



**U.S. Department of the Interior
Office of Inspector General**

AUDIT REPORT

ADMINISTRATION OF THE UNIFORM SUPPLY CONTRACT, NATIONAL PARK SERVICE

**REPORT NO. 00-I-319
APRIL 2000**

EXECUTIVE SUMMARY

**Administration of the Uniform Supply Contract,
National Park Service
Report No. 00-I-319
April 2000**

BACKGROUND

The National Park Service (NPS), under a requirements contract, obtains uniforms and related items for its employees and for employees of the U.S. Fish and Wildlife Service (FWS) and the U.S. Army Corps of Engineers. The contract (No. 1443CX001-94-012), which NPS awarded to R & R Uniforms, Inc., of Nashville, Tennessee, had a term not to exceed 5 years, with the exercise of annual renewal options. The final renewal period ended on September 30, 1999. However, because NPS did not complete actions to award a new contract by October 1, 1999, it extended the contract to June 30, 2000. From the inception of the contract through September 30, 1999, the three Federal agencies obligated funds of \$32.8 million, and NPS modified the contract 77 times.

NPS park superintendents determine which employees are required to wear uniforms, and employees who are authorized to wear uniforms are given an annual uniform allowance. NPS policy on the uniform program is contained in NPS-43, "Servicewide Uniform Program Guideline," which states that uniform coordinators and program coordinators at the parks are to (1) provide programmatic guidance on matters such as uniform types and (2) monitor the administration of the uniform contract. The policy also describes procedures for placing orders and for monitoring the receipt of uniforms. NPS allows employees to purchase items from the contractor with their own funds when the employees have exhausted their individual allowances. Records of each employee's annual uniform allowance are maintained by the contractor.

OBJECTIVE

The objective of the audit, which NPS requested, was to determine whether improvements were needed in the manner in which NPS contracted for uniforms for NPS, FWS, and Corps employees.

RESULTS IN BRIEF

We determined that NPS needed to improve its controls over the administration of the employee uniform contract. Office of Management and Budget Circular No. A-123, "Management Accountability and Control," requires agencies to establish management controls to assist program and financial managers in achieving results and safeguarding the

integrity of their programs. Although NPS guidance describes the duties of personnel who are responsible for the uniform program, NPS had not provided sufficient management oversight to ensure that the uniform contract was properly administered. Specifically, for 48 of the 63 months that the contract and one extension were in effect, NPS had no permanently assigned manager to oversee the administration of the contract. Also, NPS had not established (1) a process that provided reasonable assurance that invoices (billings from the contractor) were accurate before payments were made, (2) sufficient controls over the recording of financial activities associated with the contract, or (3) limitations on its liability for compensating the contractor for discontinued stock. Further, NPS did not implement controls to ensure that employees purchased only a reasonable amount of necessary uniform items. As a result, NPS had little assurance that all contract payments were made for items that employees ordered and received in good condition and that uniform purchases were mission related. NPS also did not have reliable information on the status of contract funding and assumed a liability for the purchase of excess or discontinued uniform items.

We also identified other contract/contractor performance areas in which improvements or corrective actions may be needed, such as the issuance of unnecessary reports and noncompliance with the interagency agreements governing the relationship between NPS, FWS, and the Corps.

RECOMMENDATIONS

We recommended that NPS appoint a permanent manager for the uniform program who has clearly defined duties and responsibilities and that NPS establish controls to ensure that sufficient amounts of funds are obligated to pay for employees' authorized uniform allowances.

AUDITEE COMMENTS AND OFFICE OF INSPECTOR GENERAL EVALUATION

NPS concurred with the report's two recommendations and agreed to take the recommended corrective actions. We have asked NPS to provide additional information on one of the recommendations, and we consider the other recommendation resolved but not implemented.



