



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

## **AUDIT REPORT**

**CONTRACTING AND PROCUREMENT  
ACTIVITIES,  
WASHINGTON, D.C., AREA OFFICES,  
NATIONAL PARK SERVICE**

**REPORT NO. 00-I-501  
JUNE 2000**

*Carver*

## **EXECUTIVE SUMMARY**

**Contracting and Procurement Activities,  
Washington, D.C., Area Offices,  
National Park Service  
Report No. 00-I-501  
June 2000**

### **BACKGROUND**

The National Park Service (NPS) has three contracting offices in the Washington, D.C., area: the Washington Office (WASO), the Washington Administrative Program Center Office (WAPC), and the National Capital Regional Office (NCR). WASO's contracting office awards NPS-wide contracts; WAPC's contracting office awards contracts supporting NPS headquarters offices in the Washington, D.C., area; and NCR's contracting office awards contracts for NPS's National Capital Region, 13 parks, and park police activities. From October 1996 through March 1999, NPS's D.C. area procurement offices reported that they had initiated 443 contract actions, with obligations totaling \$22,360,725.

### **OBJECTIVE**

The objective of the audit was to determine whether NPS personnel at the three offices awarded and administered contracts in compliance with laws and Federal and Department of the Interior policies and procedures.

### **RESULTS IN BRIEF**

Overall, we found that NPS's Washington, D.C., area contracting and procurement offices awarded and administered most contracts in compliance with laws and Federal and Department of the Interior policies and procedures. However, one office, WAPC, acquired goods without contract authorization in 2 of the 18 contracting actions we reviewed for this office, and all three offices did not enter all procurement actions into NPS's automated procurement system. As a result, NPS spent \$80,514 for unauthorized purchases. Also, because we found obligations of at least \$25.8 million that were not recorded in NPS's automated procurement system, we concluded that Departmental officials did not have complete and reliable data on NPS's procurement actions.

According to procurement officials, WAPC acquired goods outside the scope of the contract because its technical representative approved invoices for payment without requesting that the contracting officer review the invoices to ensure that the acquired supplies or services were within the scope of the contract. Also, all three contracting and procurement offices did not enter procurement information into the procurement system because NPS had not

implemented sufficient controls to ensure that the data were reconciled to each office's procurement files and to procurement data in NPS's official financial system.

## **RECOMMENDATIONS**

We recommended that the Director, NPS, ensure that all invoices received under contracts awarded by WAPC are reviewed and approved by the contracting officer before the invoices are submitted to the finance office for payment and ensure that all procurement actions are entered into NPS's automated procurement system.

## **AUDITEE COMMENTS AND OIG EVALUATION**

NPS agreed with the report's two recommendations. Based on the response, we considered both recommendations resolved and implemented.



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

**JUN 23 2000**

## AUDIT REPORT

### Memorandum

To: Assistant Secretary for Fish and Wildlife and Parks

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

Subject: Audit Report on Contracting and Procurement Activities, Washington, D.C., Area  
Offices, National Park Service (No. 00-I-501)

## INTRODUCTION

This report presents the results of our audit of three National Park Service (NPS) contracting and procurement offices in the Washington, D.C., area. The objective of the audit was to determine whether NPS personnel at the three offices awarded and administered contracts in compliance with laws and Federal and Department of the Interior policies and procedures.

## BACKGROUND

NPS has three contracting offices in the Washington, D.C., area: the Washington Office (WASO), the Washington Administrative Program Center Office (WAPC), and the National Capital Regional Office (NCR). WASO's contracting office, which has six employees, awards NPS-wide contracts. WAPC's contracting office, which has four employees, awards contracts supporting NPS headquarters offices in the Washington, D.C., area. NCR's contracting office, which has 11 employees, awards contracts for NPS's National Capital Region, 13 parks, and park police activities.

