U.S. Department of Commerce
Office of Inspector General

RECOVERY ACT:
Transparency and Accountability in Contract Management

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Topics

- Recovery Act’s Charge to Acquisition Workforce
- Recovery Act Funded Acquisitions
- Establishing Measureable Outcomes for the Performance of Recovery Act Funded Contracts
- Reporting on Contract Activities
- Inspector General Oversight of Recovery Act Contracting
Recovery Act
Guidance Documents


Recovery Act

We cannot overstate the importance of this effort. We are asking the American people to trust their government with an unprecedented level of funding to address the economic emergency. In return, we must prove to them that their dollars are being invested in initiatives and strategies that make a difference in their communities and across the country. Following through on our commitments for accountability and openness will create a foundation upon which we can build as we continue to tackle the economic crisis and the many other challenges facing our nation.

Memorandum from the President to Head of Departments and Agencies, February 9, 2009
Recovery Act
Accountability Objectives

1. Recovery funds are awarded and distributed in a prompt, fair, and reasonable manner.

2. The recipients and uses of all recovery funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.

3. Recovery funds are used for authorized purposes and every step is taken to prevent fraud, waste, error, and abuse.

4. Projects funded under the recovery legislation avoid unnecessary delays and cost overruns.

5. Programs meet specific goals and targets, and contribute to improved performance on broad economic indicators.

Memorandum from the President to Head of Departments and Agencies,
February 9, 2009
Recovery Act Acquisition Stakeholders

- **Chief Financial Officer and Assistant Secretary for Administration** – Serves as Chief Acquisition Officer. Ensures contracting activities are managed in support of the agency’s mission.

- **Office of Acquisition Management** – Director for Acquisition Management serves as Procurement Executive. Plans, develops, and implements acquisition policies and procedures and leads contracting office for the Office of the Secretary.

- **Agency Contracting Offices** – House agency contracting officers and specialists, who are authorized to award contracts and perform post-award functions.

- **Program Offices** – Recommend Contracting Officer Representatives, whose responsibilities include defining program and technical requirements, seeing they are properly described in solicitation and contract, and then administering the contract to ensure those requirements are met.

- **Office of General Counsel** – Provides advice on procurement law to ensure acquisition staff develop appropriate acquisition strategy. Reviews acquisition plans and statements of work, and examines limitations on competition.

- **Office of Inspector General** – Under the Recovery Act, OIG will perform audits and inspections of Commerce agencies that award Recovery Act funds, and the recipients of them, to determine whether safeguards exist for ensuring funds are used for their intended purposes.
OMB Recovery Act Guidance on Acquisition Planning

• Agency is to give “heightened management attention” to Recovery Act acquisition planning to ensure the following:
  ▪ Schedule, cost, and performance risks are mitigated
  ▪ Contract requirements are well-defined and focused on outcomes
  ▪ Competition is maximized
  ▪ Contract awards are expeditious
  ▪ Government personnel are available to perform inherently governmental functions during acquisition life-cycle
  ▪ Agency oversight occurs at critical decision points

• Responsibility Determinations - Agencies are to “place special emphasis on responsibility determinations and preaward surveys,” including:
  ▪ Checking the Excluded Parties List System
  ▪ Establishing “special responsibility standards” for acquisitions with unique risks
Recovery Act—Acquisition Flexibilities

• Established flexibilities may be used to speed contract awards.

**Small Dollar Acquisitions under the Simplified Acquisition Threshold** ($3,000 to $100,000)

Allows agency to shorten time for publicizing action or to replace announcement on fedbizopps with oral solicitation (e.g., FAR 5.101, 5.202, 5.203, 13.106-1). Negotiations with offerors are not required.

**Commercial Item Test Program** ($100,000 to $5.5 million)

In large part, acquisitions may be handled in the same manner as a simplified acquisition.

**Acquisitions of Commercial Items** (over $5.5 million)

• FAR Part 12 policies and procedures apply, including optional streamlined procedures for evaluation and solicitation.

• Wait period after notice and before issuing solicitation may be reduced (FAR 5.203(a)).