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

APR 17 2000

AUDIT REPORT

Memorandum

To: Assistant Secretary for Fish and Wildlife and Parks

From: Roger La Rouché *Roger LaRouche*
Acting Assistant Inspector General for Audits

Subject: Audit Report on Administration of the Uniform Supply Contract, National Park Service (No. 00-I-319)

INTRODUCTION

This report presents the results of our review of the National Park Service's (NPS) administration of the requirements contract with R & R Uniforms, Inc. Under this contract, NPS purchased uniforms and related items for its employees and for employees of the U.S. Fish and Wildlife Service (FWS) and the U.S. Army Corps of Engineers. The objective of the audit, which NPS requested, was to determine whether improvements were needed in the manner in which NPS contracted for uniforms for NPS, FWS, and Corps employees.

BACKGROUND

R & R Uniforms, Inc. of Nashville, Tennessee, a subsidiary of Horace Small Apparel Company, has supplied uniforms to NPS for 18 years. The company recently was acquired by VF Workwear, Inc. NPS awarded Contract No. 1443CX0001-94-012 to R & R Uniforms on June 20, 1994. This contract had a term not to exceed 5 years, with the exercise of annual renewal options. The final renewal period ended on September 30, 1999. Because NPS had not completed actions to award a new contract by October 1, 1999, it extended the contract to June 30, 2000.

From inception of the contract through September 30, 1999, NPS, FWS, and the Corps obligated funds of \$32.8 million, and NPS modified the contract 77 times. The total amount of funds obligated by the three Federal agencies from contract issuance through September 30, 1999, and the average number of personnel who had uniform allowances during this period are as follows:

<u>Agency</u>	<u>Funding</u> (In millions)	<u>No. of Personnel</u>
NPS	\$23.0	17,000
FWS	6.4	5,000
Corps of Engineers	<u>3.4</u>	<u>2,800</u>
Total	<u>\$32.8</u>	<u>24,800</u>

NPS park superintendents determine which employees are required to wear uniforms, and for authorized employees, NPS provides an annual uniform allowance. NPS policy on the uniform program is contained in NPS-43, "Servicewide Uniform Program Guideline," which states that uniform coordinators and program coordinators at the parks are to (1) provide programmatic guidance on subjects such as the types of uniforms and employee personal appearance and conduct and (2) monitor the administration of the uniform contract. The policy also describes procedures for placing orders and for monitoring the receipt of uniforms. NPS allows employees to purchase items from the contractor when the employees have exhausted their individual allowances. Employees pay for such purchases with their own funds, and these transactions do not impact the contract or affect the authorized funding level of the contract. Records of each employee's annual uniform allowance, including accounting information on items ordered and shipped, are maintained by the contractor.

SCOPE OF AUDIT

We performed our audit from August to November 1999 at the Nashville offices of R & R Uniforms and at NPS headquarters in Washington, D.C.; at NPS's Harpers Ferry Center and Harpers Ferry National Historic Park in Harpers Ferry, West Virginia; at Antietam National Battlefield in Sharpsburg, Maryland; and at Grand Canyon National Park in Arizona. We also visited the contracting officers' technical representatives of FWS and the Corps. These representatives were located in Arlington, Virginia, and Washington, D.C., respectively. Although our audit focused mainly on NPS's uniform program, we visited FWS's Bosque del Apache National Wildlife Refuge in Socorro, New Mexico, and its uniform coordinator in Albuquerque, New Mexico. At the sites visited, we reviewed procedures for ordering, shipping, receiving, and accounting for orders of uniforms and related items. To obtain information on the financial activity related to funding the uniform contract and contractor payments, we visited NPS's Accounting Operations Center in Reston, Virginia. We also reviewed contract and accounting data for fiscal years 1995 through 1999 and NPS policy as set forth in NPS-43. Because neither NPS nor FWS maintained centralized records on orders placed or received, we performed limited testing to determine whether (1) employee orders for which payments were made were for items that employees received in good condition and (2) employee orders were placed for appropriate and necessary uniforms and related items.

