,096.00 and 90EY13139 in the amount of \$28,232.00. The total award amount was \$844,328.00, which is the total amount of the above two combined requisitions. AM does not agree that this award amount was greater than the requisition amount.
- o Awards RRB14D0498 and RRB14D0623 were awarded and obligated using funds committed with the Requisition 3100140009. These two awards were for the purchase of task chairs by OA. The total amount of the two awards exceeded the Requisition total amount by \$1,632.00. AM debited these additional funds directly from OA's budget allocation at the request of the OA requisitioner which was within the allowable variance control in FMIS.
- o Award RRB13D0036A was issued for nationwide toll-free VOIP services. The award was obligated in the amount of \$569,743.68 using funds committed in Requisition 310013007 of \$569,743.68. AM does not agree that this award amount was greater than the requisition amount.
- Explanation of two instances where the contract award date was prior to the date on the requisition documentation:
  - o 60RRBH18F0055- The award (obligation) date was 11/9/17 and the requisition date was 10/23/17. The award effective date was 10/1/17. The award was for ongoing CenturyLink Network converged services for the RRB for FY 2018, which were funded as soon as funds became available in FY18.
  - o RRB17D0042- The award (obligation) date was 11/17/16 and the requisition date was 10/20/16. The award effective date was 10/1/16. The award was for ongoing CenturyLink Network converged services for the RRB for FY 2017, which were funded as soon as funds became available in FY17.
- Explanation of two instances where requisition documentation was not provided:
  - o RRB11D0652A was obligated in the amount of \$122,163.50 using funds provided in Requisition 900013110 in the amount of \$186,000.00. A printout of the requisition from FFS is attached.

- o The award RRB08C003F91 was an administrative modification to RRB08C003 to report to FPDS cumulative obligations of medical examination services performed for one quarter of a contract year. These obligations were performed in FFS through an approved uniquely designed special function where the Disability Benefits staff issued orders (MEs) for medical examination services with contractor QTC. These ME obligations pulled money directly from the Programs organization allotment table and therefore no requisitions were required or generated.

OA/AM does not concur with the recommendation stating that the current acquisition and financial management procedures do not have adequate controls to insure that adequate funds commitments are available to support obligations at the time of award. The explanations above demonstrate that FMIS controls provide for the commitment of funds to support obligations and do not allow the use of funds not available for said obligations.

Furthermore it is impossible to obligate funds in FFS or FMIS greater than the funds available due to system edit checks.

#### Finding #5: Contract Files do not Contain Relevant Documentation to Evidence the Closeout Process

##### RECOMMENDATION

DPG recommends that the Office of Administration/Division of Acquisition Management:

11. establish standard procedures for identifying and tracking contracts that have been physically completed; and
12. take steps to ensure the remaining balances are de-obligated in FMIS in a timely manner.

##### MANAGEMENT COMMENTS

OA/AM concurs with the recommendation number 11 and will establish standard procedures by the end of 1<sup>st</sup> quarter 2020.

OA/AM concurs with recommendation number 12 and will execute the de-obligation of remaining funds on the sampled contracts by the end of the 1<sup>st</sup> quarter 2020.

#### Finding #6: Inaccurate Reporting to the Federal Procurement Data System

##### RECOMMENDATION

DPG recommends that the Office of Administration/Division of Acquisition Management:

13. review the established control process used to transmit information to the Federal Procurement Data System and update the process in order to report information more accurately; and
14. revise the information previously reported in the Federal Procurement Data System to reflect the correct contract numbers and amounts.

#### MANAGEMENT COMMENTS

OA/AM concurs with recommendation 13.

The RRB's Financial Management Information System (FMIS), which is also the RRB's contract writing system, and the Federal Procurement Data System (FPDS) are linked and the data entered in an award in FMIS in the FPDS information fields on an award is reported to FPDS automatically. To ensure that the data entered in FMIS and therefore reported to FPDS is accurate, AM will review with the contract staff the fields in FMIS that include the award number or PIID for reporting the award to FPDS and ensure the staff understand the importance of inputting accurate award numbers in those fields. AM award approvers will ensure that they review the FPDS information fields in FMIS to confirm that the correct award number or PIID is entered in FMIS prior to approving the award in FMIS. AM will include this process and description of the link between FMIS and FPDS in the updated procedures.

