



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

# **BUREAU OF LAND MANAGEMENT'S BRANCH OF NATIONAL ACQUISITIONS**



**OFFICE OF  
INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

SEP 30 2013

Memorandum

To: Neil Kornze  
Principal Deputy Director, Bureau of Land Management

From: Kimberly Elmore *Kimberly Elmore*  
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Final Evaluation Report – Bureau of Land Management’s  
Branch of National Acquisitions, National Operations Center  
Report No. C-EV-BLM-0007-2011

This report transmits the findings of our evaluation of the Branch of National Acquisitions (Acquisitions), National Operations Center (NOC), Bureau of Land Management (BLM). Our objective was to determine whether NOC is issuing and administering contracts according to the Federal Acquisition Regulation (FAR) and related policies.

**Background**

We evaluated Acquisition’s contracting and contract administration activities because of concerns identified in the course of other Office of Inspector General work. Specifically, our audit of a systems development contract administered by Acquisitions (part of the National Business Center prior to 2007) found that Acquisitions had not administered many aspects of that contract according to the FAR or BLM procurement policies. For that contract, we found that Acquisitions—

- did not follow the FAR when purchasing from a third party;
- did not ensure that invoiced labor hours were reconciled to an approved statement of work;
- paid invoices for costs incurred outside the contract period of performance;
- paid invoices for costs incurred in excess of the contract agreement amount;
- did not have documentation for any legal review of the contract;
- did not have documentation for any review of past performance;
- did not maintain the original statement of work in the contract file;
- did not maintain subcontractor cost and pricing data in the contract file; and
- did not publish sole-source task orders as required.

Because of these deficiencies and concerns identified by our Recovery Oversight Office about other contracts administered by Acquisitions, we examined six contract files dating from 2009 through 2011 (see Figure 1).

<b>Contract</b>	<b>Year Awarded</b>	<b>Type of Contract</b>
<b>Contract A</b>	2009	Firm Fixed Price / Sole Source
<b>Contract B</b>	2010	Indefinite Delivery Indefinite Quantity
<b>Contract C</b>	2010	Firm Fixed Price
<b>Contract D</b>	2010	Time and Materials
<b>Contract E</b>	2010	Firm Fixed Price
<b>Contract F</b>	2011	Cost Reimbursement

Figure 1. Contract files reviewed. Contractor and contract names are intentionally redacted.

## Findings

We found issues in each of these contracts. Our findings include missing and incomplete documentation and improper procedures (see Attachment 1). Based on our interviews with Acquisitions' staff and others involved in contract monitoring, we attribute the issues identified to four underlying causes: 1) inadequate documentation of procedures and standards, 2) poor understanding of roles and responsibilities by contracting officers' representatives and project officers, 3) inadequate review of contract files and actions taken, and 4) poor coordination between parties responsible for contract monitoring. We issued a comprehensive Notice of Potential Findings and Recommendations, including contract-by-contract findings, to Acquisitions' Branch Chief and the Division Chief of Business Services. We proposed four recommendations to address the underlying causes of the problems we found. The NOC Director responded with full concurrence to our recommendations and indicated that some corrective actions are already underway, including training for contracting officers; development of written instructions, guides, and templates; and implementation of a quarterly records reviews.

### *Missing or Incomplete Documentation*

Proper documentation is essential to contract administration; it is necessary for BLM to enforce contract terms. During our evaluation, one interviewee in Acquisitions told us that 31 contract files, some of which pertain to open contracts, could not be located. Records for the six contracts we selected were available, but some documentation was missing or incomplete. We could not find the following documents in the records of one or more of the six contracts, including—

- purchase requisitions;
- requests for proposal;

- documentation of market research;
- documentation of cost and price analyses; and
- reviews of contractors' accounting systems.

We could not locate an independent U.S. Government estimate for two contracts, and for a third contract, the estimate did not have supporting documentation. We also found that a contract modification in one contract was not completed for a change in contracting officers, and in another contract not all modifications had been signed. Additional evaluation work revealed that important contract documents—such as statements of work, contracts, purchase requisitions, and acquisition plans—were not signed for three of the contract files we reviewed. Further, one contract had no progress reports maintained in the contract file, one contract file did not have all of the supporting statements of work, and two other contracts had incomplete statements of work.