• Based on circumstances, the contracting officer may allow for fewer than 30 days response time for receipt of offers (FAR 12.205, 5.203(b)).

**Acquisitions Involving Noncommercial Items** (over $100,000)

Some acquisitions of noncommercial items may qualify to use FAR Part 12 (FAR 12.102(f) & (g)). Offerors may be allowed to give oral presentations (FAR 15.102).

• Recovery Act funding does not alone justify use of emergency procurement authorities.
OMB Recovery Act Guidance—
Competition

Must All Contracts Be Competed?

No

• Agencies are to use competitive procedures to the maximum extent possible. They should review procurement practices and procedures to ensure they promote competition to the maximum extent possible.

• Agencies are to use noncompetitive procedures only when their use can be fully justified and when appropriate safeguards are in place to protect the taxpayer.
OMB Recovery Act Guidance—
Contract Type

Must All Contracts Be Fixed Price?

No

• Agencies are to use fixed-price contracts to the maximum extent possible.

• If agencies plan to use cost-type contracts, they must
  • Give sufficient consideration to the use of fixed–price contracts.
  • Assign qualified staff to manage cost reimbursement contracts so as to achieve performance objectives.
What Drives the Choice of Contract Type?

- Allocating risk between contractor and the government.
- Creating incentives for efficient and high-quality contract performance.
- Defining performance requirements so as to allow meaningful and measurable outcomes.
Can Agencies Use Existing Contracts?

Yes

- Neither the Recovery Act nor OMB guidance prohibit the use of task or delivery order contracts such as GWACs or GSA schedules.

- The Recovery Act does establish the following new reporting requirements for using task or delivery order contracts:
  - Include task or delivery orders in inputs to the federal procurement data system (www.fpds.gov).
  - Announce task order contracting opportunities by posting synopses for task orders of $25K or more (this action is separate from release of solicitation).
  - Publicize award notices for all contract actions exceeding $500K, whether a new contract award, a task order award, or modification to existing contracts.
  - Publicize the award of any contract action that is not both fixed price and competitively awarded, regardless of value, and include rationale.
Can Agencies Use Interagency Agreements?

Yes

- Interagency agreements (IAAs) are not prohibited by the Recovery Act or OMB guidance.
- IAAs should “spell out” agencies’ roles and responsibilities in implementing Recovery Act requirements, including those for:
  - Developing and submitting reports,
  - Tracking recipients’ reporting, and
  - Producing accurate and timely data.
Are There New Reporting Requirements for Recovery Act Contractors?

Yes

• At the end of each calendar quarter, contractors are to report via http://www.FederalReporting.gov on:
  ✓ Dollar amount of contractor invoices
  ✓ Supplies delivered and services performed
  ✓ The completion status of the work, including a list of all significant services, description of the overall purpose and expected outcome, results, and deliverables of the contract
  ✓ Estimate of number of jobs created and retained
  ✓ Names and total compensation of each of the five most highly compensated officers
  ✓ Information on first-tier subcontractors

• Contracting officers are charged with exercising appropriate remedies, if reports are not submitted.

• Agencies are to make reports available to the public.
Recovery Act and Contractor Business Ethics Compliance Program and Disclosure Requirements

Do Recovery Act Contractors Need to Establish Business Ethics Programs?

Some will.

- Recovery Act contracts and subcontracts that are greater than $5M and last more than 120 days.
- Business ethics awareness and compliance program including
  - Communication of the program to employees and subcontractors and the establishment of a formal training program in the business ethic program’s various roles and responsibilities,
  - An internal control system that assigns responsibility for the program to senior level official, and includes periodic reviews, internal reporting mechanism, assessment of the risk of criminal conduct, disciplinary action for improper conduct, and timely disclosures of violations of certain federal law, in writing, to the Commerce OIG, with a copy to the Contracting Officer,
  - Implementation within 90 days after contract award.
- Contractors are required to disclose to the IG credible evidence that an employee or subcontractor has violated certain criminal laws or the civil False Claims Act, or received significant overpayments.
  - Knowing failure may result in suspension or debarment of the contractor.
Recovery Act
Changes to the FAR

• Access to Contractor Records and Employees
  – Gives inspectors general (IGs) and the Government Accountability Office (GAO) access to contractor records and employees.

