

**Memorandum**

Date DEC 22 1992

From Bryan B. Mitchell *Bryan Mitchell*
Principal Deputy Inspector General

Subject Review of the Administration for Children and Families Controls Over
Contract Reporting and Contracts (A-12-92-00032)

To Jo Anne B. Barnhart
Assistant Secretary for
Children and Families

Attached is our final audit report on the Administration for Children and Families (ACF) contracts as required by title 31, United States Code section 1114 (b). This law requires the Office of Inspector General (OIG) to provide an annual report to Congress on: (1) the accuracy and completeness of data provided to the Federal Procurement Data System (FPDS), and (2) the Department's progress implementing controls over contracts for advisory and assistance services (CAAS).

To assess the accuracy and completeness of ACF reported data, we reviewed 69 Fiscal Year (FY) 1991 contract actions (either a new contract award or a modification to a new contract) reported through the Department to FPDS. The 69 contract actions had a total value of \$18.3 million. In evaluating controls over CAAS, we performed a detailed analysis of 27 contract files related to 39 contract actions (26 from FY 1991 and 13 from FY 1990) valued at \$7.3 million.

During the review, we identified the following conditions:

- o About 90 percent of the 69 new FY 1991 contract actions had coding errors or omissions and, as a result, the contract information was not included in the Department's data transmitted to FPDS.
- o Among the 27 contract files we reviewed in detail, we found 3 that were not classified as CAAS but should have been classified as CAAS. Also, the ACF had not classified 16 contract actions related to 11 contracts as to whether ACF was procuring CAAS or non-CAAS services. Two contract actions had incorrect product service codes.
- o The contract files for 3 of 15 CAAS contract actions did not have the proper documents and/or approvals required by the Department for CAAS contract actions.

As a result, the Department understated ACF's FY 1991 overall new contracting activity of \$18.3 million by \$15.6 million in FPDS. Of this amount, the ACF's use of \$5.5 million in CAAS contract actions was understated by \$4.3 million in the FY 1991 FPDS data. For some CAAS contract actions the contract files did not document proper approval and justification. Additionally, we noted that due to the ACF's errors in coding contract data, the Department was unable to provide complete, required contract data to the Internal Revenue Service for administering the tax code.

We are recommending that the ACF institute stronger management controls over CAAS contract actions, obtain training for responsible staff, and correct errors in data for ultimate submission to the FPDS.

We met with officials cognizant of the activities, discussed the draft, and obtained concurrence with the facts as presented. In ACF's written comments the ACF agreed the OIG review highlighted reporting deficiencies that needed correction. The ACF indicated action has been initiated to improve controls, provide training to contract specialists, correct past coding errors, and include this area in an agency management control review.

Please advise us regarding any further actions taken on our findings and recommendations within the next 60 days. If you have any questions, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Human, Family and Departmental Services Audits, at (202) 619-1175.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE ADMINISTRATION FOR
CHILDREN AND FAMILIES CONTROLS
OVER CONTRACT REPORTING AND
CONTRACTS**



DECEMBER 1992 A-12-92-00032

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From Bryan B. Mitchell *Bryan Mitchell*
Principal Deputy Inspector GeneralSubject Review of the Administration for Children and Families Controls Over
Contract Reporting and Contracts (A-12-92-00032)To Jo Anne B. Barnhart
Assistant Secretary for
Children and Families

This final report presents the results of our review of the Administration for Children and Families (ACF) controls over contracts as specified in title 31, United States Code (USC) section 1114 (b). This law requires the Office of Inspector General (OIG) to report annually to Congress on: (1) the accuracy and completeness of contract data provided to the Federal Procurement Data System (FPDS), and (2) the Department's progress in implementing controls over contracts for advisory and assistance services (CAAS). We found the Department could improve the completeness and accuracy of ACF data provided to FPDS and Congress if ACF improved controls over coding and contracts.

The ACF entered into 69 new contracts or new contract modification actions during Fiscal Year (FY) 1991. These contract actions¹ amounted to \$18.3 million² and should have been reported to FPDS. We traced the 69 contract actions to determine if they were all accurately included in FPDS.