The Federal Acquisition Regulation (48 CFR) and the Departmental Manual (401 DM, "Interior Acquisition Regulation System") govern NPS's procurement activities. The Federal Acquisition Regulation provides guidance on requesting and authorizing purchases (48 CFR 42.3), soliciting bids and awarding contracts (48 CFR 5.002 and 14.409-1), determining whether contracting actions should be awarded competitively or to designated sources (48

CFR 6.202 and 6.301), administering contracts (48 CFR 1.602), modifying contracts (48 CFR 43.202), and closing out contract files (48 CFR 4.804). The Departmental Manual (401 DM 1401-1452) provides Departmentwide procurement policy and procedures that supplement and implement the Federal Acquisition Regulation (48 CFR 1.302). The Manual includes provisions for planning acquisitions (401 DM 1407); soliciting bids (401 DM 1405); fostering competition (401 DM 1406); determining contract type (for example, fixed-price or cost) and method (for example, simplified acquisitions and sealed bids) (401 DM 1416); responding to protests, disputes, and appeals (401 DM 1433); modifying contracts (401 DM 1443); entering procurement information into the Interior Procurement Data System (IPDS) (401 DM 1404), an automated database used by Departmental officials to track and monitor procurement activity; and terminating contracts (401 DM 1449). Also, the Contracting Officer's Technical Instructions, which are issued periodically by the Department's Office of Acquisition and Property Management, provide guidance on issues such as environmental contracting initiatives, contracting and procurement approval delegations, and affirmative action requirements.

## SCOPE OF AUDIT

We reviewed contracting and procurement actions at NPS's Washington, D.C., offices that were transacted from October 1996 through March 1999. To accomplish our objective, we reviewed Federal, Departmental, and NPS procurement regulations and guidance; reviewed and analyzed NPS financial reports, procurement files, invoices, and payment records; and interviewed NPS and Departmental procurement officials. From IPDS, we also selected for review procurements that were recorded as having been transacted during the scope of the audit as follows:

<u>OFFICE</u>	<u>CONTRACT ACTIONS INITIATED</u>	<u>CONTRACT ACTIONS AUDITED</u>	<u>OBLIGATIONS THROUGH MARCH 1999</u>	<u>OBLIGATIONS AUDITED</u>
WASO	11	9	\$1,345,551	\$1,318,917
WAPC	51	18	2,913,141	1,721,864
NCR	<u>381</u>	<u>40</u>	<u>18,102,033</u>	<u>6,107,499</u>
Total	<u>443</u>	<u>67</u>	<u>\$22,360,725</u>	<u>\$9,148,280</u>

On a judgmental basis, we selected contract actions<sup>1</sup> for review from IPDS as follows:

- At WAPC and NCR, we selected high dollar value items from a variety of contract types for review. For example, our sample at WAPC consisted of four contract

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<sup>1</sup> Contract actions included contract awards, task orders, and modifications.

modifications, nine task orders under indefinite delivery contracts, three full and open competitive awards, and two awards made to small disadvantaged businesses.<sup>2</sup>

- At NCR, we selected for review 20 contract modifications, 10 task orders placed under indefinite delivery contracts, 3 full and open competitive awards, 3 contracts awarded under other than full and open competition (sole source), 2 awards made to small disadvantaged businesses, and 2 awards made to other small businesses.

- At WASO, we selected for review five contract modifications, three small and disadvantaged business contracting actions, and one task order placed under an indefinite delivery contract.

We reviewed 67 procurement actions, for which funds of about \$9.1 million were obligated (representing 404 invoices that had been processed for payments of \$7.8 million), to determine whether NPS had taken the following actions: (1) properly prepared and authorized requisitions, including obtaining the required approvals, listing the funding sources, and certifying that funds were available for obligation; (2) used appropriate contract types; (3) solicited, advertised, and made competitive awards as required; (4) received certifications from the Small Business Administration for small business awards; (5) obtained goods and services within the scope of the contracts; and (6) maintained complete contract files and related documentation, which included ratified contracts, properly prepared and authorized contract modifications, designations of technical representatives, and contractor invoices approved for payment by the contracting officer and the technical representatives; and (7) closed out contracts upon completion.

We also determined whether all procurement actions were entered into IPDS by reconciling procurement data from IPDS with procurement data in NPS's official financial accounting system and with data in procurement files. We performed the reconciliation after we learned that all three contracting and procurement offices had not entered all purchases into IPDS. (This issue is discussed further in the Results of Audit section of this report.) Because the database from which we made our sample selection was incomplete, our finding and conclusions may not be based on a representative sample of the procurements transacted at the three Washington, D.C., contracting offices.

