



OFFICE OF THE SECRETARY

Inaccurate Reporting of Undefinitized Actions in the Federal Procurement Data System—Next Generation

FINAL REPORT NO. OIG-15-033-A
JUNE 19, 2015

U.S. Department of Commerce
Office of Inspector General
Office of Audit and Evaluation

FOR PUBLIC RELEASE





June 19, 2015

MEMORANDUM FOR: Barry E. Berkowitz
Senior Procurement Executive and
Director of Acquisition Management

Mitchell J. Ross
Director of Acquisition and Grants Office
National Oceanic and Atmospheric Administration

Mary Saunders
Associate Director for Management Resources
National Institute of Standards and Technology

FROM: Andrew Katsaros
Principal Assistant Inspector General for Audit and Evaluation

SUBJECT: *Inaccurate Reporting of Undefined Actions in the Federal Procurement Data System—Next Generation—Final Report No. OIG-15-033-A*

Attached please find our final report on OIG's audit of the reliability of information regarding contract actions that is publicly reported by the National Oceanic and Atmospheric Administration (NOAA) and the National Institute of Standards and Technology (NIST).

We initiated the audit to determine whether contracting officials effectively managed and executed undefinitized actions. However, because NOAA and NIST incorrectly coded their contract actions as undefinitized in the Federal Procurement Data System—Next Generation (FPDS-NG), a federal procurement database serving a central repository for information related to federal contracting, we redirected our efforts toward the reliability of its publicly reported information.

We found that the Department needs to improve (a) its process for entering accurate and reliable data into FPDS-NG and (b) its controls to properly maintain and safeguard contract files. Similar issues were reported in our previous audit reports and in FY 2013, when Acquisition Management Reviews conducted at NOAA identified coding errors in FPDS-NG, also noting that contract files and key contract documentation were missing.

We recommend that the Department's Director of Acquisition Management

- I. Issue guidance to senior bureau procurement officials reemphasizing the importance of entering, reviewing, and approving the accuracy of information entered into the contract action reports to ensure the integrity of the data in FPDS-NG.

2. Issue guidance to senior bureau procurement officials reemphasizing the importance of maintaining contract files in accordance with federal and Department policies.

We recommend that the Director of the NOAA Acquisition and Grants Office

3. Ensure contracting officers properly code contract actions identified in this report.
4. Implement strong internal controls and oversight processes and procedures to ensure that (a) contract actions are properly coded in FPDS-NG and (b) contract files contain all required contract documentation.

We recommend that the Associate Director of the NIST Management Resources Office

5. Ensure contracting officers properly code contract actions identified in this report.
6. Implement strong internal controls and oversight processes and procedures to ensure that (a) contract actions are properly coded in FPDS-NG and (b) contract files contain all required contract documentation.

In response to our draft report, the Department and the two bureaus agreed with all six recommendations. Where appropriate, we modified this final report based on the technical comments we received from your agency. Your formal response is included as appendix C. The final report will be posted on the OIG's website pursuant to section 8M of the Inspector General Act of 1978, as amended.

In accordance with Departmental Administrative Order 213-5, please submit to us within 60 calendar days of the date of this memorandum an action plan that responds to the recommendations in this report.

We appreciate the cooperation and courtesies extended to us by your staff during our audit. If you have any questions or concerns about this report, please contact me at (202) 482-7859 or Mark Zabarsky at (202) 482-3884.

Attachment

cc: Ellen Herbst, Chief Financial Officer and Assistant Secretary for Administration
Tammy Journet, Deputy for Procurement Performance Excellence, OAM
Virna Winters, Acting Deputy for Procurement and Administration, OAM
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Report In Brief

JUNE 19, 2015

Background

Undefinitized actions (UAs) are contract actions, issued as letter contracts and other instruments, for which the contract terms, specifications, or prices are not agreed to before performance begins. UAs are restricted for use to meet an urgent requirement of an agency and are for use only after it has been determined that no other alternative contracting method will fulfill the urgent need.

According to the federal government's central database of information on federal procurement actions—the Federal Procurement Data System—Next Generation (FPDS-NG)—in fiscal years (FYs) 2013 and 2014, the National Oceanic and Atmospheric Administration (NOAA) and National Institute of Standards and Technology (NIST) reported 123 UAs, representing total obligations of about \$7.9 million.

Why We Did This Review

We initiated this audit to determine whether contracting officials effectively managed and executed UAs. However, NOAA and NIST FPDS-NG data were not sufficiently reliable to identify the universe of UAs. Consequently, this report addresses the miscoding of UAs in FPDS-NG and contract file maintenance.

Using FPDS-NG data, we identified a total of 123 NOAA and NIST contract actions that had been coded as UAs in FYs 2013 and 2014. Of these, we sampled 75 contract actions and found that NOAA and NIST had incorrectly coded 74 of them as UAs.

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WHAT WE FOUND

We found that the Department needs to improve (a) its process for entering accurate and reliable data into Federal Procurement Data System—Next Generation (FPDS-NG) and (b) its controls to properly maintain and safeguard contract files. Specifically:

- *There was inaccurate reporting of UAs:* We found that (a) there were coding errors in FPDS-NG for contract actions awarded by NOAA and NIST, (b) contracting officials did not review and approve FPDS-NG data sheets, and (c) contracting officials lacked adequate training in data entry procedures for the FPDS-NG.
- *Contract files and FPDS-NG data sheets were missing:* NIST was unable to locate the contract file for one contract identified in our sample. The contract action had a total negotiated price of \$6.9 million, which included two option periods. Further, NOAA and NIST contracting officers did not consistently ensure that documentation to support acquisition data reported in FPDS-NG was maintained in the contract files. Specifically, we found that 35 contract files lacked the original or revised FPDS-NG data sheets.