To achieve the second objective of assessing management controls and contract classification, we reviewed in detail 27 contract files which represented 39 contract actions amounting to about \$7.3 million. The 39 contract actions consisted of 26 from FY 1991 and 13 from FY 1990. We selected the 13

¹The term contract action refers to either the award of a new contract or subsequent modification of a new contract.

²Additionally in FY 1991, ACF awarded 39 modifications valued at approximately \$19.9 million for contracts that had been awarded in earlier years. However, because coding errors from past years could be easily carried forward to these transactions, we elected to exclude these transactions from the FPDS accuracy and completeness testing.

FY 1990 contract actions because the automated system indicated these contract actions had not been classified as CAAS or non-CAAS.

The review identified several areas needing improvements:

- o Data related to about 90 percent of the ACF's 69 new FY 1991 contract actions in the Departmental Contracts Information System (DCIS) contained errors or omissions and, accordingly, the data was not transmitted to the FPDS.
- o Three contract actions that were not classified as CAAS should have been CAAS. Sixteen contract actions (13 are from FY 1990 and 3 are from FY 1991) relating to 11 ACF contracts lacked the classification whether ACF intended to procure CAAS or non-CAAS services. Two other contract actions had incorrect FPDS product service codes.
- o The files for 3 of 15 CAAS contract actions did not have the proper documents and/or approvals required by the Department for CAAS contracts.

As a result of these conditions, the information which the Department provided to FPDS on ACF's FY 1991 new contract actions was not complete and accurate. Due to coding errors, the ACF's new contract actions reported in the FPDS were understated by about \$15.6 million which included an understatement of CAAS usage of about \$4.3 million. Management controls over CAAS need further improvement because the files for some CAAS contract actions did not contain documents indicating proper justification and review by the correct approving officials.

We provided the draft of this report to the ACF for review and comment on September 30, 1992. In written comments dated November 24, 1992, the ACF concurred with the recommendations contained in the draft report. The response indicates action has been initiated to address the deficiencies.

INTRODUCTION

Background

Title 31, USC, section 1114(b) tasks the OIG with submitting to the Congress, along with the Agency's budget justification, an evaluation of the Agency's progress in implementing controls over the accuracy and completeness of the data provided to the FPDS and management controls over CAAS. The definition of what constitutes CAAS contracts is contained in the Office of Management and Budget Circular A-120. The circular defines CAAS as services acquired from non-governmental sources by contract or by personnel appointment to support or improve agency policy, development, decision-making, management and administration or to support or improve the operation of management systems. There are four types of CAAS: individual experts and consultants; studies, analyses and evaluations; management and professional support services; and engineering and technical services. Our review also considered the guidance included in the Department's General Administration Manual (GAM) Section 8-15 and the Federal Acquisition Regulations.

The OIG has made annual CAAS reviews of different components of the Department over the last several years. Our reviews have identified problems with the definition of CAAS in A-120. As a result, in 1992 the Assistant Secretary for Management and Budget (ASMB) provided additional guidance to aid in defining what is and is not CAAS. For example, training and research are now excluded. The GAM was also expanded to further explain A-120 and set policy on what additional management controls were to be used to administer the CAAS contracts. The GAM 8-15-B lists all product service codes³ that are applicable to CAAS contracts only. It also lists the types of documents that should be included in CAAS contract files.

The Department is required to send a record of contract actions to FPDS which is operated by the Federal Procurement Data Center (FPDC) at the General Services Administration. The Department maintains a data base, DCIS, that collects, edits and consolidates the contract data and transmits this data (when accurate) to FPDS. Each operating division (OPDIV) inputs data into DCIS and is responsible for correcting errors, which are returned to the OPDIV via the monthly DCIS error report. The FPDS produces a yearly

³The product service code is a data element that identifies the purpose of a contract such as program evaluation/services. The coding system is defined by FPDC.

report to Congress that shows the number and amount of contracts awarded by the Department. Also, in accordance with requirements in title 26 USC 6050M, the Department is required to transmit an address and contract information for each contractor to the Internal Revenue Service (IRS) for IRS use in administering the tax code. The FPDS data is used to fulfill this requirement by helping to locate delinquent taxpayers.