We conducted our audit in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of

records and other auditing procedures that were considered necessary under the circumstances. As part of the audit, we reviewed the internal controls to the extent we considered necessary to accomplish our audit objective, including a review of NPS's May 1998 interim report "Controls Over Costs for Uniforms in the National Park Service," which described inadequacies in financial controls over the uniform program. In evaluating internal controls, we found weaknesses in NPS's separation of duties, data integrity, and use of program funding. Our recommendations, if implemented, should improve the internal controls in these areas. We also reviewed the Departmental Report on Accountability for fiscal year 1998, which includes information required by the Federal Managers' Financial Integrity Act, and the Assistant Secretary for Fish and Wildlife and Parks annual assurance statement on management controls for fiscal year 1998. We determined that there were no reported weaknesses directly related to the objective and scope of this audit.

PRIOR AUDIT COVERAGE

During the past 5 years, the Office of Inspector General (OIG) has not issued any reports on NPS's uniform program. However, in February 1997, the General Accounting Office issued the report "Land Management Agencies Information on Selected Administrative Policies and Practices" (No. GAO/RCED-97-40). The report compared policies and practices among four land management agencies (NPS, FWS, the Bureau of Land Management, and the U.S. Forest Service) for selected administrative activities, including providing uniforms. The report did not contain any conclusions or recommendations.

RESULTS OF AUDIT

We determined that NPS needed to improve its controls over the administration of the employee uniform contract. Office of Management and Budget Circular No. A-123, "Management Accountability and Control," requires agencies to establish management controls to assist program and financial managers in achieving results and safeguarding the integrity of their programs. Although NPS guidance describes the duties of personnel who are responsible for the uniform program, NPS had not provided sufficient management oversight to ensure that the uniform contract was properly administered. Specifically, for 48 of the 63 months that the contract and one extension were in effect, NPS had no permanently assigned manager to oversee the administration of the contract. Also, NPS had not established (1) a process that provided reasonable assurance that invoices (billings from the contractor) were accurate before payments were made, (2) sufficient controls over the recording of financial activities associated with the contract, or (3) limitations on its liability for compensating the contractor for discontinued stock. In addition, NPS did not implement controls to ensure that employees purchased only a reasonable amount of necessary uniform items. As a result, NPS had little assurance that all contract payments were made for items that employees ordered and received in good condition and that uniform purchases were mission related. NPS also did not have reliable information on the status of contract funding and assumed a liability for the purchase of excess or discontinued uniform items.

In requesting an audit of the administration of the uniform contract, NPS said that it sought information on "the contractual relationship between the NPS and R & R Uniforms, in such a way that it serves as a learning experience for both organizations." For most of the contract's performance period, however, NPS had no program manager to oversee its uniform program or contractor performance, and NPS relied on the contractor to supply uniforms and related items and to properly bill for these items. Specifically, during 48 of the 63 months from June 1994 through September 1999, NPS had no dedicated manager assigned to the uniform program (a manager was assigned to the uniform program from June 1997 to September 1998 and another employee served as a temporary uniform program manager for the 4 months from June through September 1999).

Payment Process Controls

We found that NPS had not established administrative controls to ensure that invoices submitted by the contractor were accurate before payments were made. The Code of Federal Regulations (48 CFR 42.302 (a)(12)) requires the contract administrative officer to "review and approve or disapprove the contractor's requests for payments," and NPS requires its contracting officer's technical representative to receive, analyze, verify, and certify that contractor invoices are proper. We found, however, that NPS did not verify the accuracy of contractor billings but instead made payments based on invoices submitted twice monthly by R & R Uniforms. NPS's contracting officer said that unless she received notification from personnel in the field that the invoices were not accurate, she approved invoices for payment without independently verifying that the employees had ordered or received the items. The field offices, however, could not and did not question the propriety of the billings because they did not receive the invoices and therefore had no information on the amounts billed or on the uniform items ordered or received.

In our opinion, NPS and the other agencies (which also did not certify that billed items were ordered or received) are at risk that payments may be made to the contractor for uniforms and related items that employees did not order, receive, or receive in good condition. However, based on our limited testing, we found no indication that payments had been made for items that were not ordered or received in unacceptable condition. Specifically, we reviewed uniform orders placed during fiscal years 1998 and 1999 by eight NPS employees with uniform allowances¹ to determine whether the contractor's system for reporting uniform orders was reliable. Based on site visits and interviews, we determined that for the eight employees, the amounts billed by the contractor and paid by NPS were for uniform items that had been ordered and received in good condition.