WHAT WE RECOMMEND

We recommend that the Department's Director of Acquisition Management

1. Issue guidance to senior bureau procurement officials reemphasizing the importance of entering, reviewing, and approving the accuracy of information entered into the contract action reports to ensure the integrity of the data in FPDS-NG.
2. Issue guidance to senior bureau procurement officials reemphasizing the importance of maintaining contract files in accordance with federal and Department policies.

We recommend that the Director of the NOAA Acquisition and Grants Office

3. Ensure contracting officers properly code contract actions identified in this report.
4. Implement strong internal controls and oversight processes and procedures to ensure that (a) contract actions are properly coded in FPDS-NG and (b) contract files contain all required contract documentation.

We recommend that the Associate Director of the NIST Management Resources Office

5. Ensure contracting officers properly code contract actions identified in this report.
6. Implement strong internal controls and oversight processes and procedures to ensure that (a) contract actions are properly coded in FPDS-NG and (b) contract files contain all required contract documentation.

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*COVER: Detail of fisheries pediment,
U.S. Department of Commerce headquarters,
by sculptor James Earle Fraser, 1934*

Acronyms and Abbreviations

AGO-POD	Acquisition and Grants Office–Policy and Oversight Division (NOAA)
CAM	Commerce Acquisition Manual
DATA	Digital Accountability and Transparency Act of 2014
DOC	U.S. Department of Commerce
FAR	Federal Acquisition Regulation
FFATA	Federal Funding Accountability and Transparency Act of 2006
FPDS-NG	Federal Procurement Data System–Next Generation
FY	fiscal year
NIST	National Institute of Standards and Technology
NOAA	National Oceanic and Atmospheric Administration
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
UA	undefinitized action

Introduction

According to the Federal Procurement Data System—Next Generation (FPDS-NG), the National Oceanic and Atmospheric Administration (NOAA) and National Institute of Standards and Technology (NIST) reported 123 undefinitized actions (UAs), with total obligations of about \$7.9 million¹ for fiscal years (FYs) 2013 and 2014 (see table 1). UAs are contract actions,² issued as letter contracts³ and other instruments, for which the contract terms, specifications, or prices are not agreed to before performance begins. UAs are restricted for use to meet an urgent requirement of an agency and for use only after a decision is made that no other alternative contracting method will fulfill the urgent need.

Table 1. Summary of Undefinitized Actions and Obligation Amounts Reported by NIST and NOAA, FYs 2013 and 2014

Fiscal Year	NIST UAs	NOAA UAs	Total UAs	Total Amount Obligated (\$)
2013	37	30	67	4,114,527
2014	24	32	56	3,781,803
Total	61	62	123	7,896,330

Source: Federal Procurement Data System—Next Generation

The FPDS-NG is the federal government's central database of information on federal procurement actions. Executive departments and agencies are responsible for collecting and reporting data to FPDS-NG as required by the Federal Acquisition Regulation (FAR).⁴ FPDS-NG contains data the federal government uses for recurring and special reports to the President, Congress, federal executive agencies, and the general public. Therefore, it is important that data in FPDS-NG is accurate, complete, and timely because reliable information is critical to informed decision making and to oversight of the procurement system.

To increase the transparency of and accountability for contracts and financial assistance awarded each year by federal agencies, Congress passed the Federal Funding Accountability and Transparency Act (FFATA) in 2006.⁵ Among other things, FFATA required the Office of Management and Budget (OMB) to establish a free, publicly accessible website containing data on federal awards (e.g., contracts, loans, and grants). That website—www.USAspending.gov—was launched in December 2007 and derives information from several sources. Contract data

¹ This table represents the total obligated amount by FY reported in the FPDS-NG.

² FAR § 4.601 states that “contract action” means any oral or written action that results in the purchase, rent, or lease of supplies or equipment, services, or construction using appropriated dollars over the micro-purchase threshold, or modifications to these actions regardless of dollar value.

³ A letter contract is a written preliminary contractual instrument that allows a contractor to start work before the finalization of the contract terms.

⁴ FAR Subpart 4.6.

⁵ Public Law No. 109-282, September 26, 2006.

shown on USASpending.gov comes from the FPDS-NG. On May 9, 2014, the President signed into law the Digital Accountability and Transparency Act of 2014,⁶ also known as the DATA Act. This law amends FFATA with the purpose of improving public access to information about federal spending. The DATA Act aims to improve the quality and completeness of the data that agencies must provide to USASpending.gov in order to make information on federal spending more accountable, transparent, and accessible.

⁶ Public Law no. 113-101.

Objectives, Findings, and Recommendations

We initiated an audit to determine whether contracting officials effectively managed and executed UAs. However, because NOAA and NIST incorrectly coded their contract actions as undefinitized in FPDS-NG, we redirected our efforts toward the reliability of their publicly reported information. In this audit, we found the Department needs to improve (a) its process for entering accurate and reliable data into FPDS-NG and (b) its controls to properly maintain and safeguard contract files. Similar issues were reported in three previous audits we conducted⁷ and in two Acquisition Management Reviews⁸ conducted by the Department at NOAA in FY 2013—which found coding errors in FPDS-NG and noted that contract files and key contract documentation were missing.⁹

Using FPDS-NG data, we identified a total of 123 NOAA and NIST contract actions coded as UAs in FYs 2013 and 2014 (see table 2).