During FY 1991, ACF awarded 69 new contracts or related contract modifications. Of these 69 contract actions, 23 amounting to \$5.5 million were classified as CAAS. The ACF awarded 43 new non-CAAS contract actions worth \$12.8 million in FY 1991. The remaining three FY 1991 contract actions were not classified as CAAS or non-CAAS. By contrast, during FY 1990, the ACF awarded 83 new contracts or modifications worth \$137.4 million, however, we reviewed only 13 of these contract actions because they showed no classification as to whether CAAS or non-CAAS services were acquired.

Scope

This review was performed in accordance with generally accepted government auditing standards. The overall objectives of the review were: (1) to examine the accuracy and completeness of information which is reported by ACF through DCIS to FPDS and (2) to assess ACF's management controls over the use of CAAS.

Specifically, in determining the accuracy and completeness of data reported to FPDS, we reviewed 69 FY 1991 ACF contract actions related to new contracts and modifications to those contracts. For the 69 contract actions, we attempted to trace data related to each contract action throughout the ACF and Department processes to validate the accuracy and completeness of information reported to FPDS. Also, we reviewed March and May 1992 data to determine if information was now being completely and accurately reported. In addition, to determine if any contracts were missing from the data ACF reported to FPDS, we compared the Division of Accounting Operations (DAO) obligation records to the ACF active contract status report.

To assess the classification of contract actions, we examined the files for 27 contracts⁴ which contained 39 contract actions⁵ valued at about \$7.3 million to determine if the contract actions should have been classified as CAAS or non-CAAS.

In assessing the management controls over CAAS contracting, we considered the internal controls in place and examined 15 of the 23 FY 1991 CAAS contract actions. The 15 CAAS contract actions amounted to \$2.3 million. We reviewed the files for documentation of whether the contract actions were properly authorized, approved, justified and contained required documentation. For each of the 15 contract actions we reviewed the statement of work, justification for other than full and open competition, management controls and approvals, and accuracy. The ACF had not performed a management control review of this area since ACF was organized in 1991.

Audit work was performed between March and July 1992 at the ACF office and the Department's DAO in Washington, District of Columbia. We limited our review to contracts awarded by the former Office of Human Development Services within ACF. We did not include contracts of the former Family Support Administration because those contracts were processed at the Public Health Service (PHS) and we had assessed the PHS activities in a previous review.

RESULTS OF REVIEW

DATA REPORTED TO FPDS

Because of missing or erroneous ACF information which was identified by FPDS prescribed edit checks in DCIS, the information for only about 10 percent of 69 ACF contract actions was accepted by FPDS for FY 1991. Of the \$18.3 million that should have been reported for FY 1991, only 6 contract actions worth approximately \$2.7 million were found in the FPDS. Of the six ACF contract actions in FPDS, the information was not accurate for one contract action because an incorrect product service code had been entered.

⁴In assessing contract classification we had to review both the basic contract file and the specific contract actions.

⁵ Included are the 13 FY 1990 contract actions that were selected for review because the computer listing lacked a classification as to whether ACF was acquiring CAAS or non-CAAS services.

We found the \$1.2 million which was reported in FPDS as spent on ACF's CAAS was understated by about \$4.3 million because of coding errors. As a result 20 of the 23 CAAS contract actions were not reported to FPDS.

The Department is required to use FPDC prescribed edit checks to screen DCIS data before transmission to FPDS. However, we identified batches of ACF coding sheets with missing and erroneous data that had been approved for submission by ACF staff. While the information was entered in the DCIS, we determined that approximately 90 percent of the coding sheets contained errors which precluded the data from being submitted to the FPDS system. While batches of data input documents contained the signature of a supervisor, in our opinion the supervisory review was not effective in identifying the errors and requiring correction before submission.