According to NPS officials, NPS plans to develop an automated system to capture data that will be used to verify contractor invoices. We consider this action unnecessary because such

¹We selected for review uniform orders placed by eight employees who represented different types of uniform users (such as seasonal, temporary, and permanent employees). Our testing was limited to 8 of about 17,000 NPS employees because NPS had no centralized records to document employee orders and receipts of uniform items. To verify that eight employees had ordered and received contractor-billed items, we researched records in 29 boxes that were located at two separate sites (see "Other Matters").

a system would duplicate information currently available from the contractor and the use of such a system would not provide better data for NPS to verify invoiced amounts. Instead, we believe that NPS should ensure that billed amounts are accurate by implementing administrative procedures such as sampling transactions on a periodic basis to verify that billed items have been ordered and received by employees in good condition.

Accounting and Contracting Controls

We also found that NPS did not have sufficient controls over financial activities related to the uniform contract. For example, the amount of obligated funds recorded in NPS's financial system differed from the amount of funds authorized on contract modification documents, contract modifications contained inaccurate financial data, uniform orders were placed for amounts that exceeded the amount of funds obligated by contract documents, and fiscal year 1999 funds were obligated by NPS for uniform items paid by the Corps. Because NPS did not maintain reliable data, it had little assurance that sufficient funds were available for uniform orders or that funds were used effectively.

Accounting Errors. We found that NPS made errors in recording funding actions related to the uniform contract as follows:

- NPS issued a contract modification to obligate fiscal year 1996 funding of \$371,100 for FWS uniforms but recorded an obligation of only \$171,100 in its financial system for this transaction. According to NPS, the obligation was recorded inaccurately because NPS's Accounting Operations Center, which incorrectly assumed that a previously recorded obligation for \$200,000 was erroneous, did not enter \$200,000 of the modification's funding into its financial system in an effort to offset the error.

- NPS's Accounting Operations Center did not record two transactions in NPS's financial system. These two transactions were obligations of \$78,536 and \$95,161 for fiscal years 1996 and 1997, respectively, which were authorized under two contract modifications that funded Corps uniforms. Operations Center personnel said that they did not enter the amounts into the financial system because there were no funds available from the Corps to cover the modifications. We found, however, that there were funds available for at least the 1996 modification.

- In a separate transaction, NPS obligated funding of \$27,662 for fiscal year 1997 Corps uniform orders, thereby duplicating a previously recorded obligation.

- Accounting entries to obligate fiscal year 1995 funds for Corps uniforms differed by \$2,549 from the amounts obligated in five contract modifications. Accounting Operations Center staff could not explain why the financial system contained inaccurate data.

Contract Modification Errors. We also found that NPS issued contract modifications that contained inaccurate information as follows:

- A contract modification was issued that obligated fiscal year 1997 funds of \$313,601 more than the amount authorized by the Corps to pay for its uniforms. The error occurred because the contracting officer made a mathematical error in computing the amount needed to fund two uniform purchase requests. Although NPS's Accounting Operations Center and the Corps detected the error, a contract modification was not issued to correct the error.

- A contract modification was issued to fund uniform orders that had been financed under prior funding actions. Specifically, NPS issued a contract modification that obligated funds of \$221,052 in fiscal year 1999 to finance FWS uniform orders that had been financed with previously obligated funds.

- A contract modification was prepared that overstated the amount of Corps funds available for obligation in fiscal year 1997 by \$6,774.

- At the end of fiscal years 1995 and 1996, NPS executed contract modifications to close out contract financial activities for these 2 fiscal years. However, NPS did not accurately determine the amount of funds needed and retained obligated funds of almost \$150,000 in excess of amounts needed to meet its expenses for fiscal years 1995 and 1996. At the time we completed our fieldwork, NPS had not deobligated the funds for fiscal years 1995 and 1996 that were no longer needed. Therefore, these funds were not available for other operating needs.