• Whistleblower Protections
  – Requires IGs to investigate complaints of whistleblower reprisals by contractors.
  – Limits time for IG investigations (extensions may be requested).
  – Gives remedies and enforcement authorities to agency heads.

• Buy American Provisions
  – Steel, iron, and manufactured goods used in Recovery Act public building or public works projects must be produced in United States.
OMB Recovery Act Guidance — Contract Outcomes

• Manage contracts so that outcomes are “consistent with and measurable against agency” Recovery Act plans and goals.

• OMB guidance on outcome management
  – Implementation of quality assurance procedures
  – Timely inspection and acceptance of deliverables
  – Prompt use of all tools measuring contractor performance
  – Timely and accurate performance evaluations
  – Effective use of incentive and award fees
  – Data feed that permits agency to report
OMB Recovery Act Guidance — Agency Reporting

OMB Guidance:
Agencies will have a data feed that will permit transmission of reports on the topics below to the Recovery Accountability and Transparency Board, Congress, or OMB:

- Progress against program schedule and performance objectives
- Qualification and number of acquisition, grants, and program management staff
- Use of competition
- Timeliness of awards
- Dollars obligated and expended
OMB Recovery Act Guidance — Jobs

OMB requires that agencies instruct contractors on estimating the number of jobs created or retained

OMB Guidance II, p. 52, section 6.1
How should agencies instruct recipients to estimate the number of jobs created or retained?

• The guidelines state that the prime recipient will describe the types of jobs and estimate the number created and retained at the prime recipient level (i.e., grantee, contractor, or borrower).

  -- Recipients should provide a narrative description of the employment impact of the Recovery Act work.

  -- Recipients should report full-time equivalent estimates, which should be cumulative number of jobs created or retained for each calendar quarter.
A brief description of the types of jobs created and retained in the United States and outlying areas:

• "Jobs or positions created" means those new positions created and filled, or previously existing unfilled positions that are filled, as a result of Recovery Act funding.

• "Jobs or positions retained" means those previously existing filled positions that are retained as a result of Recovery Act funding.

• A job cannot be reported as both created and retained.
An estimate of the number of jobs created and jobs retained in the United States and outlying areas:

- Include any positions created and any existing positions retained to support or carry out Recovery Act projects or activities managed directly by the recipient, and if known, by subrecipients.

- The number shall be expressed as “full-time equivalent” (FTE), calculated cumulatively as all hours worked divided by the total number of hours in a full-time schedule, as defined by the recipient. Two full-time employees and one part-time employee working half days would be reported as 2.5 FTE in each calendar quarter.
Contract Administration Responsibilities

• Contract administration involves various activities undertaken by the government and the contractor to ensure the government receives what it paid for and that the contractor is paid what it is due.
  – The FAR lists 70 contract administration functions.
  – Contracting Officer is responsible for ensuring compliance with contract terms and conditions and, more generally, safeguarding the interests of the government in its contracting activities.
  – Contracting Officer Representative (COR) performs key contract administration functions; performance monitoring and oversight, technical direction, and contract management, as delegated by the contracting officer, and
    • Maintains arms-length relationships with contractor, communicates with the assigned program/project manager, and closes-out the contract.
  – Program /Project Manager is responsible for developing accurate government requirements, defining measurable performance standards, and managing contractor activities to ensure achievement of desired outcomes.
• Contracting officer, COR, and project manager must coordinate tasks necessary to implement the Recovery Act’s transparency and accountability requirements.
Why Measure Performance?

- To continuously improve projects (and services).
- To provide better information for more effective decision-making.
- To communicate program results.
Assessing Program Performance
GPRA and PART

The executive branch and congressional committees need evaluative information to make decisions about the programs they oversee —information that tells them whether, and in what ways, a program is working well or poorly, and why.

**GPRA** - Government Performance and Results Act (1993):

- Congress expressed frustration that executive branch and congressional decision-making was hampered by the lack of good information on the results of federal program efforts.
- To promote improved federal management and increase efficiency and effectiveness of federal programs, GPRA instituted a government-wide requirement for agencies to set goals and report annually on program performance.

