



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

Report No. WR-VS-MOA-0012-2010
September 30, 2010

Memorandum

To: Director, Office of Acquisition and Property Management
Assistant Secretary for Policy, Management and Budget
(Attention: Associate Director for Finance, Policy and Operations)

From: for Michael P. Colombo *Charles Dean Wiebe*
Regional Manager

Subject: Verification Review of Recommendations One, Two, and Three of Evaluation Report Titled "Sole Source Contracting: Culture of Expediency Curtails Competition in DOI Contracting" (W-EV-MOA-0001-2007), February 2008

The Office of Inspector General (OIG) has completed a verification review of three recommendations presented in the subject evaluation report. The objective of the review was to determine whether the recommendations were implemented as reported to the Office of Financial Management, Office of Policy, Management and Budget. In a memorandum dated September 17, 2008, the Office of Financial Management (PFM) reported to the OIG that all of the recommendations in the subject report had been implemented, and the evaluation report was closed.

Background

Our February 2008 evaluation report, "Sole Source Contracting: Culture of Expediency Curtails Competition in the Department of Interior Contracting" (Report No. W-EV-MOA-0001-2007), made three recommendations to the Department of Interior (DOI) relating to the Department's tendency to issue contracts quickly via sole source contracts that did not have adequate written justifications and had material modifications which made them de-facto sole source contracts. As a result, the Department has no assurance that the public gets the best value for the goods and services it buys.

In a June 9, 2008 memorandum, we considered all three recommendations unresolved and not implemented due to no management decision and referred them to PFM for tracking and implementation. In a memorandum dated September 17, 2008, PFM reported that all three recommendations had been implemented, and the report was closed.

Scope and Methodology

The scope of this review was limited to determining whether the Department took action to implement the recommendations. To accomplish our objective, we reviewed the supporting documentation that DOI officials provided us relating to each of the three recommendations.

We did not perform any site visits or conduct any detailed fieldwork to determine whether the underlying deficiencies that were initially identified have actually 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

Our current review found that the Department implemented Recommendations 2 and 3 but did not implement Recommendation 1. We are requesting that PFM reinstate Recommendation 1 and take appropriate follow-up action.

Recommendation 1: To reinforce the use of competition in the acquisition process, we recommend that the role of the competition advocate be implemented as envisioned by Congress and codified in the Federal Acquisition Regulation.

On July 23, 2010, DOI officials told us having the procurement chief as the competition advocate is the prudent choice because only the procurement chief has the knowledge and ability to perform the duty. According to the Federal Acquisition Regulation Subpart 6.501(b), it states that the competition advocate shall not be assigned duties or responsibilities that are inconsistent with 6.502, which outlines the duties and responsibilities of the competition advocate. Accordingly, we believe that the procurement chief cannot perform the planning, oversight, and reporting duties necessary to be an effective competition advocate because of the conflict of interest the two roles present. Although the Office of Acquisition and Property Management (PAM) issued the Department of Interior Acquisition Policy Release (DIAPR) 2008-10 which enhances competition by requiring the competition advocate to review options and modifications for non-competitive awards regardless of the dollar amount, we believe it is not enough, and the procurement chief still has conflicting duties. As a result, we concluded that this recommendation has not been implemented.

Recommendation 2: To reduce the number of sole source contracts that are issued throughout the fiscal year, we recommend that program personnel closely coordinate their contractual needs with procurement personnel to promote a seamless acquisition planning process.

On September 12, 2008, PAM issued the DIAPR 2008-10 which stated that acquisition officials are expected to engage in the acquisition planning in conjunction with their counterparts in the program offices. In addition we found that the Federal Acquisition Certification for Program and Project Managers program policy guide stated, "To ensure achievement of intended outcomes and mission goals, collaborative partnerships between Program and Project Managers and Contractive Professionals must exist." In the Capital Planning and Investment Control guide,

it stated that the Integrated Project Team will vary in size and acquisition disciplines depending on the phase of the project, but must always contain a qualified project manager and contracting officer. Furthermore, a Department official told us that ongoing coordination and collaboration between the acquisition and program/project management community are essential to meeting the Department's mission goals. As a result, we consider Recommendation 2 to be resolved and implemented.

Recommendation 3: To reduce the use of sole source contracts, managers and other personnel with oversight roles must be held accountable. Specifically, measurable goals should be established to minimize the use of contracts awarded without full and open competition. These goals along with the results should be posted on the Internet. Also, contracting emphasis should be shifted to meet other small business program goals, such as the goal for the Service-disabled vets, once Section 8(a) goals are met. Lastly, the Department's Office of Acquisition and Policy Management (PAM) should continue its oversight in the form of acquisition management reviews (AMRs). These AMRs should include a review of:

- Sole source contracts to ensure that competition was used to the maximum extent possible; applicable sole source contracts were submitted for independent review to the competition advocate; market research was conducted and a fair and reasonable price established; and written justifications for other than full and open competition were adequately prepared, convincing, and documented;
- Section 8(a) contracts to ensure that fair market prices were established and the \$3.5 million contract cost threshold for full and open competition among 8(a) firms is followed;
- Competed and modified contracts to ensure that the modifications did not substantially change the original scope of work; and
- AMRs performed by the individual bureaus.

In addition, PAM should ensure that the recommendations resulting from the findings of AMRs are implemented by the individual bureaus and Departmental offices.

In our review we found that the Department has set a competition goal for 75% of contract dollars to be competed. In addition, we learned the Department has plans to improve the reporting in Federal Procurement Data System – Next Generation and it posts the written justifications for non-competed contracts online at FedBizOpps.Gov. For fiscal year 2010, the Department no longer has a Small Business Administration Section 8(a) goal.

The Department continues to conduct AMRs, and conducts target reviews for issues found in past reports. In addition, PAM conducts follow-up of their findings. As a result, we concluded that this recommendation is implemented.

Conclusion

We informed PAM officials of the results of this review on September 27, 2010.

If you have any questions about this report, please contact me at (916) 978-5653.

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