### *Improper Procedures*

Improper procedures in contracting or contract administration could result in improper payments (for unauthorized work, unrelated expenses, or work not actually performed) as well as accounting discrepancies. Evidence of improper procedures included—

- a task order with terms that did not conform to the supporting blanket purchase agreement or General Services Administration price schedule;
- failure to track mileage charges under one contract;
- no evidence in one contract file that invoices and progress reports were reviewed prior to payments being made; and
- a line of accounting (account number) on a modification to deobligate funds from one contract that differed from the related purchase requisition.

In addition, a BLM official told us that a BLM project officer requested that a contract be modified—in effect, representing the contractor. The NOC Director acknowledged the incident and informed us that the project officer and the contracting officer involved had been counseled. Further, she stated that other contracting officers and contracting officers' representatives were provided guidance on how to properly pursue contract modifications.

For one of the six contracts we selected for our evaluation, Acquisitions requested that we perform a separate contract audit. After our audit questioned the contractor's costs and supporting documentation, BLM and the Office of the Solicitor negotiated an agreement that resulted in the Government avoiding payment of \$309,755 and included a full release of further claims from the contractor.

### **Conclusion and Recommendations**

Acquisitions continues to face challenges in its contracting and contract administration practices. Addressing these challenges would provide greater assurance that contracts are awarded and administered properly.

In our draft evaluation report, we encouraged Acquisitions to act on the underlying causes of the problems we had identified. We offered two recommendations to address the need for NOC to document procedures and improve training on staff roles, responsibilities, and limitations. In addition, we sought to improve record-keeping through two recommendations on records management and periodic review of contract files. While our recommendations did not directly address coordination between Acquisitions and project personnel, we believe that implementing the four recommendations will indirectly improve coordination because all involved will be better informed of their roles and will have appropriate access to contract-related records.

In response to our draft report, BLM affirmed the NOC's concurrence with each of the four recommendations. NOC officials then met with us and provided additional information on corrective actions being taken. We summarize BLM's response, and our analysis, below. (For BLM's complete response, see Attachment 2.) We have modified the wording of our recommendations to align with BLM's action plan while maintaining our overall intent. This should facilitate implementation tracking (see Attachment 3).

We recommend that the NOC Director:

1. Create guidance documents or job aids to support the contract administration process. Guidance should outline the duties, responsibilities, and limitations for contracting officers, contracting officers' representatives, and other project officers. Where appropriate, job aids should differentiate requirements for each major contract type.

**BLM's Response:** BLM concurs with this recommendation and stated that it "has developed templates and checklists outlining specific duties and responsibilities" and "is in the process of finalizing" standard templates, guides, and procedures. BLM set a completion target of October 2013.

**Office of Inspector General's Analysis:** We commend BLM's efforts to improve contracting guidance and look forward to further progress. We consider this recommendation resolved but not fully implemented. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking its implementation.

2. Expand and improve the training provided to contracting officers, contracting officers' representatives, and project officers. Training should address the FAR's principles as well as local procedures.

**BLM's Response:** BLM concurs with this recommendation and stated that it has "sponsored training classes tailored for the BLM acquisition workforce" and informed us of a number of pertinent topics recently addressed. In addition, NOC officials provided us evidence of the training announcements having been distributed to Acquisitions personnel (and others).

**Office of Inspector General's Analysis:** We commend BLM's efforts to improve its training program and to provide relevant training on a regular basis. We consider this recommendation resolved and implemented.

3. Implement a records management plan for contract files to prevent contract file loss and to provide a reference, by contract type, of what documentation is required for a complete contract record. This could include a plan to capture documents electronically for more efficient search, retrieval, and review.

**BLM's Response:** BLM concurs with this recommendation and stated that it is developing standard operating procedures "to ensure that contract files are complete and have required documentation." BLM set a completion target of October 2013.

**Office of Inspector General's Analysis:** We look forward to improved guidance for the management of contract-related records at the NOC. We consider this recommendation resolved but not fully implemented. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking its implementation.

4. Perform periodic reviews to ensure that contract files are complete and that contract actions have been properly performed. Include a follow-up process to ensure corrective actions are taken when needed.

**BLM's Response:** BLM concurs with this recommendation and stated that an "internal review process was conducted for certain contracts" and that Acquisitions' contracts are now "subject to random reviews." In addition, NOC officials provided us with evidence of a recent file review, its findings, and the actions that were prescribed to improve the records.

**Office of Inspector General's Analysis:** We commend BLM's efforts to improve contract records management through internal review and follow-up. We consider this recommendation resolved and implemented.