Table 2. Summary of NOAA and NIST Contract Actions Coded as UAs, FY 2013 and FY 2014

Bureau	Overall Total	FY 2013			FY 2014		
		FY Total	Letter Contracts	Other Undefinitized Actions	FY Total	Letter Contracts	Other Undefinitized Actions
NIST	61	37	29	8	24	8	16
NOAA	62	30	14	16	32	17	15
Total	123	67	43	24	56	25	31

Source: Federal Procurement Data System—Next Generation

In an April 2013 report,¹⁰ we noted that NOAA needed to improve its management of UAs.

In response, NOAA issued an acquisition policy requiring prompt definitization of all unpriced

⁷ U.S. Department of Commerce, Office of Inspector General, May 18, 2012, *NOAA's Cost-Plus-Award-Fee and Award-Term Processes Need to Support Fees and Extensions*, OIG-12-027-A; U.S. Department of Commerce, Office of Inspector General, November 8, 2013, *The Department's Awarding and Administering of Time-and-Materials and Labor Hours Contracts Needs Improvement*, OIG-14-001-A; and U.S. Department of Commerce, Office of Inspector General, December 3, 2014, *The U.S. Patent and Trademark Office's Awarding and Administering of Time-and-Materials and Labor Hours Contracts Needs Improvement*, OIG-15-012-A.

⁸ Acquisition Management Reviews are designed to provide local reviews of Department of Commerce (DOC) contracting offices by a team of contracting professionals from the DOC staff or field contracting offices. The reviews evaluate the effectiveness and efficiency of the contracting office and provide suggestions to improve any noted weaknesses or deficiencies.

⁹ Acquisition Management Review of Strategic Sourcing Acquisition Division, Silver Spring, Maryland, Report AD-12-01, October 31, 2012; and Acquisition Management Review of Western Acquisition Division, Boulder, Colorado and Seattle, Washington, Report AD-12-03, January 28, 2013.

¹⁰ U.S. Department of Commerce, Office of Inspector General, April 25, 2013, *Audit of Geostationary Operational Environmental Satellite-R Series: Comprehensive Mitigation Approaches, Strong Systems Engineering, and Cost Controls Are Needed to Reduce Risks of Coverage Gaps*, OIG-13-024-A.

change orders.^{11,12} Because the policy was recently in effect at the time our audit began, we excluded 31 of these UAs from our universe in order to provide coverage of other UA contract actions. To verify the accuracy of the FPDS-NG data, we judgmentally sampled 75 out of the remaining 92 contract actions and found that NOAA and NIST incorrectly coded 74 as UAs. (The 74 actions had a total negotiated contract value of about \$11.4 million.) We could not verify the accuracy of FPDS-NG data for one contract action because NIST could not locate and provide the contract file for our review.

During the course of the audit, NOAA and NIST took action to correct 27 of the 74 contract actions that we found to have been miscoded. Although we do not know the extent of other types of reporting errors in FPDS-NG, we have found enough problems in our prior audits to warrant concern about the reliability of information reported to FPDS-NG by the Department. Specifically, the incorrect coding of contract actions and NOAA's and NIST's lack of progress in correcting these errors suggests that the Department has not remediated outstanding issues regarding FPDS-NG reliability. Although the Department has taken corrective action to address the issues identified in our previous reports, we are concerned that the bureaus did not take appropriate action to implement proper internal controls to correct the issues identified. This has led to repeat findings in subsequent audits.

Fulfilling FFATA's goal of increasing transparency and accountability of federal expenditures requires that FPDS-NG contain accurate and reliable information. We acknowledge that data accuracy and reliability is a challenging task; however, the information contained in the system is the responsibility of each bureau that provides input. It is therefore important not only to correctly diagnose the accuracy and reliability problems with FPDS-NG, but also to develop solutions that can be implemented by the appropriate responsible bureaus. It is critical that the Department's FPDS-NG system be responsive to the needs of Congress, federal agencies, and the public that uses it. The inaccuracies we have reported suggest the need for clearer guidance and internal controls on completing and validating Department data submissions. Until the Department better ensures that accurate and reliable information is entered into FPDS-NG, it will be of limited use in providing Congress, the Department, and the public with a comprehensive view into the details of federal contract spending and increasing the transparency and accountability of the government for how it spends taxpayer dollars.

Furthermore, the Department should take additional action to correct its enforcement of the FAR's provisions, as well as its own procedures that govern the maintenance of contract files.¹³ We found that NIST was unable to locate the contract file for one contract action identified in our sample and that, overall, contract files lacked documentation such as the original or revised FPDS-NG data sheets. The failure to enforce those requirements exposes the Department to significant risk. Finally, it impairs the ability of the Department to take effective and timely action to protect its interests, and, in turn, those of taxpayers.

¹¹ NOAA Acquisition Alert Memorandum I3-05, "Implementation of Policy for Definitization of Unpriced Change Orders," April 13, 2013.

¹² An *unpriced change order* is a within-scope change for which the terms, specifications, or price are not agreed upon before performance is begun because of conditions of urgency or uncertainty.

¹³ FAR Subpart 4.8.

Appendix A further details the objectives, scope, and methodology of our audit. Appendix B summarizes the findings associated with each bureau.