OA/AM concurs with recommendation number 14. AM has already taken corrective action in both FPDS and FMIS to correct errant data for the contracts listed in the observations log for this audit. Of note, the contracts listed in the observations log for this finding #6 are not included in the sample contracts list provided by DPG for this acquisitions audit.

To date, AM has taken action in FMIS to correct those fields on the audit sampled awards that report the award number or PIID to FPDS, and approved the awards in FMIS which then are also approved in FPDS. AM has also deleted the inaccurate and duplicate awards reported to FPDS with the incorrect award number.

Though AM concurs with the above recommendations, it should be noted that AM staff reported a total of 3,264 awards to FPDS-NG from FYs 13-18, and the above finding of 12 incorrect award number entries. 12 out of 3,264 awards represents less than 0.37% of the total awards reported during the 6 year period included in this audit review. While this error rate appears to be statistically insignificant, AM will take corrective action.

#### Finding #7: Best Practices for Human Capital Management

##### RECOMMENDATION

DPG recommends that the Office of Administration/Division of Acquisition Management:

15. Implement a human capital plan or alternative strategy document that contains specific strategies to support the acquisitions workforce in the longer term and add additional resources in the shorter term.

##### MANAGEMENT COMMENTS

OA/AM does not concur.

The RRB has implemented key components of our Human Capital Plan (HCP) through our Strategic Management of Human Capital. Human Capital Management is a core component of any HCP. Like many agencies, the RRB has an aging workforce. About 50 percent of our employees have 20 or more years of service and over 26 percent of the current workforce were eligible for retirement at the end of fiscal year 2018. To prepare for the expected turnover, the agency is placing increased emphasis on strategic management of human capital. We have completed a workforce analysis that identifies historical data, trends and projected attrition to



evaluate and prioritize future needs and vacancies in our workforce. The results from this analysis form the basis for formulating specific strategies, hiring plans and initiatives that will support the agency's succession plan. A methodology for measuring skill gaps continues to be developed. Once final, RRB will utilize our Learning Management System (LMS) to implement the methodology. This process will allow the RRB to continuously and accurately identify skill gaps at the individual level and take the necessary training and development steps to address skill deficiencies. It also identifies areas of new skills that may need to be addressed through outside hires.

The agency has been able to utilize the re-employment of retirees to allow retirees under the Civil Service Retirement System and the Federal Employees Retirement System to be temporarily rehired without losing entitlement to their retirement annuities under Section 1122(a) of Public Law 111-84, which amended sections 8344 and 8468 of Title 5 of the United States Code. The agency has been able to rehire several annuitants on a temporary basis to assist in areas that have knowledge gaps due to attrition.

The RRB is also devoting more attention and resources to training and have provided meaningful development programs for our employees. We have re-established the Training and Development Section within the Bureau of Human Resources. This section is charged with creating, implementing and modifying the overall training and development policies, procedures and programs within the Agency. Its goal is to create developmental opportunities to assist agency employees in building the competencies needed to achieve our mission, values and strategic goals. We utilize the results from training needs assessments and surveys to prioritize these needs. We are also making use of technology in this area, utilizing the LMS, an internet-based program which effectively formalizes all aspects of training for all agency employees, while also providing self-assessments to the student and feedback to supervisors on their progress. In addition, all field managers now have access to the latest webinar technology to facilitate the remote training of new employees, as well as the ongoing training of experienced field staff. These initiatives are particularly useful to employees and managers in the agency's field offices.

The agency has developed an Executive Candidate Development Program (ECDP), a competency-based, leadership program that consists of formal training and development activities. Through personal and professional development, the ECDP builds leadership capacity by strengthening the Executive Core Qualifications (ECQs) needed to help leaders create a work environment here at the RRB prepared to meet challenging agency goals, initiatives, and objectives.