Uniform Orders in Excess of Authorized Funding Levels. For fiscal year 1997, NPS and FWS employees ordered uniforms and other items in amounts that exceeded authorized contract funding as follows:

	<u>NPS</u>	<u>FWS</u>
Authorized funding per contract	\$4,500,000	\$1,086,500
Invoiced items by contractor*	\$4,409,973	\$1,088,183
Backorders at year end	\$121,902	\$38,613
Other invoiced items	0	\$12,487
Orders placed in excess of authorized funding	\$31,875	\$52,783

* Excludes amounts paid by employees for purchases that they made in excess of their authorized allowances.

Because FWS had funding available for a 2-year period to pay for uniform orders, it could have reduced its deficit by \$22,302 by using fiscal year 1996 funding that remained available for obligation in fiscal year 1997.

Although NPS and FWS employee uniform orders exceeded the amount of authorized funding by \$31,875 and \$52,783, respectively, in fiscal year 1997, NPS and FWS were at risk of having exceeded authorized funding by even greater amounts. For example, in fiscal year 1997, NPS obligated funds of \$4,500,000 for employee uniforms, and FWS obligated funds of \$1,086,000 for employee uniforms. Had NPS and FWS employees fully used their uniform allowances (\$4,826,968 for NPS and \$1,395,951 for FWS), these two bureaus would have incurred expenses in excess of authorized funds by \$326,968 (\$4,826,968 minus \$4,500,000) and \$309,951 (\$1,395,951 minus \$1,086,000), respectively. Throughout the term of the contract, both bureaus did not obligate sufficient funds to cover the authorized amount of employee uniform allowances.

Corps of Engineers Funds. In fiscal year 1999, the Corps assumed responsibility for paying contractor invoices for its employees' uniforms. However, NPS continued to record the obligations in its financial system to reflect NPS's liability to pay for Corps uniform orders. As such, as of September 30, 1999, NPS's financial system had obligations of \$89,000 recorded for Corps uniform orders. Because the Corps made direct payments to the contractor, NPS should not have recorded the obligation in its financial system. When we brought this matter to the attention of Accounting Operations Center personnel, they removed the obligation from NPS's financial records.

Excess Stock and Discontinued Uniform Items

We found that NPS had not taken sufficient actions to limit its liability for the contractor's excess stock. Specifically, NPS did not evaluate the contractor's stocking levels annually, although Section C-2.e.1 of the contract required an evaluation. Consequently, the contractor could be carrying excess quantities of items or discontinued items that NPS would be liable to buy under the contract's cancellation of items clause (Section I.1 52.217-2), which provides for contractors to receive payments for canceled items. Also, the contract did not contain a provision that specified the prices to be paid for the remaining inventory (that is, cost, full retail, or a fixed amount) of discontinued uniform items. As a result, NPS could incur unnecessary costs if it were required to purchase discontinued uniform items.

Mission-Related Uniform Purchases

NPS did not implement controls to ensure that employees purchased only a reasonable amount of necessary items. The Servicewide Uniform Program Guideline (Chapter 14-1.a.3) states that "employees may purchase only those uniform items included in the authorized uniform category," which is detailed in Chapter 7 of the Guideline. The Guideline (Chapter 14-1.b.2) further states that "the allowance amount authorized for each employee is to be used only [emphasis added] by that employee." NPS, however, had not established a supervisory review process at the park level to ensure the proper use of allowance funds and had not requested the contractor to monitor employee orders. In discussions with our audit staff, contractor employees stated that if requested, they could administratively control uniform orders to ensure that employees ordered only authorized items. Because NPS had not implemented controls over the type of uniform items ordered, employees may have ordered and NPS may have paid for items that were not authorized. Based on our analysis

of the contractor's data on NPS uniform orders (about 457,000 records representing about \$14.1 million in net NPS purchases) for the period of October 1, 1996, through August 24, 1999 (about 35 months),² we found employees who may have ordered items that were not needed or that were not used for the performance of their official duties as follows:

