

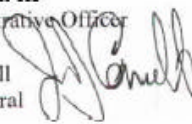
Additional Controls Needed In House Contract Administration

James J. Cornell
Inspector General

Office of Inspector General
U.S. House of Representatives
Washington, DC 20515-9990

MEMORANDUM

TO: James M. Eagen III
Chief Administrative Officer

FROM: James J. Cornell 
Inspector General

DATE: July 28, 2006

SUBJECT: Final Report - Additional Controls Needed in House Contract Administration
(Report No. 06-CAO-06)

Attached is the final report covering our review of the House contract administration process administered by the CAO. Our review identified several areas in which the controls could be strengthened to further protect the integrity of House procurements.

In your June 14, 2006 management response, you expressed your concurrence with our process improvement recommendations and explained the appropriate corrective actions you have already taken. The management response is included in its entirety as an appendix.

If you have any questions or require additional information regarding this report, please call me at (202) 226-1250.

cc: Speaker of the House
Majority Leader of the House
Minority Leader of the House
Chairman, Committee on House Administration
Ranking Member, Committee on House Administration
Members, Committee on House Administration

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>>> **Executive Summary**

Summary of Results of Review

- > At the request of the Chief Administrative Officer (CAO) and with the approval of the Committee on House Administration (CHA) we reviewed selected contractual processes.
- > Through interviews and forensic analysis we identified the need for additional controls in House contract administration.
- > With input from key CAO staff, we developed process improvement recommendations to help strengthen the areas of control considered to be weak.

Report Recommendation Summary

As a result of our review, we recommended that the CAO:

- > Develop and implement additional ethics training and enforce the existing annual COR refresher training requirement.
- > Establish a more robust process for determining procurement selection committee membership, and ensuring confidentiality of committee proceedings.
- > Implement and enforce additional OFP controls over communications.
- > Consider requiring background investigations for CAO procurement sensitive positions.

The CAO has concurred with and initiated action to address each of the recommendations.

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>>> Results of Review

Finding 1 Contract Administration Controls Need To Be Enhanced

Condition: The current controls used for preventing and detecting bias in the CAO contract award process need to be enhanced to ensure that selection committee members are properly selected, know their responsibilities, have adequate Office of Finance and Procurement (OFP) oversight and are encouraged to report any improper activity observed.

Criteria: House Rule 24 (Code of Official Conduct), House Rule 26 (Limitations on Outside Income and Acceptance of Gifts), OFP Policies and Procedures and Industry Best Practices.

Cause: The CAO control system placed a high reliance on personal integrity.

Effect: Without regular Ethics and COR training, employees could incorrectly decide what they can and cannot do with contractors. Inadequate screening of selection committee members can allow personal bias to influence contract awards. Incomplete OFP oversight and monitoring can create opportunities for selection committee members to operate independently. Employees who feel that they cannot halt procurement activities when something is amiss facilitate bad business practices. Ultimately, undermined integrity in the process could result in the termination of contracts and the delay in the delivery of improvements sought through contractual support; both of which could have potential cost impacts to the House.

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>>> Results of Review (continued)

Agreed Upon Action Plans to be Completed by the CAO:

Recommendation 1 “*Develop and implement additional ethics training and enforce the existing annual COR refresher training requirement*” The CAO will develop a CAO wide ethics compliance review for all CAO employees. In addition, the new employee orientation course will include a module on ethics responsibility. Finally, the COR appointment letter has been modified requiring initial and annual refresher training. The CAO will monitor compliance with training and will revoke the COR appointment status for employees who fail to maintain training requirements. The CAO expects to complete this by August 13, 2006.

Recommendation 2 “*Establish a more robust process for determining procurement selection committee membership, and ensuring confidentiality of committee proceedings.*” To improve the procurement selection committee membership, the CAO will: nominate individuals who have completed ethics and COR training; stress the rules of conduct for the evaluation process at kick off evaluation meeting; and conduct exit interviews with all members for awards with potential value of one million dollars or more and randomly selected awards of less than one million dollars.

Recommendation 3 “*Implement and enforce additional OFP controls over communications*” The CAO has developed and implemented a revised procurement integrity and conflict of interest certification form. Furthermore, the CAO will facilitate all evaluations of contract awards with potential value over one million dollars, stressing the rules of conduct, conflict of interest, ethics, and maintaining the confidentiality of committee proceedings.

Recommendation 4 “*Consider requiring background investigations for CAO procurement sensitive positions*” The CAO will designate certain positions involved in procurement sensitive activities as public trust positions. The incumbents of these positions will be required to undergo a public trust background investigation and successful adjudication process. The CAO believes the background checks of current staff to be completed by January 1, 2007.

The CAO’s narrative response to our draft report is included in its entirety in the Appendix.

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BACKGROUND

The Office of the Inspector General (OIG), as requested by the CAO and with the approval of the CHA, reviewed selected CAO contractual processes and activity. The review team identified several opportunities to strengthen the controls in the CAO's current procurement processes.

SCOPE

The review included contract files and other documents related to two CAO procurements, pertinent House computer hard drives and server files for the period January 1, 2003 through March 31, 2006, OFP training materials, House Rules, and personal interviews.

OBJECTIVE

To assess the adequacy of the controls within the House contract administration processes and to develop recommendations to address any identified control weaknesses.