I. Inaccurate Reporting of Undefined Actions

FAR § 4.603 requires executive departments and agencies to collect and report acquisition data to FPDS. An Office of Federal Procurement and Policy (OFPP) memorandum on improving federal procurement data quality highlights its importance:

Complete, accurate, and timely federal procurement data are essential for ensuring that the government has the right information when planning and awarding contracts and that the public has reliable data to track how its tax dollars are being spent. The quality of this information depends on agencies having strong internal controls for the input and validation of Agency data entered in the [FPDS] and other acquisition information systems.¹⁴

We found coding errors in FPDS-NG for contract actions awarded by NOAA and NIST. For 92 contract actions reported by NOAA and NIST as UAs, we asked contracting officials at both bureaus to verify that these contract actions were correctly coded as UAs. Contracting officials at both bureaus told us that all the contract actions we identified were miscoded and in fact were not UAs. To verify, we reviewed contract files for 74 of the 92 contract actions (about 80 percent), and our analysis of the contract file documentation confirmed that these contract actions were miscoded as UAs.

We attribute these discrepancies to data entry mistakes made by bureau contracting officials and due to several factors:

- those entering the data did not have a complete understanding of how the system works,
- there were poor internal controls, such as inadequate verification of the information entered into FPDS-NG, and
- there was a lack of adequate training.

For 27 of the contract actions that were miscoded, contracting officials provided verification that they had corrected the miscoding, such as by providing corrected FPDS-NG data sheets showing updates to the system.

Ensuring contract actions are correctly coded in FPDS-NG is critical because the data are used to inform procurement policy decisions, facilitate Congressional oversight, and publicize how taxpayer funds are spent.

A. Incorrectly Completing the UA Data Element in FPDS-NG

The *FPDS-NG Government User's Manual* and the *FPDS-NG Data Element Dictionary* were developed by the Federal Procurement Data Center to familiarize users with FPDS-NG

¹⁴ OFPP Memorandum, "Improving Federal Procurement Data Quality—Guidance for Annual Verification and Validation," May 31, 2011.

data requirements and assist them with entering data into the system.¹⁵ Mandatory fields must be completed before a record is generated, otherwise an error message will be displayed. The data element entitled “undefinitized action”—a mandatory field—provides users with the option to choose one of three options from a drop-down list (see table 3).

Table 3. FPDS-NG’s Undefinitized Action Data Element Drop-Down List

Code	Short Description	Long Description
A	Letter Contract	Report this code if the definitive contract action or indefinite delivery vehicle contract is a letter contract. Also report this code for funding modifications to a letter contract, prior to definitization.
B	Other Undefinitized Action	Report this code for unpriced purchase orders, unpriced delivery/task orders. Blanket purchase agreement calls or unpriced contract modifications (except for funding modifications reported as letter contracts). Also report this code for funding modifications, prior to definitization, of actions reported as other undefinitized action.
X	No	Report this code if the action is neither a letter contract nor an undefinitized action.

Source: Federal Procurement Data Center

For the 74 contract actions we verified, the UA data element was incorrectly coded as either a letter contract or other UA rather than “no.” Discussions with 19 contracting officers found that they inadvertently selected the wrong code because they did not pay close enough attention to filling out the form or were rushing to complete it.

Additionally, some of the inaccurate coding went undetected by contracting officials due to a reliance on the FPDS-NG validation function. According to the *FPDS-NG Government User’s Manual*, the validation function is used by contracting officials when a record is complete, and it determines whether there are any errors. When there are errors, the screen will display red error messages at the top of the document, which must be corrected in order to validate and approve the action in the system. However, the *Manual* further indicates that the validation function does not verify the accuracy of the document, and it is the responsibility of the contracting officers and agencies to ensure the accuracy of all information submitted.

B. Contracting Officials Did Not Review and Approve FPDS-NG Data Sheets

The FAR and the *Commerce Acquisition Manual (CAM)* state that it is the responsibility of the contracting officer who awarded the contract action to ensure the accuracy and

¹⁵ U.S. General Services Administration, Federal Procurement Data System, February 2013. *FPDS-NG Government User’s Manual*, version 1.3. Washington, DC: GSA-FPDS; *Ibid.*, May 21, 2013. *FPDS-NG Data Element Dictionary*, version 1.2. Washington, DC: GSA-FPDS.

completion of information reported in the FPDS-NG.¹⁶ The CAM also states that the contracting officer shall review all FPDS-NG and other required data entries prior to executing an award, officially document the review by signing the FPDS-NG data sheet, and include the data sheet in the contract file.¹⁷

NOAA and NIST contracting officers often did not sign the FPDS-NG data sheets verifying their review of them. Of the 74 contract actions reviewed, 50 had an unsigned data sheet: 24 from NOAA and 26 from NIST. Discussions with contracting officers generally found that they were unaware of the CAM's requirement that they document their review by signing the data sheet. Of the remaining 24 contract actions we examined, contracting officers had not detected their miscoding as UAs even though they had signed the FPDS-NG data sheets for them.

C. *Lack of FPDS-NG Training*

NOAA and NIST contracting officials lacked formal training to assist them in data entry into the FPDS-NG. The CAM states that contracting officers must be familiar with FPDS guidance in order to ensure compliance with all applicable fields required for complete and accurate reporting.¹⁸ However, we found that contracting officers lacked adequate training and understanding to input data into the FPDS-NG. Without adequate training, the Department will continue to report inaccurate acquisitions data and will fail to provide Congress and the public with full transparency and accountability on some government activities.

In February 2014, NOAA's Acquisition and Grants Office—Policy and Oversight Division (AGO-POD) developed a training presentation to assist its acquisition divisions to address findings identified by Acquisition Management Reviews. The reviews identified problems such as repetitive coding errors and FPDS reports missing from contract files. AGO-POD posted the slide presentation on its website and made it available to its three acquisition division directors for use in conducting staff training. However, NOAA did not maintain any records to document who had taken the training. Furthermore, although two contracting officers stated they had received FPDS training 3–5 years previously, their training was not related to data entry into the FPDS-NG.