- We reviewed items ordered by employees who worked in warm weather climates to determine whether they purchased cold weather items. We selected for review Everglades National Park in Florida and the U.S.S. Arizona Memorial, Hawaii Volcanoes National Park, Haleakala National Park, and Kalaupapa National Historic Park, all of which are located in Hawaii. For the 35-month period, we found that employees at these parks purchased 102 Gore-Tex outer shells and 38 insulating liners for the shells; 12 waist-length parkas; 20 insulated hoods; 130 winter hats, including ski caps and balaclavas; 5 insulated coveralls; and 83 pairs of gloves. We believe that the purchase of cold weather clothing by employees who work in warm weather climates indicates that the items may not be job related.

- To determine whether employees ordered a reasonable number of items, we compared the average number of specific items ordered by all employees with the average number of items ordered by the top 5 percent of employees who purchased large quantities of the same items. Based on this comparison, we identified seven items that were ordered in relatively large quantities by some employees: ball caps, pants in general, jeans, belts, gloves, ski caps, and tie tacks. For example, on average, employees purchased 2.7 ball caps during the 35-month period (with 95 percent of the employees purchasing 14 or fewer ball caps). However, the upper 5 percent of orders for this item were placed by 34 employees who, on average, purchased 18.8 ball caps during the period, including 1 employee who purchased 41 ball caps. The results of our analysis of the seven items are as follows:

**Items Purchased by NPS Employees
From October 1, 1996, Through August 24, 1999**

<u>Item</u>	<u>Average No. of Items Purchased</u>	<u>Largest No. of Items Ordered</u>	<u>No. of Individuals Who Placed Large Orders</u>	<u>No. of Items Purchased</u>
Ball caps	2.7	41	34	19 or more
Pants	3.2	28	71	16 or more
Jeans	4.3	33	60	20 or more
Belts	1.2	16	70	5 or more
Gloves	1.6	18	20	9 or more
Ski caps	1.6	22	12	11 or more
Tie tacks	1.5	24	11	13 or more

²We requested data from the contractor on uniform orders placed in the most recent 3-year period. The contractor supplied information for the 35-month period of October 1, 1996, through August 24, 1999.

- To determine whether NPS employees may have ordered items for other individuals, we reviewed items ordered in different sizes. For example, during the 35-month period, one employee purchased 16 belts that ranged in size from 34 to 46 inches, with some orders consisting of belts in a variety of sizes.

Although there may be justification for ordering these items, we believe that our testing indicates that uniform items may have been purchased for other than mission-related purposes and essential needs and that NPS should implement controls to ensure that uniform allowances are used appropriately.

Recommendations

We recommend that the Director, NPS:

1. Appoint a permanent manager for the uniform program who has clearly defined duties and responsibilities. For example, the manager should develop and implement procedures to validate orders and receipts prior to paying contractor invoices, review contract modifications prior to issuance of the modifications, approve contractor inventory levels, reconcile contract financial information with information in NPS's financial system, ensure that funds excess to contract needs are deobligated timely, and ensure that only necessary and appropriate uniform items are purchased with Federal funds.

2. Establish controls to ensure that sufficient amounts of funds are obligated to pay for employees' authorized uniform allowances.

NPS Response and OIG Reply

In the March 9, 2000, response (Appendix 1) to the draft report from the Acting Director, NPS, NPS said that it was "in agreement with both recommendations" but did not provide all the information needed to resolve the recommendations. Therefore, we contacted the NPS official who assisted in the preparation of the response to obtain a clarification of NPS's planned actions to implement the recommendations. This official stated that NPS planned to appoint a program manager by October 1, 2000 (see the following discussion of Recommendation 1), and to issue Director's Order No. 43, which would require park superintendents, by October 1, 2000, to provide for the obligation of sufficient funds to finance all employee uniform allowances (Recommendation 2). Based on the clarification, we consider Recommendation 2 resolved but not implemented and request additional information for Recommendation 1 (see Appendix 2). Accordingly, the unimplemented recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

Recommendation 1. Concurrence.