Our review was made, as applicable, 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 evaluated the system of internal controls over NPS's Washington, D.C., contracting and procurement activities to the extent necessary

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<sup>2</sup>According to the Federal Acquisition Institute's "Glossary of Acquisition Terms," a contract modification is any written change in the terms of the contract; an indefinite delivery contract is a contract that may be used to acquire supplies or services when the exact times/quantities of future deliveries are not known; a full and open competitive award is one in which all responsible sources are permitted to compete for the contract; and a small, disadvantaged business award is one that is made to a firm that is certified as such by the Small Business Administration.

to accomplish the objective. We found internal control weaknesses in NPS's oversight of WAPC contracting activity and in the offices' recording of procurement data in IPDS. Our recommendations, if implemented, should improve the internal controls in these areas.

In addition, we reviewed the Departmental Report on Accountability for fiscal year 1998, which included information required by the Federal Managers' Financial Integrity Act of 1982, and NPS's annual assurance statement on management controls for fiscal year 1998. We determined that none of the reported weaknesses were within the scope of our audit.

## **PRIOR AUDIT COVERAGE**

During the past 5 years, the General Accounting Office has not issued any reports on the contracting and procurement activities of NPS's Washington, D.C., area offices. In April 2000, however, the Office of Inspector General issued the report "Administration of Uniform Supply Contract, National Park Service" (No. 00-I- 319), which pertained to a WASO-awarded contract for employee uniforms. The report stated that NPS needed to "improve its methods of contracting for employee uniforms" and that NPS had no permanently assigned manager to oversee the uniform contract. The report also stated that NPS "had not established (1) a process that provided reasonable assurance that invoices (billings from the contractor) were accurate before payment was made, (2) sufficient controls over financial activity associated with the contract, or (3) limitations on its liability for compensating the contractor for discontinued stock." NPS concurred with the report's two recommendations, which were considered resolved.

## **RESULTS OF AUDIT**

Overall, we found that NPS's Washington, D.C., area contracting and procurement offices awarded and administered most contracts in compliance with laws and Federal and Department of the Interior policies and procedures. However, one office, WAPC, acquired goods without contract authorization in 2 of the 18 contracting actions we reviewed for this office, and all three contracting and procurement offices did not enter all procurement actions into IPDS. Federal and Departmental procedures require Federal procurement agents to perform duties such as formally designating a contracting officer's technical representative, designating the types of goods and services to be procured in contract documents, approving contractor invoices for payment, and entering procurement information into IPDS. According to procurement officials, WAPC acquired goods outside the scope of the contract because its technical representative approved invoices for payment without requesting that the contracting officer review the invoices to ensure that the acquired supplies or services were within the scope of the contract. Also, all three contracting and procurement offices did not enter procurement information into IPDS because NPS had not implemented sufficient controls to ensure that IPDS data were reconciled to each office's procurement files and to procurement data in NPS's official financial system. As a result, NPS spent \$80,514 for unauthorized purchases (see Appendix 1). In addition, NPS unnecessarily spent \$7,916, which is the amount attributable to the contractor's administrative charges for making the purchases on NPS's behalf. Further, Departmental officials did not have complete and

reliable data on NPS's procurement actions, since we found obligations of at least \$25.8 million that were not recorded in IPDS (applicable to 35 contracts).

**Acquisition of Goods.** WAPC bought information technology items, including routers, software, hardware accessories, and computer supplies, totaling \$80,514 under two contracts that provided for the acquisition of data processing personnel services for the "development, maintenance, system operation, facilities management and associated requirements exceeding that which can be met by the established personnel funding levels of the National Park Service." Although neither contract authorized the contractors to acquire and bill NPS for equipment and supplies, the contractors submitted invoices totaling \$80,514, which NPS paid. In addition, invoices related to one of the two contracts included a 25 percent administrative fee, totaling \$7,916, for purchases made by the contractor on NPS's behalf. We believe that NPS would not have paid these administrative fees had it bought the items, which were off-the-shelf computer items, directly from the vendors.

These unauthorized purchases occurred because WAPC contracting and program officials did not comply with the Departmental Manual (401 DM 1401.670.5(2)), which states that technical representatives are "not authorized under any circumstances to obligate, in any way, the payment of money by the Government." In addition, a letter designating technical representatives for one of these contracts required that both the contracting officer and the technical representative approve the invoices before submitting the invoices to the finance department for payment. NPS procurement officials said that they permitted technical representatives to submit the approved invoices directly to the finance office without the benefit of the contracting officer's approval to prevent late-payment charges. (Late-payment charges result from payments that are made 30 days after receipt of the invoice.)