The ECDP occurs every other fiscal year and has a budget determined by the agency Executive Committee. The ECDP funds up to three participants. Eligible employees include all GS-14 and GS-15 employees who have been employed by the RRB for at least one year. The majority of funds are used to acquire a partner to administer a program specifically designed for the development of Federal Government leaders and built around the ECQs.

Additionally, RRB notes that the scope of the audit on this finding centered solely on a review of the agency's human capital plan. The audit finding above asserts that AM lacks "adequate numbers of properly trained resources". The audit staff did not ask or query the acquisition staff as to AM specific or acquisition workforce training and certification requirements and records. AM Procurement staff and CORs maintain training and certification on the Federal Acquisition Institute Training Application System (FAITAS) in accordance with OFPP Policy Letter -

Revision to the Federal Acquisition Certification in Contracting dtd May 7, 2014 and OFFP Policy Letter 05-01 – Developing and Managing the Acquisition Workforce, dtd April 15, 2005. Finally, the RRB Procurement section of the Acquisition Management Division is at full staff, as of the date of this draft report, according to the agency Table of Organization. All Procurement section staff are fully certified in accordance with the requirements of the OFFP policy letter.

The point of contacts for this agency response is the undersigned and Paul T. Ahern, Chief of Acquisition Management, who can be reached at 312-751-7130 or [paul.ahern@rrb.gov](mailto:paul.ahern@rrb.gov). I can be reached at 312-751-4990 or [keith.earley@rrb.gov](mailto:keith.earley@rrb.gov).

Sincerely,



Keith B. Earley  
Director of Administration

Enclosure

Cc: Board Offices  
Office of the Inspector General - RRB  
Senior Executive Officer  
Secretary to the Board

**Appendix II: Statistical Sampling  
Statistical Sampling Methodology and Results  
Solicitations  
Fiscal Year (FY) 2013 through December 2018**

This appendix presents the methodology and results for the sample testing of solicitations from FY 2013 through December 2018 to assess compliance with FAR and agency requirements in the pre-award process. We selected a statically valid random sample of solicitations.

**Sampling Objective**

Our sampling objective was to assess adherence to specific elements of Federal Acquisition Regulation (FAR), Basic Board Order 5, Administrative Circular OA-14, and the GAO Framework for Assessing the Acquisition Function at Federal Agencies in the pre-award process.

**Scope**

Our sample was selected from all solicitations performed during FY 2013 through December 2018.

**Universe/Sampling Unit**

The sampling universe consisted of 168 solicitations identified in FFS or FMIS during FY 2013 through December 2018. The sampling unit was one solicitation.

**Sample Selection Methodology**

We used attribute estimation sampling using a presumed universe error rate of 10 percent, desired maximum precision of 5 percent, and desired confidence level of 90 percent, which directed a sample size of 62 solicitations.

**Sample Evaluation Methodology**

For each solicitation, we obtained and reviewed the following documents in order to accomplish our sampling objectives:

- Requisition document,
- Market Research Performed (If Any),
- Acquisition Plan,
- Request for Proposal (RFP) or Request for Quotation (RFQ) Document,
- RFP or RFQ Amendments,
- Winning Bid Response,
- Determination & Finding Summary, and
- Other Contract File Documentation as Necessary.

## Results of Review

Our review resulted in the following errors, as identified by attribute.