METHODOLOGY

The review team analyzed contract activity to identify ways in which the controls could be strengthened to help prevent bias or other improper activity in future CAO procurements. Our review was conducted in accordance with Generally Accepted Government Auditing Standards, as implemented in accordance with the House Office of the Inspector General (OIG) policies and determined by the Inspector General to be applicable to this review. A draft of this report was issued to the CAO on May 12, 2006. The CAO responded on June 14, 2006 expressing his concurrence (see Appendix).

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Appendix

James M. Eagen III
Chief Administrative Officer

Office of the
Chief Administrative Officer
U.S. House of Representatives
Washington, DC 20515-6860

MEMORANDUM

To: James Cornell
Inspector General

From: Jay Eagen
Chief Administrative Officer

Subject: CAO responses to Discussion Draft Report on *Additional Controls Needed In House Contract Administration*

Date: JUN 14 2006

Thank you for the opportunity to comment on the subject draft audit report. We have carefully reviewed the report's findings and recommendations and concur with each of them.

The following is a brief response to each of the audit recommendations made in the discussion draft audit report:

Finding 1: Contract Administration Controls Need To Be Enhanced

Recommendation 1: Develop and implement additional ethics training, and make annual COR refresher training mandatory as a condition for maintaining COR status.

CONCUR.

The CAO Administrative Counsel will develop a CAO wide legal update on ethics compliance for all CAO employees. In addition, the new employee orientation course which is to be developed by a contractor will include a module specifically on ethics responsibility. The CAO is currently soliciting vendors to design a new employee orientation course and the anticipated award date for this contract is 08/13/2006. The COR appointment letter has been modified to acknowledge that the initial and annual refresher training is mandatory as a condition to maintain COR status (copy attached). The Office of Finance and Procurement shall monitor compliance with training and will revoke the COR appointment status for employees who fail to maintain annual training requirements. An email will be generated by the Office of Finance and Procurement (OFP), Procurement Department six months prior to a COR's anniversary date of appointment reminding them of the requirement for COR refresher training with a copy sent to the appropriate supervisor of their respective business unit. The CAO will develop a policy defining what actions may be taken for ethics violations. The CAO has implemented steps within this recommendation to enhance the internal controls; however, the CAO will not be able to close out this action until 8/13/06, because OFP must complete the award for the vendor supporting the new employee orientation course.

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Recommendation 2: Establish a more robust process for determining procurement selection committee membership, and ensuring confidentiality of committee proceedings.

CONCUR.

The Office of Finance and Procurement will obtain the names of procurement selection committee membership from the supervisor of a respective business unit in writing either by email or signed letter, and for any substitutions after initial recommendation. The supervisor shall ensure that individuals nominated have completed ethics training and COR training is up to date. The Office of Finance and Procurement, Procurement Department will facilitate kick off evaluation meetings covering the rules of conduct for the evaluation process, stressing conflict of interest, ethics, maintaining the confidentiality of committee proceedings by not disclosing proprietary or source selection information to any person not authorized to receive the information. Evaluation team members will sign the newly developed procurement integrity and conflict of interest certification form which becomes part of the official contract file (copy attached). At the completion of the evaluation process the CAO Administrative Counsel shall conduct exit interviews with each evaluator and obtain a signature on the newly developed exit interview form (copy attached) indicating that no violations occurred. These forms will become part of the official contract file. The process will apply to all awards with potential value that totals one million dollars or greater and randomly selected for awards less than one million dollars. The CAO has implemented the recommended improvements. The CAO believes we have taken the necessary steps to close this recommendation.

Recommendation 3: Implement and enforce additional OFP controls over communications.

CONCUR

The CAO has developed and implemented a revised procurement integrity and conflict of interest certification form along with an exit interview form to ensure that evaluation team members are aware of communication processes with vendors during the evaluation phase. Subject to availability of space, a dedicated room shall be assigned for solicitation evaluation on awards with a potential value of one million dollars or greater. OFP, Procurement Department must facilitate all evaluations of the dollar scope above with the rules of conduct for the evaluation process, stressing conflict of interest, ethics, maintaining the confidentiality of committee proceedings by not disclosing proprietary or source selection information to any person not authorized to receive the information. The CAO has implemented the recommended improvements. The CAO has implemented the recommended improvements. The CAO believes we have taken the necessary steps to close this recommendation.

Recommendation 4: Consider requiring background investigations for CAO procurement sensitive positions.

CONCUR

The CAO will designate certain positions involved in procurement sensitive activities as public

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trust positions¹. Incumbents of those positions will be required to undergo a public trust background investigation and successful adjudication process². In CAO, procurement sensitive positions will include approximately 40 staff in the following areas:

- procurement department personnel involved in contract awards, solicitations and evaluations,
- the CAO, Deputy CAOs, Associate Administrators and Deputy Associate Administrators, and
- Contracting Office Representatives (CORs) on awards with a potential value of one million dollars or greater. Using Fiscal Year 2006 award data to date, the one million dollar threshold would represent 79 percent of the obligated dollars and 6 percent of the award transaction volume.

The CAO will also work with other House Officers and Officials to establish a similar process for non-CAO personnel that are designated as CORs on awards administered by the CAO with a potential value of one million dollars or greater. Currently CAO estimates that there are five non-CAO staff that meet this criteria. The CAO will establish the appropriate processes and procedures to administer this program within the next 90 days. The CAO will begin the process of background investigations/adjudication within the next 30 days and expects to complete CAO current staff within six months.

¹ 5 CFR Ch. I §731.106 defines general requirements for Public Trust positions

² If an employee holds an active House issued Top Secret security clearance then that clearance will be considered to meet the requirement of a public trust investigation/adjudication.