**Procurement Data System Entries.** NPS's Washington, D.C., contracting and procurement offices did not enter all procurement information into IPDS, as required by Departmental acquisition regulations. We found 35 contracts that were awarded from October 1996 through March 1999, with obligations totaling \$25,835,737, which were not entered into IPDS. The Departmental Manual (401 DM 1404.602) requires procurement officials to use the IPDS reporting manual to enter procurement actions into IPDS by completing a specified form. While following up on contracting deficiencies that our Central Regional Office had identified in its audit (see Prior Audit Coverage of this report) of an NPS employee uniform contract that had been awarded by WASO, we found that IPDS's procurement records were incomplete. We were unable to find the uniform contracting actions in IPDS, although these procurements were entered into NPS's automated financial accounting system.

Procurements were entered into NPS's financial accounting system but were not entered into IPDS because NPS did not reconcile IPDS data with financial accounting system data and with information in procurement office files. Also, NPS had not conducted internal control or management reviews to evaluate the completeness of IPDS data. NPS procurement officials said that deficiencies in IPDS data should be corrected when NPS implements its new procurement system, the Interior Department Electronic Acquisition System, in fiscal year 2000.



## **Recommendations**

We recommend that the Director of NPS:

1. Ensure that all invoices received under contracts awarded by NPS's Washington Administrative Program Center are reviewed and approved by the contracting officer before the invoices are submitted to the finance office for payment.
2. Ensure that all procurement actions are entered into IPDS.

## **NPS Response and Office of Inspector General Reply**

In the May 23, 2000, response (Appendix 2) to the draft report from the NPS Director, NPS concurred with the report's two recommendations. Based on the response, we consider the recommendations resolved and implemented.

Since the report's recommendations are considered resolved and implemented, no further response to this report is required (see Appendix 3).

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.

**CLASSIFICATION OF MONETARY AMOUNTS**

<u>Description</u>	<u>Funds To Be Put To Better Use</u>
Unauthorized purchases	\$80,514



# United States Department of the Interior

NATIONAL PARK SERVICE

1849 C Street, N.W.

Washington, D.C. 20240

IN REPLY REFER TO:

**MAY 23 2000**

A5423(2603)

## Memorandum

To: Acting Assistant Inspector General for Audits

From: Director *Bob Stanton*

Subject: Draft Audit Report on Contracting and Procurement Activities,  
Washington, D.C. Area Offices, National Park Service  
(Assignment No. E-IN-NPS-004-99-D)

The following is the National Park Service (NPS) response to the subject Office of the Inspector General (OIG) draft audit report. We concur with the findings, the recommendations, and the determination of unauthorized purchases totaling \$80,514. Let me make the observation that the Washington Administrative Program Center (WAPC) has made some progress as stated below to cure the problem of another program official's unauthorized purchases. The National Capital Regional Contracting Office had no comment on the draft report.

Recommendation 1 - Ensure that all invoices received under contracts awarded by NPS's Washington Administrative Program Center are reviewed and approved by the contracting officer before the invoices are submitted to the finance office for payment.

The WAPC Contracting Officer issued a memorandum via electronic mail on October 12, 1999, advising that all contract invoices were to be approved by a warranted contracting officer before being submitted for payment. A copy of the transmittal is attached.

Recommendation 2 - Ensure that all procurement actions are entered into the IPDS.

All missing SF279 procurement transactions for the Washington Office have been entered into the IPDS system. These actions have been converted to the new IDEAS-PD system by the National Business Center (NBC). The IDEAS-PD system allows for completion of the process from contract award through reporting, all in one system. The system enables SF279 reports to be created and tracked. The Servicewide Acquisition Policy Office will also be able to track missing reports in this system.

Thank you for the opportunity to review and comment on the draft report.

Attachment

[Note: Attachment not included by Office of the Inspector General]

**STATUS OF AUDIT REPORT RECOMMENDATIONS**

<u>Finding/Recommendation Reference</u>	<u>Status</u>	<u>Action Required</u>
1 and 2	Implemented.	No further action is required.

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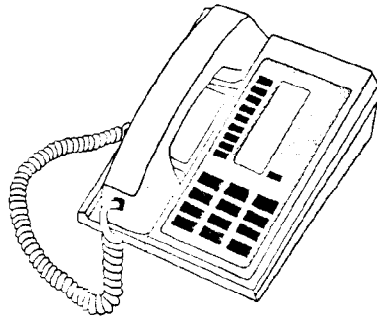
*Cover 3*

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