Additionally, one NIST contracting officer stated he did not receive any training on FPDS-NG and was unfamiliar with the requirements set forth in the FAR and CAM on contract data reporting, verification, and validation. The contracting officer also told us that he was not aware that the data sheet had a UA data field. Another NIST contracting officer stated he did not receive training on data entry into FPDS-NG over the past 2 years. The contracting officer also stated that he used FPDS guidance from a previous job and information obtained from NIST policy group monthly meetings;

¹⁶ FAR § 4.604 (b)(1); U.S. Department of Commerce, *Commerce Acquisition Manual*, 1304.6 § 1.4.4 at www.osc.doc.gov/oam/acquisition_management/policy/commerce_acquisition_manual_cam/ (accessed June 1, 2015).

¹⁷ CAM 1304.6 § 3.2.2 (a).

¹⁸ CAM 1304.6 § 2.2.1.

however, the contracting officer stated that these meetings had not been held for at least a year.

II. Missing Contract File and FPDS-NG Data Sheets

NIST was unable to locate the contract file for one contract identified in our sample. The contract action had a total negotiated price of \$6.9 million, which included two option periods. Ultimately, NIST had to recreate the contract award, modifications, and associated FPDS-NG data sheets from its electronic files. The FAR requires the head of each office performing contracting, contract administration, or paying functions to establish files containing the records of all contract actions.¹⁹ Missing files and documentation are an indication of poor internal controls and leave the Department and its contracting employees open to allegations of mismanagement or impropriety.

Further, NOAA and NIST contracting officers did not consistently ensure that documentation to support acquisition data reported in FPDS-NG was maintained in the contract file. Specifically, we found that 35 contract files lacked the original or revised FPDS-NG data sheets. CAM requires contracting officers to include the FPDS data sheet in the contract file.²⁰ Contracting officers at NOAA and NIST told us they would not retain the previous data sheet once FPDS-NG has been updated. A NOAA contracting officer stated that NOAA AGO-POD verbally instructed contracting officers to discard the original data sheets in order to eliminate excess paper from the contract files.

Also, DOC must do more to ensure completeness of its contract file documentation. Maintaining an audit trail is essential in the event that transactions need to be reconstructed or a contracting action is protested or contested. The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that agencies should have internal control activities, such as the creation and maintenance of records that provide evidence of execution of approvals and authorizations.²¹ The need for accurate, well-maintained, and complete contract files is important not only for day-to-day contract administration but also to mitigate the effects of contracting staff turnover.

Recommendations

We recommend that the Director of Acquisition Management

- I. Issue guidance to senior bureau procurement officials reemphasizing the importance of entering, reviewing, and approving the accuracy of information entered into the contract action reports to ensure the integrity of the data in FPDS-NG.

¹⁹ FAR § 4.801(a).

²⁰ CAM 1304.6 § 3.2.2(a).

²¹ U.S. Government Accountability Office, September 2014, *Standards for Internal Control in the Federal Government*, GAO-14-704G. Washington, DC: GAO.

2. Issue guidance to senior bureau procurement officials reemphasizing the importance of maintaining contract files in accordance with federal and Department policies.

We recommend that the Director of the NOAA Acquisition and Grants Office

3. Ensure contracting officers properly code contract actions identified in this report.
4. Implement strong internal controls and oversight processes and procedures to ensure that (a) contract actions are properly coded in FPDS-NG and (b) contract files contain all required contract documentation.

We recommend that the Associate Director of the NIST Management Resources Office

5. Ensure contracting officers properly code contract actions identified in this report.
6. Implement strong internal controls and oversight processes and procedures to ensure that (a) contract actions are properly coded in FPDS-NG and (b) contract files contain all required contract documentation.

Summary of Agency Response and OIG Comments

OIG received comments on the draft report from the Department's Office of Acquisition Management, which generally concurred with the findings and recommendations. OIG also received comments from NOAA, which agreed with recommendations 3 and 4. These two responses are included as appendix C of this final report. NIST did not provide a formal response to the draft report, but the NIST audit liaison e-mailed that NIST was satisfied with the response provided by the Department's Office of Acquisition Management on May 8, 2015.

Appendix A: Objectives, Scope, and Methodology

We initiated an audit to determine whether contracting officials effectively managed and executed UAs. However, we were unable to answer our objective because NOAA and NIST FPDS-NG data were not sufficiently reliable to identify the universe of UAs. Consequently, this report addresses the miscoding of UAs in FPDS-NG and the maintenance of contract files.

To accomplish our objective, we

- evaluated Departmental practices against relevant policies and guidance, including the Federal Funding Accountability and Transparency Act, the Digital Accountability and Transparency Act of 2014, Office of Management and Budget directives, the Federal Acquisition Regulation (FAR), the *FPDS-NG Government User's Manual*, the *FPDS-NG Data Element Dictionary*, and the *Commerce Acquisition Manual*.
- identified the total number of UAs reported as letter contracts and other UAs for FYs 2013 and 2014 using the FPDS-NG.
- limited our scope to UAs coded as letter contracts for NOAA because of our April 2013 report²² and NOAA's issuance of an acquisition policy,²³ which only addressed the timely definitization of other UAs. As a result, we excluded 31 of these UAs from our universe in order to provide coverage of other UA contract actions.
- judgmentally sampled 75 out of the remaining 92 contract actions.
- reviewed contract files for 74 UAs to verify the accuracy of the FPDS-NG data. For one UA, NIST could not locate and provide the contract file for our review. We do not have reasonable assurance that we have reviewed all of these types of contract actions active during FYs 2013 and 2014.
- tested the reliability of FPDS-NG data by comparing information from the contract file with information gained in interviewing contracting officials.
- reviewed acquisition documentation, such as contract award documents, contract modifications, and FPDS-NG printouts.