**PART** - Program Assessment Rating Tool (2002):

- OMB introduced PART to examine federal programs in the budget formulation process.
- Performance measurement and program evaluation play key roles.
Assessing Program Performance — The Recovery Act

- OMB implementation guidance for Recovery Act funds requires agencies to **enhance their performance management oversight for contracts**.

- OMB guidance sets the expectation that agencies will **take actions beyond standard practices** to ensure outcomes that are “consistent with and measurable against agency plans and goals under the Act.”

- Agencies must define contract requirements that **deliver meaningful and measurable outcomes**.

*OMB Guidance II, p. 52, section 6.1*
Assessing Program Performance — The Recovery Act

OMB guidance sets the expectation that agencies will actively monitor contracts to ensure that performance, cost, and schedule goals are being met by:

- Ensuring that incentive and award fees are administered effectively;
- Implementing quality assurance procedures established for the contract;
- Documenting timely inspection and acceptance of deliverables;
- Promptly using all available tools to identify and remedy deficiencies related to contractor performance, cost, and schedule (e.g., Quality Assurance Surveillance Plans, cure notices, show cause letters); and
- Completing timely evaluations of contractor performance that accurately reflect the contractor’s actual performance, supported by appropriate documentation.

OMB Guidance II, p. 59, section 6.3
Performance Measurement
As Defined by GAO

- The ongoing monitoring and reporting of program accomplishments, particularly progress toward pre-established goals.
- Typically conducted by program or agency management
  - Performance measures may address the type or level of program activities conducted (process), the direct products and services delivered by a program (outputs), or the results of those products and services (outcomes).
  - Performance measurement focuses on whether a program has achieved its objectives, expressed as measurable performance standards.

For contracts, involves monitoring, obtaining data, and assessing progress toward performance, cost, and schedule goals
Program Evaluations
As Defined by GAO

• Studies conducted periodically or on an ad hoc basis to assess how well a program is working
  – Typically examine achievement of program objectives in the context of other aspects of program performance.
  – Use performance measures, along with other information, to learn the benefits of a program or how to improve it.
  – Could be impact assessment, program evaluation, performance audit, etc.

• Recovery Act’s OMB Guidance emphasizes assessment of outcomes - program and economic outcomes (jobs).
Performance Indicators

Performance indicators should
• Be quantifiable and measurable
• Be relevant, understandable, timely, consistent, comparable, and reliable
• Incorporate a variety of measures
  – inputs
  – outputs*
  – outcomes*
  – efficiencies
  – service quality
Performance Indicators

**Output Indicators** – quantity of units produced

Examples:
- Number of labs constructed
- Miles of sea bottom mapped
- Acres of wetlands restored
- Number of people trained
- Number of clients served
- Number of buildings constructed

**Outcome Indicators** – qualitative consequences associated with a program or service that focus on the ultimate “why” of providing the service

Examples:
- Number of jobs created or saved
- Private investment in an area after an EDA-investment
- Increase in pounds harvested of a certain fish stock
- Amount of time saved by automating a system
- Increase in the income tax received in a taxing district
- Decrease in erosion of a riverbed or coast
Performance Indicators

• **Input Indicators** – resources used to produce an output
  – examples: costs (direct costs plus fringe benefits), labor hours

• **Efficiency Indicators** – ratio of inputs used per unit of output (or outputs per input)
  
  Examples:
  — **Cost per unit**: average cost per higher skill/higher wage job created (cost per job created), cost per transaction, etc.
  — **Productivity**: hours per application reviewed, plans reviewed per reviewer

• **Service Quality Indicators**
  - How satisfied are customers
  - How accurately a service is provided
  - How timely a service is provided
  
  Examples:
  — Percentage of respondents satisfied with interaction with the federal government
  — Average wait time
  — Frequency of repeat actions
Performance Measures
Findings from Previous IG Work

OIG audits conducted from 2000 to 2005 found three main issues:

1. Measures were unclear – in many cases the wording did not accurately reflect the agency’s goal (too vague or unclearly defined terms).