The causes for the high error rates include: (1) the inadequacy of management oversight in reviewing input documents, and (2) the lack of training on filling out and correcting DCIS entry forms.

At the time of our review, no one was working to correct the errors that have been rejected by the system in the current or previous fiscal years. To determine if this problem was continuing, we reviewed March and May 1992 data and found errors were still being made on data entry forms.

CONTRACT CLASSIFICATION

The Department's acquisition regulations require contract actions to be classified as CAAS or non-CAAS and be encoded with an appropriate product service code. We found that 16 contract actions (for \$3.1 million) related to 11 different ACF contracts did not indicate whether CAAS or non-CAAS services were acquired. Further, we identified three contract actions that were not classified as CAAS but should have been CAAS. Two of the erroneously classified contract actions were among the non-CAAS FY 1991 contracts and one was among the unclassified FY 1990 contracts we reviewed. The ASMB staff agreed that these contracts should have been classified as CAAS.

One contract action provided substantial technical assistance to the States to aid them in implementing the National Center on Child Abuse and Neglect. This is included in the management and professional support services area of characteristics of CAAS in A-120.

The other two contract actions were for evaluation type services. Evaluations are a type of CAAS contract defined in A-120. One contract assessed the influence of the Foster Care independent living

program for youth legislation on State and local foster care agencies and their allocation of resources. The other contract was a short term evaluation of the Native Hawaiian Revolving Loan Fund Demonstration Project. Circular A-120 states that evaluations are included in the CAAS definition and are "organized analytic assessments needed to provide the insights necessary for understanding complex issues."

Additionally, out of the 26 contract action files we examined from FY 1991, 2 contract actions that were classified correctly as CAAS or non-CAAS had incorrect product service codes. Our review of non-CAAS contract actions identified one contract action, "Clearinghouse on Child Abuse and Neglect and Family Violence Information," that erroneously had been assigned a CAAS product service code, entitled, "Program management support services." This erroneous classification was not caught by the FPDS edit checks and the contract is on the FPDS listing with the erroneous information. The second CAAS contract action, "Coordination and Integration of Head Start Research and Evaluation Activities," had a non-CAAS product service code, entitled, "Other administrative services" under the category "Other than advisory and assistance services." However, this contract action did not pass the FPDS edit checks and accordingly is not reflected in the FPDS listing.

In our opinion, weak management controls allowed the 16 contract actions to be processed without a classification of CAAS or non-CAAS. We found the erroneous classification of the CAAS contract actions was due to a lack of knowledge on the part of the procurement staff in completing the DCIS data entry form in two cases. In the third case, the error resulted from the contract clearance document not properly identifying the contract action as CAAS. We believe the staff's lack of knowledge on product service codes contributed to the problem.

CONTROLS OVER CONTRACT FILES

The ACF contract staff have made progress correcting some of the past problems identified with contract files; however, more remains to be done. Control of CAAS contracting includes having a file for each project that contains the required documents to justify the project and the correct officials approvals. The technique used to control the items in the contract files involves completing an index. A project description and justification document is part of the management controls on CAAS activities called for in the GAM on non-evaluation type contracts. This document is vital because it explains what the agency is trying to obtain and why the project is important. To avoid uncontrolled year-end spending, the GAM specifies that contracts awarded in the last quarter of the fiscal year are to be approved by officials two levels

higher than the requestor. Also, as part of the management controls over CAAS contracts called for in the GAM, the request for contract action must be approved by the Assistant Secretary for Program Evaluation for evaluation type contracts and the OPDIV and staff division (STAFFDIV) heads for non-evaluation contracts.

At the time of our review, the contract files for 3 of 15 CAAS contract actions we reviewed were missing one or more of the required documents. The CAAS contract action file entitled, "Assess Impact of Homelessness on Administration for Children Youth and Families Programs" lacked the project description and justification document. The file for the contract action entitled, "Coordination and Integration of Head Start Research and Evaluation Activities" was missing both the project description and justification document and the contract clearance document. A basic order agreement for a project entitled, "Conducting Evaluation Assessment, Short Term Evaluations, Design and Testing of Performance Monitoring Systems and Synthesis Analysis of Past Studies" also lacked the contract clearance document to indicate approval by the proper officials.