Further, we obtained an understanding of the internal controls used to ensure submission and accuracy of all contract action reports in FPDS-NG by interviewing the acquisition officials at

²² U.S. Department of Commerce, Office of Inspector General, April 25, 2013, *Audit of Geostationary Operational Environmental Satellite-R Series: Comprehensive Mitigation Approaches, Strong Systems Engineering, and Cost Controls Are Needed to Reduce Risks of Coverage Gaps*, OIG-13-024-A.

²³ NOAA Acquisition Alert Memorandum 13-05, "Implementation of Policy for Definitization of Unpriced Change Orders," April 13, 2013.

the Department's Office of Acquisition Management, NOAA, and NIST. While we identified and reported on internal control deficiencies, no incidents of fraud, illegal acts, violations, or abuse were detected within our audit. We identified weaknesses in the controls related to the processes and procedures used for the submission and accuracy of all contract action reports in FPDS-NG. We conducted the audit fieldwork between September 2014 and January 2015. We did our fieldwork at NOAA's facilities in Boulder, Colorado, and Silver Spring, Maryland, as well as at NIST's facilities in Boulder, Colorado, and Gaithersburg, Maryland. We conducted this audit in accordance with generally accepted government auditing standards. We complied with those standards that require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We performed our work under the authority of the Inspector General Act of 1978, as amended, and Department Organizational Order 10-13, April 26, 2013.

Appendix B: Summary of Findings by Contract Action

Table B-I. Summary of Findings Associated with the NIST's Contract Actions

NIST	Contract No.	Specific Product or Service	Negotiated Contract Amount	FPDS-NG Data Sheets Not Officially Signed by Contracting Officer	FPDS NG Data Sheets Not Maintained in the Contract File	
	1	SBI34113CQ0005 13234	Cell and Nano lab tech	54,172	X	
	2	SBI34113CQ0005 13240	Scientific and technical services for Technician Level III	109,986	X	
	3	SBI34113CQ0005 13253	Technical assistance utilizing Government furnished laboratory and office equipment as well as facilities in the Phase Noise Metrology Group of the Time and Frequency Division.	76,140	X	
	4	SBI34113CQ0005 13272	Transition Edge Sensor Microfabrication and Process Development	194,525	X	
	5	SBI34113CQ0005 13289	Scientific and technical support services for development and evaluation of compact cold atom instrumentation.	66,332	X	
	6	SBI34113CQ0005 13309	Data capture services scientist	103,003	X	
	7	SBI34113CQ0005 13322	Mechanical testing engineer	38,467	X	
	8	SBI34113CQ0005 13325	Scientist/Engineer Level III, travel	189,506	X	
	9	SBI34113CQ0005 13332	Scientific and technical services through SBI341-13-CQ-0005 for a Technician Level II	55,488	X	
	10	SBI34113CQ0005 13338	Scientific and technical support services for the Compact Alkali Atom Atomic Clock Subsystem Development	35,485	X	
	11	SBI34113NC0077	Hardware maintenance	5,130		X
	12	SBI34113SU0946	IT equipment	14,102		X
	13	SBI33513NC0493	Post Production Captioning	11,721	X	
	14	SBI34113SU0902	Optical tools for precision keeping	16,800		
	15	SBI34113SU0912	Residual gas analyzer	4,999		
	16	SBI34113SU0914	Laser pipette puller	15,090		
	17	SBI34113SU0915	Super polished mirror substrates	3,780		
	18	SBI34113SU0971	Corner Cube Reflector	4,650	X	
	19	SBI34113SU0999	High Speed Phase Meter Board	14,850		
	20	SBI34113SU1066	Microwave source	40,450		
	21	SBI34112CN0108	Shim safety rods	797,180		X
	22	SBI35014CC0007	Verizon Wireless Service and Products	14,578	X	
	23	SBI34109SE0996	Professional editing and desktop publishing services	120,500	X	X
24	SBI34113NC0468	Software	63,677	X	X	
25	SBI34112CC0016	Telecommunication services	250	X	X	