**Table 1. Solicitation Sample Results**

Attribute Test	Number of Samples Tested	Exceptions Observed in Sample
The requisition contains the appropriate approvals based on the amount and type of requisition.	62	2
The CO or the IT Steering Committee reviewed and approved the requisition.	62	4
Notice of intent to procure for items/services greater than \$25,000 was placed on FedBizOpps unless another Federal Agency contract was used.	62	16
Three or more bids were solicited unless the purchase was identified as a Micropurchase or Sole-source procurement.	62	12
For requisitions between \$3,000 and \$100,000 seeking to purchase services priced at hourly rates and for all requisitions over \$100,000 a SOW or SOO was prepared.	62	1
Market research was performed to identify the best approach to procuring the goods or services	62	12
RRB developed an acquisition strategy and/or plan to ensure the goods were procured in the timeframe needed.	62	0
If questions were submitted, responses were made available to all offerors	62	0
Evaluations from the Technical Evaluation Panel were maintained in the Contract file.	62	0
Evaluation of the Pricing Submission was performed independent of the Technical Evaluation.	62	0
A Determination and Finding Summary of the decision was prepared and signed, by the CO and Contract Specialist, and included in the contract file.	62	39
Additional concurrence for the award was obtained from another party such as OGC.	62	0
Copies of any debriefings held with non-winning bidders are maintained in the contract file.	62	0

**Appendix III: Statistical Sampling  
Statistical Sampling Methodology and Results  
High Risk Awards  
Fiscal Year (FY) 2013 through FY 2018**

This appendix presents the methodology and results for the sample testing of high risk awards from FY 2013 through FY 2018 to assess compliance with FAR and agency requirements in the award and administration phase. We selected a statically valid random sample of high risk awards.

**Sampling Objective**

Our sampling objective was to assess adherence to specific elements of Federal Acquisition Regulation (FAR), Anti-deficiency Act., Prompt Payment Act, Basic Board Order 5, Administrative Circular OA-14, and the GAO Framework for Assessing the Acquisition Function at Federal Agencies in the awards and administration phase.

**Scope**

Our sample was selected from all high risk awards during FY 2013 through FY 2018. A high risk award is defined as follows:

- Any award where the total award value exceeded \$1 million over the course of the FY 2013 through FY 2018 audit period, or
- Any award where the total award value exceeded \$100,000 over the course of the FY 2013 through FY 2018 audit period and the contract did not meet the Level 4 exclusion criteria in BBO 5.
- Any awards where the total award value was over \$100,000 but none of the individual Fiscal Year award amounts exceeded \$100,000 were excluded.

**Universe/Sampling Unit**

The sampling universe consisted of 112 high risk awards from FY 2013 through FY 2018. The sampling unit was one high risk award.

**Sample Selection Methodology**

We used attribute estimation sampling using a presumed universe error rate of 10 percent, desired maximum precision of 5 percent, and desired confidence level of 90 percent, which directed a sample size of 53 high risk awards.

**Sample Evaluation Methodology**

For each high risk award, we obtained and reviewed the following documents in order to accomplish our sampling objectives:

- Winning Bid Response,
- Signed Contract and Modifications,
- Evidence of Available Funds,
- COR Assignment Letter,
- Deliverable Schedule,
- Project Plan (If Applicable),
- Evidence of Deliverable Acceptance, and
- Evidence of Invoice Approval.

## Results of Review

Our review resulted in the following errors, as identified by attribute.

**Table 2. High Risk Award Sample Results**

Attribute Test	Number of Samples Tested	Exceptions Observed in Sample
RRB included the required conflict of interest statement in the contract	53	6
The Form 1449 or modification document contractually obligating the RRB was signed by the CO	53	16
The awarded amount of the initial award or modification does not exceed available funding.	53	9
Was a COR assigned to the contract and if not was it reasonable that no COR was assigned?	53	0
Was the assigned COR letter in the file?	38	32
Is there a stated deliverable(s) in the contract?	53	0
Did the CO or COR evidence acceptance of deliverables and monitor contractor performance, including end of contract performance reports.	53	0
Did the CO or COR evidence approval of invoices.	53	3
Did the COR submit written reports (at least monthly) to the CO.	38	38
The invoice was date stamped by the bureau/office personnel opening the invoice, the invoice was forwarded to BFO, and information indicating the obligation against which the invoice should be paid is included with the invoice.	53	2
Invoices for more than \$100,000 contain two signatures by authorized individuals.	53	3
A Project plan was established by the contract to manage and control project implementation.	38	0