Also, management controls were not adequate to ensure contracts awarded during the last quarter of the fiscal year received the required, higher level of approval specified in the GAM. We found that 2 of the 15 contract actions were awarded in the last quarter but lacked the proper level of approval.

In addition, contract files should have indexes referencing location of required documents. These indexes are intended to facilitate review and to be used as a control to insure all documents are in a contract file. The contract file indexes were often either missing or incomplete.

OTHER MATTERS

The Department is required to provide information on contractors for IRS use. The IRS uses the agencies' data in administering the tax code as it relates to its program for locating delinquent taxpayers. The Department relies upon the input from OPDIVs and STAFFDIVs to identify the contracts, contractors, and contract amounts for IRS reporting. The FPDS information is the basis for the report that is transmitted to IRS. Since the information has errors and 90 percent is not being accepted by FPDS, the Department is not providing IRS with complete, accurate information on contractors.

CONCLUSIONS AND RECOMMENDATIONS

Neither Congress nor the IRS are getting necessary, accurate information on the Department's contract actions and in particular CAAS contract actions.

Congress uses this data in legislative and constituent matters. Edit checks and the failure of management to ensure errors are corrected have excluded about 90 percent of ACF's contract actions from being accepted in FPDS. Some contract actions were misclassified or contained erroneous product service code data and accordingly are not being controlled in accordance with specified requirements. Because the Department is not providing accurate, complete information to the IRS, the Federal Government may be losing tax revenue.

There is a need to improve management control over CAAS contract actions in ACF. Appropriate officials are not signing off on the request for contract clearance form. The absence of a project description and justification document in the contract files limits the ACF's ability, among other things, to demonstrate the project was properly justified.

We recommend that ACF:

- o Institute management oversight, training of personnel, correction of existing FY 1990 and FY 1991 data errors, and quality control measures for the input of contract action data into DCIS.
- o Implement stronger controls over the classification, product service code usage, and approval of requests for CAAS contract actions.
- o Enforce use of the index for each contract file to ensure appropriate documents are present in the contract files.
- o Include controls over contract action data and CAAS contracting as part of the contracting management control review under the Federal Managers' Financial Integrity Act.

ACF COMMENTS AND OIG RESPONSE

The ACF agreed (Attachment) with the findings and recommendations of the report and has initiated actions to address the deficiencies.

With regard to the recommendation that ACF institute better management controls and correction of data to ensure complete and correct reporting of information to FPDS, the ACF has assigned responsibility to the cognizant contract specialists. The contract specialists will encode the DCIS forms and a project has been undertaken to correct previously submitted DCIS forms.

In order to provide better classification and proper service codes for contract actions, the ACF scheduled an in-house training session for all contract specialists.

To ensure required documents are in the contract files, the ACF responded that a policy has been established that requests-for-contracts will not be accepted for processing without the properly completed background/justification document and the contract file index is now being used.

To the recommendation that ACF include controls over contract data and CAAS contracting as part of a management control review, the ACF agreed to include these factors as part of the acquisition management functions review.

In our opinion, these actions are responsive to our recommendations and, when completely implemented, should alleviate the deficiencies identified.

Please advise us regarding any further actions taken on our findings and recommendations within the next 60 days. If you have any questions, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Human, Family and Departmental Services Audits, at (202) 619-1175.



ADMINISTRATION FOR CHILDREN AND FAMILIES
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

November 24, 1992

TO: Bryan B. Mitchell
Principal Deputy Inspector General

FROM: Jo Anne B. Barnhart 
Assistant Secretary
for Children and Families

SUBJECT: Response to OIG Draft Report: "Review of the
Administration for Children and Families Controls Over
Contract Reporting and Contracts," (A-12-92-00032)

This responds to the draft report provided September 30, 1992, resulting from a recent review of the Administration for Children and Families' (ACF) controls over contract reporting and contracts. The OIG review highlighted reporting deficiencies which we concur needed immediate correction, and action has been initiated to address and correct the deficiencies.