Table B-I. Summary of Findings Associated with the NIST's Contract Actions

	Contract No.	Specific Product or Service	Negotiated Contract Amount	FPDS-NG Data Sheets Not Officially Signed by Contracting Officer	FPDS NG Data Sheets Not Maintained in the Contract File	
NIST	26	SB134110CN0139	Maintenance services	3,160,437	X	X
	27	SB134111SE0558	Courier services	202,236	X	X
	28	SB134107CQ001912480	Project Management Advisory Committee	122,170	X	
	29	SB134114SE0007	Repairment and recalibration of Bristol 721 Spectrum Analyzer	5,500		
	30	SB134114SU0021	Camera-based laser beam characterization system with user interface software	3,960		
	31	SB134114SU0038	Two DBR laser diode chips with in-package temperature control	7,430		
	32	SB134114SU0026	Two Bias Electronics Modules for the PJVS system	29,082		X
	33	SB134114SU0060	Coplanar waveguide 50-micron pitch ground-signal-ground probe tips for gold or copper pads with 1.0 mm coaxial inputs	8,685		
	34	SB134114SU0050	Multifunction FPGA card with onboard analog and digital input/output and a PC interface	8,732		X
	35	SB134114NC0049	Purchase of 1 GHz bandwidth digital oscilloscope	22,395		
	36	SB134114SU0077	Fiber-coupled, waveguide periodically poled lithium niobate	18,000	X	
	37	SB134114SU0082	U2T Photonics XPDV4120R-WF-FA 100 GHz Photodetector	16,918	X	
	38	SB134114SE0047	Annual maintenance – technical support, software upgrades, access to various support tools via the BRO website.	9,700	X	
	39	SB134111SE1017	Orienting, cutting, and polishing ten cylindrical rods from NIST-supplied premium Q swept quartz.	8,365	X	X
	40	SB134114SU0067	Furnishing, cleaning, material handling, utilities, display installing.	4,836	X	X
41	SB134112CQ003113351	Fuel tank removal and installation	186,130	X		
42	SB134113NC0607	Supervision and labor services	432,287	X	X	
43	SB134114SU0147	Glass wafers	7,449		X	
Totals			\$6,305,174	26	14	

Table B-2. Summary of Findings Associated with the NOAA's Contract Actions

NOAA	Contract No.	Specific Product or Service	Negotiated Contract Amount	FPDS-NG Data Sheets Not Officially Signed by Contracting Officer	FPDS NG Data Sheets Not Maintained in the Contract File	
	1	ABI133FI3SEI361	Special Studies/Analysis- Oceanological	\$49,875		X
	2	ABI133FI3SEI421	Special Studies/Analysis – Scientific Data	43,260		X
	3	DGI33E07BR0016 C0005	Program Evaluation Services	99,976	X	X
	4	DGI335009BU0013 0002	Support – Administrative: Translation and Interpreting	49,415	X	X
	5	EEI33C13NC0061	Cellular and PDA services	13,742	X	X
	6	EEI33FI3SU0687	Plustek Opticfilm 120 Film Scanner	2,000	X	
	7	FC133E13NC0723	McAfee Application Control for PCs	13,990	X	X
	8	RAI33010CQ0010 T0018	Support to Research and Technical Programs	71,684	X	X
	9	ST133WI3NC0301	ADP Software	25,534	X	X
	10	WC133WI2SEI132	Housekeeping- Landscaping/Grounds keeping	8,249		X
	11	WEI33C12NC1580	Purchase Computer Monitors	3,920	X	X
	12	WEI33FI3NC0919	Office Furniture	10,737	X	
	13	WEI33FI3NC1317	IT and Telecom- Annual Hardware Maintenance Service Plans	5,768	X	
	14	WEI33FI3SE2009	A lot of CISCO Smart net Maintenance	41,778	X	
	15	ABI33F09CQ0026 T0145	Fisheries Research Scientist	74,484	X	X
	16	ABI33FI2SEI416	Conduct Social Norm Analysis	61,300	X	X
	17	ABI33FI2SU0566	Submersible Data Loggers	11,070	X	X
	18	ABI33FI3SEI313	Study on Sea Turtle Bycatch Reduction	69,000	X	X
	19	DGI33E14NC0042	ADP Supplies	13,185	X	X
	20	DGI33WI2CQ0008 T0007	Support- Professional: Engineering/Technical	2,532,152	X	X
	21	EA133C14NC0884	NetBackup software maintenance renewal	26,649	X	
	22	EA133MI3CN0051	Boat knuckle boom davit, boat and cradle	398,222	X	
	23	EEI33WI4NC0329	Batteries, Non rechargeable	4,614	X	
	24	EG133WI4SE2941	SMS broker service	71,000		X
	25	RAI33012NC0178	Janitorial Services	98,049	X	X
	26	RAI33MI4NC0090	Replace Bridge Wipers	31,413		
	27	RAI33R12CQ0021 T0004	Electronic Equipment Functions of Profiler Control Center	1,274,307	X	
	28	WEI33FI4SE2569	Gear housing for Verado Standard XL	4,480	X	X
	29	WEI33FI4SU0494	Trailer, inbound freight, delivery to Santa Cruz	7,220	X	X
	30	WEI33WI4SE2572	Maintenance /Repair/Rebuild of Equipment- Hardware and Abrasives	13,232		
31	WEI33WI4SE2623	Maintenance/Repair/Rebuild of Equipment- Electrical and Electronic Equipment Components	7,060		X	
Totals			\$5,137,366	24	21	

Appendix C: Agency Responses

MAY 08 2015



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

MEMORANDUM FOR: Andrew Katsaros
Principal Assistant Inspector General for Audit and Evaluation

FROM: 
Barry E. Berkowitz
Senior Procurement Executive
and Director for Acquisition Management

SUBJECT: *Inaccurate Reporting of Undefined Actions in the
Federal Procurement Data System – Next Generation
Draft Report*

Thank you for the opportunity to comment on the draft report from the Office of Inspector General (OIG) entitled *Inaccurate Reporting of Undefined Actions in the Federal Procurement Data System – Next Generation*. The Office of Acquisition Management generally concurs with the findings and recommendations.

Comments from the National Oceanic and Atmospheric Administration are attached.

If you have any questions regarding this response, please contact Virna Winters at vwinters@doc.gov or 202-482-3483.

