



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

External Audits Division

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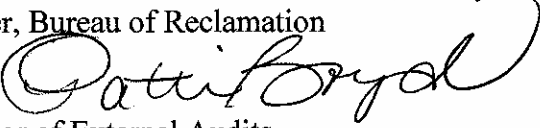
Reston, VA 20191

Report No. B-VS-BOR-0004-2006

March 6, 2006

Memorandum

To: Assistant Secretary Policy, Management and Budget
(Attention: Associate Director for Finance, Policy and Operations)
Commissioner, Bureau of Reclamation

From: Patti L. Boyd 
Acting Director of External Audits

Subject: Verification Review on Recommendations Considered Implemented From Our
September 2004 Audit Report Titled "Bureau of Reclamation, Denver Office,
Contract Administration" (C-IN-BOR-0067-2002)

The Office of Inspector General (OIG) has completed a verification review of the four recommendations that were presented in the subject audit report. The objective of the review was to determine whether the recommendations were implemented as reported to the Office of Inspector General and the Office of the Assistant Secretary for Policy, Management and Budget. We determined that all recommendations in the subject audit report have been fully implemented by the Bureau of Reclamation (BOR).

Background

Our September 2004 audit report, "Bureau of Reclamation, Denver Office, Contract Administration" (No. C-IN-BOR-0067-2002) made four recommendations to correct deficiencies related to Contract Administration. We reported that the BOR Denver Office did not have an adequate system of control to ensure contracting was performed in accordance with acquisition regulations and guidelines.

In its July 23, 2004 response to the draft of the subject report, BOR said that it had complied with Recommendation 2 and concurred with Recommendations 1, 3, and 4. Based on this response, we considered Recommendation 2 resolved and implemented; and Recommendations 1, 3, and 4 resolved but not implemented. On October 4, 2004, we referred Recommendations 1, 3, and 4 for tracking of implementation to the Assistant Secretary for Policy, Management and Budget. The Associate Director for Finance Policy and Operations, Office of Financial Management, reported to the Assistant Inspector General for Audits on July 29, 2005 that BOR had completed actions required to implement all of the recommendations in the subject report.

Scope and Methodology

The scope of this review was limited to determining whether BOR took implementing action as it reported. To accomplish our objective, we reviewed the supporting documentation that BOR officials provided us relating to the four recommendations made in the report. We also interviewed and requested information from BOR personnel.

We did not perform any site visits or conduct any detailed audit fieldwork to determine whether the underlying deficiencies that were initially identified have been corrected. As a result, this review was not conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

Results of Review

Recommendation 1: Ensure that a policy statement is issued to establish a stronger control environment for contracting including adherence to procurement requirements and separation of program functions and contracting responsibilities.

In a March 29, 2005 memorandum to the Associate Director, Office of Financial Management, BOR stated that it had taken actions to implement Recommendation 1. To address the recommendation, BOR reported that it issued an Acquisition Roles and Responsibilities Policy Statement memorandum to all employees on February 11, 2005. A copy of the February 11, 2005 memorandum was attached to the March 29, 2005 memorandum. The February 11, 2005 memorandum stated that "A Reclamation Manual Policy on this subject will be issued in the near future." In an August 17, 2005 memorandum to the Associate Director, Office of Financial Management, BOR provided a copy of Reclamation Manual Policy ACM P01 – Acquisition Roles and Responsibilities and Acquisition and Assistance Management Reviews, dated August 1, 2005 for the Associate Director's and the OIG's information.

During our review, we verified that BOR personnel had access to Reclamation Manual Policy ACM P01 which was available on the BOR intranet. The actions taken by BOR are sufficient for us to consider Recommendation 1 implemented.

Recommendation 2: Ensure that the performance standards for the Director of the Management Services Office, of which the Acquisitions Operations Group is a component, are modified to include provisions that require contracts be administered in accordance with requirements.

In its July 23, 2004 response to the draft of the subject report, BOR stated that since 2003 the Director of the Management Services performance standards have included provisions that require contracts to be administered in accordance with requirements.

During our review, we obtained copies of the performance standards for the Director of the Management Services for the appraisal years ending during 2003 and 2004. BOR officials identified Performance Element Number 4 to be the provision that related to Recommendation 2. It stated:

For the human resources, acquisition, finance/accounting, and property/facility management functional areas, interpret DOI and other higher-level directives, develop Reclamation policies and guidance, and provide oversight and direction to Reclamation offices in support of Reclamation's core mission, the Department's priorities, and the President's Management Agenda.

During our review, we noted that although Performance Element Number 4 contained different wording than the recommendation, it appeared to satisfy the intent of the recommendation. The actions taken by BOR are sufficient for us to consider Recommendation 2 implemented.

Recommendation 3: Ensure that the external quality control review process includes an inventory of all contract actions, a mechanism to select for review all contract actions meeting established thresholds, and a method for tracking implementation of recommendations.

In a February 4, 2005 memorandum to the Associate Director, Office of Financial Management, BOR stated that it had taken actions to implement Recommendation 3. To address this recommendation, BOR reported that it refined the external quality control review process for monitoring and selection of contract actions; and that it identified a process to track the implementation of recommendations. A copy of BOR's action plan to track the review of contract actions and a copy of the Contract High Dollar Report from the Federal Procurement Data System was attached to the February 4, 2005 memorandum.

During our review, we verified that BOR had an external quality control review process that was managed by the Acquisition and Assistance Management Unit. The actions taken by BOR are sufficient for us to consider Recommendation 3 implemented.

Recommendation 4: Ensure that the Manager of the Denver Acquisitions Operations Group establishes and implements procedures for a system of internal quality control and reviews. The procedures should cover review cycles, contract selection, review objectives, scope, and methodology; and recommendation tracking. This process could result in the creation of a report card to rate contracting officers' compliance with procurement requirements.

In a July 25, 2005 memorandum to the Associate Director, Finance Policy and Operations, BOR stated that it had taken actions to implement Recommendation 4. To address the recommendation, BOR reported that the Denver Acquisitions Operations Group developed and implemented a System of Internal Quality Control and Reviews. A copy of the Standard

Operating Procedure 05-01 for the System of Internal Quality Controls and Reviews was attached to the July 25, 2005 memorandum.

During our review, we concluded that the Acquisitions Operations Group of BOR had a system of internal quality control and review. The system covered review cycles, contract selection, review objectives, scope, and methodology, and recommendation tracking. The actions taken by BOR are sufficient for us to consider Recommendation 4 implemented.

Conclusion

During an exit conference on December 22, 2005, we informed a BOR official that we were reporting all four recommendations addressed to the BOR in our prior report as implemented. Because we consider these recommendations closed, no response to this report is necessary.

If you have any questions regarding this report, please contact me at (703) 487-5345.

cc: Focus Leader for Management Accountability and Audit Follow-up, Office of
Financial Management, Office of Policy, Management and Budget
Audit Liaison Officer, Department of the Interior
Audit Liaison Officer, Assistant Secretary for Water and Science
Audit Liaison Officer, Bureau of Reclamation