NPS Response. In its response, NPS said that it "will include [the recommendation] in the new uniform contract." However, NPS officials subsequently stated that a position

description had been completed for the uniform program manager and that funding for the position had been made available.

OIG Reply. In its response and subsequent discussions, NPS did not state that the uniform program manager position description would contain the "clearly defined duties and responsibilities" described in our recommendation that are needed to ensure that the program has adequate managerial oversight. Accordingly, we are requesting that NPS provide a description of the duties and responsibilities of the uniform program manager.

Additional Comments on Report

NPS provided additional comments on our report. The comments and our replies to the comments are in the paragraphs that follow.

NPS Comment. NPS said that it would "like to see a more complete acknowledgment of the NPS's existing management oversight controls" and referred to its management review of the uniform program, for which it issued a May 1998 interim report.

OIG Reply. Although NPS's interim management report recognized the need for a full-time uniform program manager, NPS had not remedied the weaknesses discussed in its report by the time we completed our review (November 1999). Therefore, we concluded that NPS did not have sufficient internal controls over its employee uniform program.

NPS Comment. NPS said that it differed with us "only in methods" for validating orders and receipts prior to paying contractor invoices. NPS said that its method, development of "an automated system using independent data sets from existing systems to audit contract activities," would be "more cost-effective and requires less staff time" than our recommended procedure (random invoice verifications).

OIG Reply. In our report, we said that we did not consider NPS's planned automated system to be necessary to verify that contractor-submitted invoices were accurate. The automated system discussed in our report was one that was described by NPS officials as having employee uniform allowance data comparable to the data maintained by the contractor. Based on our risk assessment of the contractor's system and procedures, we found a very low risk of material errors, either intentional or unintentional, in the contractor's automated system and therefore concluded that there was no need for NPS to develop a redundant system. We do, however, have no objection to NPS developing an automated system with the capability to assist NPS in performing contractor invoice verifications if the system and the process are more efficient and less costly than our recommended procedure.

Other Matters

During the audit, we identified other contract/contractor performance areas in which improvements or corrective actions may be needed as follows:

- The contractor was storing about \$21,000 of discontinued items that had been purchased by NPS. We suggest that NPS instruct the contractor on the disposition of these items.

- One report required by the contract, the Quarterly Status report, consisted of more than 30,000 pages (in total) annually, which is distributed by the contractor in hard copy form to the three agencies at about 1,000 locations. Each location receives only the data for its assigned employees. We found that, in general, the agencies obtained slight benefit from the report, which provided insufficient information to verify or evaluate the propriety of uniform orders. Because the agencies could obtain needed information on employee uniform allowances on request from the contractor, we believe that routine issuance of the report should be discontinued and that alternative methods, such as automated reporting, should be developed to provide required contract data.

- The contract had not been modified to show that beginning with fiscal year 1999, the Corps paid the contractor directly for its purchases. We suggest that NPS modify the contract to reflect existing payment practices.

- The process for ordering and receiving uniforms was highly paper intensive and inefficient. For example, at the contractor's offices, we searched 29 boxes of records at two separate locations to obtain information on the uniform orders placed by eight NPS employees. We believe that an automated ordering process (apart from the database on employee uniform allowances, which is maintained by the contractor) would provide a more efficient system for documenting order placements, shipping, and receipt. According to NPS's acting program manager, NPS plans to automate the uniform ordering process and develop a Web site for the uniform catalog, which will enable employees to place uniform orders electronically.

- FWS and Corps participation in the contract was governed by interagency agreements with NPS. In some cases, agencies did not comply with provisions of the agreements. For example, NPS had not provided required accounting information to FWS and the Corps on their respective contract funding. Also, FWS and the Corps did not provide advance funding to NPS for uniform costs despite such a requirement. We believe that the contract should be modified to reflect existing practices or that NPS should take actions to ensure that its partners comply with the terms of the agreements.