Attachment



UNITED STATES DEPARTMENT OF COMMERCE
The Deputy Under Secretary for
Operations
Washington, D.C. 20230

MAY 04 2015

MEMORANDUM FOR: Barry E. Berkowitz
Senior Procurement Executive and Director of Acquisition
Management
Department of Commerce

FROM: VADM Michael S. Devany
Deputy Under Secretary for Operations

SUBJECT: *Inaccurate Reporting of Undefined Actions in the Federal
Procurement Data System – Next Generation*
Draft OIG Audit Report

Thank you for the opportunity to comment on the Office of the Inspector General's draft audit report evaluating the reliability of the information regarding contract actions publicly reported by NOAA and NIST.

NOAA takes its responsibility to ensure data integrity and accuracy of its data seriously. The NOAA Acquisition and Grants Office (AGO) developed and provided Federal Procurement Data System – Next Generation (FPDS-NG) training to its acquisition divisions in February 2014 and will update and redistribute this training and document participation in this training. AGO will also continue to ensure contract files are properly documented through Acquisition Management Reviews, Field Delegate Audits, and Senior Bureau Procurement Official Reviews.

Our specific comments on the report's findings and the two relevant recommendations are attached.

Attachment



Department of Commerce
National Oceanic and Atmospheric Administration
Comments on the Draft OIG Report Entitled "Inaccurate Reporting of Undefined
Actions in the Federal Procurement Data System – Next Generation"
(April 13, 2015)

General Comments

NOAA appreciates the opportunity to comment on the Office of the Inspector General (OIG) draft audit report evaluating the reliability of the information regarding contract actions publicly reported by NOAA and NIST. Below are our specific comments pertaining to sections I-II of the draft report as well as the response to the recommendations directed at NOAA.

Section I.A. Incorrectly Completing the UA Data Element in FPDS-NG

The Draft Report finds that the NOAA Acquisition and Grants Office (AGO) sample of Undefined Action (UA) files were miscoded. The miscoded data field in these files is one of more than 50 data fields that comprise a Federal Procurement Data System – Next Generation (FPDS-NG) Report. It should be noted that since implementation of Commerce Acquisition Manual (CAM) 1304.6 – Contract Data Reporting, Verification and Validation, which outlines the requirements for contract data reporting in FPDS-NG, AGO has consistently received a 95 percent or higher accuracy rating.

Section I.B. Contracting Officials Did Not Review and Approve FPDS-NG Data Sheets

Contracting Officers did review and approve all FPDS-NG data sheets. Electronic approval of the FPDS-NG data sheets is compliant with CAM 1304.6 – 3.2.2(a).

Section I.C. Lack of FPDS-NG Training

As stated within the OIG draft report, AGO developed and provided FPDS-NG training to its acquisition divisions in February 2014. AGO will update and redistribute this training to its acquisition divisions. In addition, AGO will document participation in this training.

Section II. Missing Contract File and FPDS-NG Data Sheets

The Draft Report cites 21 instances in which FPDS-NG Reports were missing from AGO contract files. We reviewed these 21 instances and agree that there were 7 in which an FPDS-NG Report was inadvertently omitted from the contract file. The remaining contract files included an FPDS-NG Report. AGO will continue to ensure that each contract file is fully documented throughout the procurement lifecycle in accordance with current regulations. AGO will reiterate this importance when we distribute our updated FPDS-NG training slides to acquisition divisions.

AGO's findings from its review are summarized in the table on page two.

AGO's Assessment of Missing FPDS-NG Reports

	Contract Number	FPDS-NG Report Not in the File	FPDS-NG Report Included in the File
1	AB133F09CQ0026T0145		X
2	AB133F12SE1416	X	
3	AB133F12SU0566		X
4	AB133F13SE1313		X
5	AB133F13SE1361		X
6	AB133F13SE1421		X
7	DG133E07BR0016C0005	X	
8	DG133E14NC0042	X	
9	DG133W12CQ0008T0007		X
10	DG135009BU00130002	X	
11	EE133C13NC0061	X	
12	EG133W14SE2941		X
13	FC133E13NC0723	X	
14	RA133010CQ0010T0018		X
15	RA133012NC0178		X
16	ST133W13NC0301	X	
17	WC133W12SE1132		X
18	WE133C12NC1580		X
19	WE133F14SE2569		X
20	WE133F14SU0494		X
21	WE133W14SE2623		X

Recommended Changes for Factual/Technical Information

Page 7, Section II, paragraph 2 – last sentence: Replace the word original with the word draft. The sentence should read: "A NOAA contracting officer stated that NOAA AGO-POD verbally instructed them to discard the draft data sheet in order to eliminate excess paper from the files."

Editorial Comments

Page 4, first sentence: Duplicate entry. Delete "or revised FPDS-NG".

NOAA Response to OIG Recommendations

Recommendation 3: That the Director of the NOAA Acquisition and Grants Office ensure contracting officers properly code contract actions identified in the report.

NOAA Response: NOAA agrees with this recommendation. The single element of each report identified as being miscoded in the report has been corrected.

Recommendation 4: That the Director of the NOAA Acquisition and Grants Office implement strong internal controls and oversight processes and procedures to ensure that: (1) contract actions are properly coded in FPDS-NG, and (2) contract files contain all required contract documentation.

NOAA Response: NOAA agrees with this recommendation. (1) AGO has a reliable and effective system in place to prevent miscoding in FPDS-NG as evidenced by a 95% or higher rating on our quarterly FPDS-NG independent validation and verification in accordance with CAM 1304.6. Also, AGO will update our current FPDS-NG training slides and redistribute them to our acquisition divisions. Documentation of completion of this training will be required from the acquisition divisions. (2) AGO will continue to ensure contract files are properly documented through our Acquisition Management Reviews, Field Delegate Audits, and Senior Bureau Procurement Official Reviews.