We acknowledge BLM's actions toward improving contract administration. Improved guidance, training, and reviews should help to strengthen contract oversight and reduce process errors.

## Scope

We limited our evaluation to the six contracts noted in Figure 1. Selections were judgmental, based upon the type of contract, modifications to the contract, and known problems with certain types of contracts.

We conducted this evaluation in accordance with the Quality Standards for Inspection and Evaluation as put forth by the Council of Inspectors General on Integrity and Efficiency. We

believe that the work we performed provides a reasonable basis for our conclusions and recommendations.

## **Methodology**

As part of our evaluation, we—

- reviewed the FAR;
- reviewed BLM's acquisition guidance;
- obtained a list of contracting officers and contracting officers' representatives;
- obtained a list of employees with warrant authority at BLM and their level of authority;
- interviewed the NOC managers and Acquisitions' staff;
- obtained a list of all the NOC contracts issued between October 1, 2009, and September 30, 2011;
- selected contracts for review; and
- reviewed six contract files.

As summarized in Attachment 3, we consider recommendations 1 and 3 to be resolved but not fully implemented. Recommendations 2 and 4 are resolved and implemented. No further response to the Office of Inspector General on this report is necessary.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

We appreciate the cooperation of BLM staff in completing this evaluation. If you have any questions about this report, please contact me at 202-208-5745.

Attachments (3)

## Contracting Errors

Missing or Incomplete Information	
Contract A	No market research; no independent Government estimate; no supporting documentation for price analysis; no request for proposal; incomplete statements of work.
Contract B	Missing or incomplete funding documents; some contract modifications not signed; no evidence that invoices and progress reports were reviewed prior to payment; no evidence of proper approval for travel expenses.
Contract C	Progress reports not maintained in contract files.
Contract D	No modification of contract when contracting officer assignment changed.
Contract E	Estimate of contract did not have supporting documentation; no current rates or accounting system review were in effect; incomplete statements of work; acquisition plans not signed.
Contract F	Missing purchase requisitions; missing independent Government estimate; missing supporting statements of work.
Improper Procedures	
Contract A	None identified.
Contract B	No evidence of review for invoices and progress reports prior to payments.
Contract C	Poor coordination when handing off from one contracting officer to another; billing for time-and-materials contract rather than firm-fixed-price contract.
Contract D	No one tracked mileage charges; task order did not conform to blanket purchase agreement terms.
Contract E	None identified.
Contract F	Line of accounting on a modification differed from the related purchase requisition.





United States Department of the Interior  
BUREAU OF LAND MANAGEMENT  
Washington, D.C. 20240  
<http://www.blm.gov>




In Reply Refer To:  
1245 (OC-662)

JUL 22 2013

Memorandum

To: Kimberly Elmore  
Assistant Inspector General for Audits, Inspections, and Evaluations

From: Neil Kornze   
Principal Deputy Director

Subject: Office of the Inspector General Evaluation Draft Report - Bureau of Land Management's Branch of National Acquisitions, National Operations Center (Report No. C-EV-BLM-0007-2011, June 12, 2012)

Thank you for the opportunity to review and comment on the Office of Inspector General (OIG) draft report Bureau of Land Management's Branch of National Acquisitions, National Operations Center (Report No. C-EV-BLM-0007-2011).

When the OIG began its review, it issued a notice of preliminary findings and recommendations (NPFR) in June 2012 related to contract administration at the National Operations Center (NOC). At that time, the OIG determined that the Bureau of Land Management (BLM) was not adequately following procedures and lacked proper documentation for its contracts. In response to these NPFRs, the BLM began to address these issues and improve consistency and compliance in accordance with acquisition regulations and policies. At present, the BLM believes it has taken significant steps to address the NPFRs that are reflected as final recommendations in this draft report.

The BLM concurs with the four recommendations. Attachment 1 provides a summary of the actions taken by the BLM to address the recommendations and further improve processes and systems.

If you have any questions about this response, please contact Timothy Riley, Division Chief, Business Service, National Operations Center, at (303-236-6455) or LaVanna Stevenson, BLM Audit Liaison Officer, at (202) 912-7077.