- NPS did not charge or receive reimbursement from the other agencies for its costs of administering the contract. We suggest that NPS determine its costs of administering the contract on behalf of FWS and the Corps and, if appropriate, charge these agencies for their share of the contract's administrative expenses.

- The contract requires the contractor to fill at least 95 percent of agency uniform orders within 10 working days of receipt of those orders and to fill all nonstandard size orders within 45 working days. The contract, however, does not specify the penalties for noncompliance. We suggest that NPS monitor the timeliness of contract performance and include a penalty provision for noncompliance in the new contract.

In accordance with the Departmental Manual (360 DM 5.3), we are requesting a written response to this report by May 31, 2000. The response should include the information requested in Appendix 2.

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress. In addition, the Office of Inspector General provides audit reports to the Congress.



United States Department of the Interior

NATIONAL PARK SERVICE

1849 C Street, N.W.
Washington, D.C. 20240

IN REPLY REFER TO:

P92(2460)

MAR 9 2000

Memorandum

To: Assistant Inspector General for Audits

From: **Acting** Director

Subject: Draft OIG Report: Administration of the Uniform Supply Contract,
National Park Service (NPS)

The draft report does a good job of addressing the concerns expressed at the exit conference held on December 10, 1999. The NPS is in agreement with both recommendations in the report and accordingly will include them in the new contract. Our target implementation date is October 1, 2000, and the responsible official is Chris Andress, Chief, Ranger Activities Division.

There are three minor items that we would like to see addressed in the final report:

1. On page 2, the 9th line, in the first paragraph: should read "... contractor when the employees have exhausted their individual allowances."
2. On page 3, in the first paragraph we would like to see a more complete acknowledgement of the NPS's existing management oversight controls. A management review of the Uniform Program was conducted in 1998 (Interim Report, dated May 4, 1998) and a copy was provided to the OIG prior to this audit. This report documented that payments to the contractor were not subject to adequate financial controls.
3. On page 3 and 4 we believe there is room for misinterpretation of the findings: The 3rd paragraph on page 3 states "... NPS had not established (1) a process that provided reasonable assurance that invoices (billings from the contractor) were accurate before payments were made, (2) sufficient controls over financial activity associated with the contract..." On the other hand on page 4 in the last paragraph, "...NPS plans to develop an automated system to capture data that will be used to verify contractor invoices. We consider this action unnecessary because such a system would duplicate information currently available from the contractor and the use of such a system would not provide better data for NPS to verify invoiced amounts..." We are in agreement that payment process controls need to be improved. We differ only in methods of achieving that goal. The NPS maintains that it is more cost-effective and requires less staff time to develop an automated system using independent data sets from existing systems to audit contract activities. Projected development and annual operating cost of this system will be much less than 3 percent of the annual contract amount.

This letter supercedes our memorandum of February 17, 2000. Thank you for the opportunity to clarify our comments.

STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
1	Management concurs; additional information needed.	Provide a copy of the approved position description for a uniform program manager.
2	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

**ILLEGAL OR WASTEFUL ACTIVITIES
SHOULD BE REPORTED TO
THE OFFICE OF INSPECTOR GENERAL**

Internet Complaint Form Address

http://www.oig.doi.gov/hotline_form.html

Within the Continental United States

U.S. Department of the Interior
Office of Inspector General
1849 C Street, N.W.
Mail Stop 5341 - MIB
Washington, D.C. 20240-0001

Our 24-hour
Telephone HOTLINE
1-800-424-5081 or
(202) 208-5300

TDD for hearing impaired
(202) 208-2420

Outside the Continental United States

Caribbean Region

U.S. Department of the Interior
Office of Inspector General
Eastern Division - Investigations
4040 Fairfax Drive
Suite 303
Arlington, Virginia 22203

(703) 235-9221

Pacific Region

U.S. Department of the Interior
Office of Inspector General
Guam Field Pacific Office
415 Chalan San Antonio
Baltej Pavilion, Suite 306
Agana, Guam 96911

(671) 647-6060

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