Our responses to the findings and recommendations in the draft report follows:

OIG Finding

Data related to about 90 percent of the ACF's 69 new FY 1991 contract actions in the Departmental Contracts Information Systems (DCIS) contained errors or omissions and, accordingly, the data was not transmitted to the FPDS.

OIG Recommendation

We recommend that ACF institute management oversight, training of personnel, correction of existing FY 1990 and FY 1991 data errors, and quality control measures for the input of contract action data into DCIS.

ACF Response

Procurement data reported by ACF to the Department is forwarded to FPDS for use throughout the Federal sector in support of many data analyses. In FY 1991, only about 10 percent of the procurement data reported by ACF was accepted by FPDS, due to reporting and coding errors. We appreciate the importance of

accurate procurement reporting, and effective October 1, 1992, the individual contract reports for the Departmental Contracts Information System (DCIS) are being prepared by the cognizant contract specialists. For several years, this task has been delegated to support personnel within the contracts office, a practice which results in increased coding errors. The DCIS form is complex and the persons best suited to complete the forms are the contract specialists, who possess full knowledge of the contracts being reported. We believe that this change in procedure will greatly reduce the number of reporting errors experienced by the Division. To further ensure compliance with DCIS reporting requirements, a policy has been established, also effective October 1, 1992, that a completed DCIS form must be part of the contract file prior to issuance of any contract funding document. A project to correct the DCIS forms for FY 1990, FY 1991 and FY 1992 has been undertaken and is expected to be completed by January 31, 1993.

OIG Finding

Three contract actions that were not classified as CAAS should have been CAAS. Sixteen contract actions (13 are from FY 1990 and 3 are from FY 1991) relating to 11 ACF contracts lacked the classification whether ACF intended to procure CAAS or non-CAAS services. Two other contract actions had incorrect FPDS product service codes.

OIG Recommendation

We recommend that ACF implement stronger controls over the classification, product service code usage, and approval of requests for CAAS contract actions.

ACF Response

This finding is a further result of the DCIS form being completed by other than the contract specialists. The DCIS reporting controls cited above will ensure correct CAAS designation in future. In addition, this issue will be addressed in an in-house training session which will be conducted with all contract specialists during November 1992.

OIG Finding

The files for 3 of 15 CAAS contract actions did not have the proper documents and/or approvals required by the Department for CAAS contracts.

OIG Recommendation

We recommend that ACF enforce use of the index for each contract file to ensure appropriate documents are present in the contract files.

ACF Response

We agree that well-documented files are the basis for sound contract award and administration. Certainly, there is always room for improvement in this area. However, since February 1992, ACF's Division of Acquisition Management has taken a strong position that a Request-for-Contract will not be accepted for processing within the Division without a complete background/justification document, called a "12-point" or "14-point" document. This enforcement of the need for complete background information as part of the initial request has enabled the contracts staff to build a much stronger and more comprehensive contract file. The contract file index developed for use within the Division is a good one, and is now being consistently used, to good effect.

OIG Recommendation

We recommend that ACF include controls over contract action data and CAAS contracting as part of the contracting management control review under the Federal Managers' Financial Integrity Act.

ACF Response

We will include a review of these factors in the management control review of our Acquisition Management functions.

I know you are aware of the continuing confusion and conflict which is caused by the vague criteria and definitions associated with the designation of advisory and assistance contracts throughout the Department. You have, in the past, attempted to provide clarification of these criteria, and I commend you for your efforts. There remains, however, considerable room for disagreement over the designation of appropriate contracts for this purpose, and I believe more effort is needed to provide specific, clear guidance to operating divisions in this increasingly important area.

Thank you for the opportunity to comment on the draft report. Your comments will help the Division of Acquisition Management find ways to do its job more efficiently in the future.