2. Disclosures were inadequate – metrics used to assess whether the goal had been met did not adequately reveal limitations or the data behind the metric.

3. A lack of management controls – the follow-up or verification of the data to assess the goal was inadequate.
Performance Measures
Prior OIG Recommendations

• **Key terms** should be easily understood and include informative explanations.

• **Management controls** over data collection and the collection and reporting of performance data should be in place to ensure integrity of the performance data.

• **Performance reviews** should be conducted quarterly to discuss the effectiveness of controls, reliability of performance information, and any validation or verification reviews.
OIG Oversight under the Recovery Act

• “OIGs will perform audits and inspections of their respective agencies’ awarding, disbursing, and monitoring of Recovery Act funds to determine whether safeguards exist for funds to be used for their intended purposes.”

President’s Memorandum to Head of Departments and Agencies, April 3, 2009
The Recovery Act and Program Risk

“OIG will use risk assessment techniques where data is available to identify high-risk programs and non-federal entities to be targeted for priority audits, inspections, and investigations with faster turnaround reporting.”

Memorandum to Head of Departments and Agencies, April 3, 2009
What Can Trigger An OIG Audit?

- **OIG Initiated**
  - Management Challenges document
  - Prior OIG work
  - Program Risks
- **Requests or referrals from Program Offices or Recovery Act Board**
- **Hotline Complaints**
Agency Referral

OIG receives referrals from program offices based on:

– Cost Reports
– Performance Reports
– Site Visits
– Other Monitoring Activities
“There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government.”

~ Ben Franklin

OIG Hotline Number

1-800-424-5197
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Previous OIG Contract Oversight

**Recommendation:** Strengthen grants and procurement internal controls to include stronger oversight of program officials’ interactions with current and prospective grant and contract recipients, and provide additional guidelines and training for these officials to ensure they understand their appropriate roles. *Concerns over NOAA’s Oversight of Grants and Contract with Finger Lakes Production International, Incorporated Final Report No. CAR-19201/July 2009*

**Management Challenge re: Weaknesses in the Department’s Acquisition Oversight and Acquisition Workforce:** The Department does not have coherent policies to guide systems acquisition or effective oversight mechanisms, and these failings were major contributors to the problems we identified with NOAA’s GOES-R satellite program and the Census Bureau’s Field Data Collection Automation contract. It also lacks a sufficient amount of skilled contracting and project management expertise—a problem all federal agencies are grappling with. *Top Management Challenges Facing the Department of Commerce, Final Report No. OIG-19384/November 2008*
Previous OIG Contract Oversight

Selected Recommendations:

• For future acquisitions with financial performance incentives, develop a fee structure that holds the contractor more accountable for performance results and does not reward unsatisfactory or poor performance or provide for significant fee payments for performance that is only satisfactory.

• Promptly complete required performance assessment plans for its support services contract, including the award-term plan and overall surveillance plan for the contract.

• Require NOAA’s research organizations to adequately document and retain the technical specifications and maintenance procedures for research systems so that this information can be made available to ensure their effective operations if and when those systems are transferred to NOAA’s operational components. *The National Data Buoy Center Should Improve Data Availability and Contracting Practices, Final Report No. IPE-18585/May 2008*
Oversight Reports – Best Practices and Lessons Learned From Past Relief and Recovery Initiatives

Commerce OIG reviews showed the importance of balancing expediency and accountability:

- Document deviations from regular procedures to avoid the appearance of impropriety.
- Dedicate staff in the field to the recovery projects to enhance on-site support and oversight.
- Actively monitor the start and completion of recovery projects and address struggling projects to remedy or terminate, allowing transfer of funds to other projects.

The Special Inspector General for Iraq Reconstruction found that:

- Adequately staffed quality-control and quality-assurance programs are essential.
- Outsourcing management responsibilities to contractors should be limited.
- Field presence of contracting officers and officials should be enhanced for oversight.
- Award-fee processes should be tightened.
Select Oversight Reports


Thank You

Questions

Recovery Act
Survival Kit