Attachment

**Response to the Office of the Inspector General Draft Evaluation Report - Bureau of Land  
Management's Branch of National Acquisitions, National Operations Center  
(Report No. C-EV-BLM-0007-2011)**

**Recommendation 1:** Create a standard operating procedure (SOP) outlining the contract administration process. The procedure should specify the duties, responsibilities, and limitations for contracting officers (CO), contracting officer representatives (COR), and other project officers. The procedure should specify each major contract type: who does what, how it is to be done, and when it is to be done.

**Response:** The BLM concurs with this recommendation. The BLM has developed templates and checklists outlining specific duties and responsibilities for COs, CORs and other project officers for the range of acquisition tools and associated processes. The BLM has also conducted training for its NOC acquisition staff, as well as the entire BLM acquisition community in acquisition procedures and policies. Additionally, the BLM is in the process of finalizing standard templates, guides and SOPs for the following business processes:

- Source Selection Decision guide – The process and steps necessary to document the source selection process.
- Modification Language template – Standard language to be used on all contract modifications.
- IAA Determinations and Findings (D&F) template – Standard format for D&F for IAAs.
- Records Management processes – SOP for office records management system.

**Target Date:** October 5, 2013.

**Responsible Official:** Ruth Welch, Director, National Operations Center

**Recommendation 2:** Expand and improve the training and job aids provided to COs, CORs, and project officers. Training should address Federal Acquisitions Regulation (FAR) principles as well as local procedures; job aids could include document templates and samples.

**Response:** The BLM concurs with the recommendation. In addition to the mandatory training that is required for all of the acquisition workforce to maintain their certifications, the BLM has sponsored training classes tailored for the BLM acquisition workforce but also available for other bureaus to use through DOI-Learn. Training opportunities in 2013 included:

- Price Negotiation Memorandum and Source Selection Training presented by Office of the Solicitor.
- Small Business Administration (SBA) training presented by the SBA.
- The Green Purchasing Plan and Utility Task Vehicle Purchasing Standards.
- Contractor Performance and Reporting System Training.
- Fed Bid Training.
- Miscellaneous Obligation Training.

Attachment 1-1

In addition, the BLM has developed several outreach tools to enhance understanding of and compliance with SOPs for the acquisition cycle and processes. The BLM has also completed an online COR training class which will be available on an on-going basis for BLM's COs, CORs, and project managers.

**Target Date:** Completed.

**Responsible Official:** Ruth Welch, Director, National Operations Center

**Recommendation 3:** Implement a records management plan for contract files to prevent contract file loss and to provide reference by contract type, and the documentation which is required for a complete contract record. This could include a plan to capture documents electronically for a more efficient search, retrieval, and review.

**Response:** The BLM concurs with this recommendation. The BLM is in the process of finalizing SOPs for Records Management to ensure that contract files are complete and have required documentation. These SOPs will be issued processes – SOP for office records management system.

**Target Date:** October 5, 2013.

**Responsible Official:** Ruth Welch, Director, National Operations Center

**Recommendation 4:** Perform periodic reviews to ensure that contract files are complete and that contract actions have been properly performed. Include a follow-up process to ensure corrective actions are taken when needed.

**Response:** The BLM concurs with this recommendation and considers it closed based on the actions outlined below. The BLM has put in place several reviews and processes to include:

- **Internal Review Process:** An internal review process was conducted for certain contracts and as a result, the CO and supervisor have established a review process to ensure contracts are in line with appropriate procedures.
- **Random Reviews:** Contracts are subject to random reviews by the section chiefs and findings are communicated to staff. Corrective action is undertaken immediately.
- **Setting Expectations:** We have established expectations of contract requirements and execution with customers and the contracting staff who are improving the overall acquisition program.

**Target Date:** Completed.

Attachment 1-2

### Status of Recommendations

In the Bureau of Land Management's (BLM) response, BLM concurred with all 4 recommendations (see Attachment 2).

1, 3	Resolved but not fully implemented.	We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget for implementation tracking..
2,4	Resolved and Implemented.	No further action is required..

# **Report Fraud, Waste, and Mismanagement**



Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to departmental or Insular Area programs and operations. You can report allegations to us in several ways.



---

**By Internet:**      [www.doi.gov/oig/index.cfm](http://www.doi.gov/oig/index.cfm)

**By Phone:**      24-Hour Toll Free:      800-424-5081  
Washington Metro Area:      202-208-5300

**By Fax:**      703-487-5402

**By Mail:**      U.S. Department of the Interior  
Office of Inspector General  
Mail Stop 4428 MIB  
1849 C Street, NW.  
Washington, DC 20240