

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

MEMORANDUM

TO: James M. Eagen III  
Chief Administrative Officer

FROM:   
Steven A. McNamara  
Inspector General

DATE: December 19, 2000

SUBJECT: Improvements Are Needed In House Contract Administration  
(Report No. 00-CAO-08)

This is our final report on the operations of Office of Procurement (OP). The objective of this audit was to perform a review of the efficiency and effectiveness of OP. Since our last audit in 1998, OP has made significant improvements in the acquisition of goods and services. However, in this report, we identified the need to improve the administration of House contracts and have made several recommendations for corrective action.

In response to our October 4, 2000, draft report, your office concurred with our finding and recommendations. The November 14, 2000, management response is incorporated in this final report and included in its entirety as an appendix. The corrective actions taken by your office are appropriate and adequately respond to the recommendations. Therefore, we consider these recommendations closed.

We appreciate the courtesy and cooperation extended to us by your staff. If you have any questions or require additional information regarding this report, please call Chris Hendricks or me at (202) 226-1250.

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

# **IMPROVEMENTS ARE NEEDED IN HOUSE CONTRACT ADMINISTRATION**

## **I. INTRODUCTION**

### **Summary Of Finding**

The Office of Procurement (OP) has significantly improved its operations since the last Office of Inspector General (OIG) audit in 1998. Our audit showed that OP improved its effectiveness through the development of standardized procurement instructions and manuals for the acquisition process. Improvements in efficiency included fully implementing a contract tracking system and reducing small purchases processing times through use of automated tools. Furthermore, we did not identify any material non-compliance with House policies.

Although OP has made significant improvements in acquisition of goods and services since July 1998, OP needs to improve the administration of House contracts. The Contracting Officer (CO) needs to improve contract administration by improving guidance and training to the Contract Administrators (CAs) and Contracting Officer Representatives (CORs), and ensure that their oversight and evaluation activities are adequately documented. Without effective contract administration guidance, a well trained staff, and adequate documentation, the House is at risk that contractors may not perform up to the full requirements, terms, and conditions of their contracts.

### **Background**

Procurement authority within the U.S. House of Representatives (House) is granted to Members, Committees, House Leadership, and House Officers. In January 1995, the House created the OP under the Chief Administrative Officer (CAO). The initial purpose of the office was to develop and implement processes and procedures in the acquisition of goods and services in a manner that is fair, competitive, accountable, and obtains the best return for the dollar. On May 10, 1995, OP's responsibilities were expanded to ensure that the policies of the Committee on House Administration (CHA) governing acquisitions are implemented and oversee the acquisition process including the formation and administration of contracts. In addition, the office performs ongoing assessments of procurement, purchasing, and contract administration functions, and provides recommendations for improvements to the CHA and CAO.

Procurement Instructions are in accordance with the Procurement Guidelines approved by CHA, and incorporate other policies and directives pertaining to acquisitions as issued from time to time. These instructions were last revised on February 15, 2000. The Procurement Instructions provide standardized instructions and procedures to the CO, CAs, and CORs for the acquisition of goods and services.

During the period January 1, 1998 through September 30, 1999, OP awarded 122 contracts worth a total value of \$18,378,556<sup>1</sup>. Six of these contracts accounted for \$13.7 million of the \$18.4 million.

### **Objectives, Scope, And Methodology**

We performed a review of the controls over OP operations to determine the efficiency and effectiveness of operations, compliance with House procurement policies and procedures, and adequacy of contract administration. Our audit was conducted primarily at the offices of OP and Media and Support Services that have responsibilities over the procurement process and monitoring contracts. The audit period was October 7, 1999 through March 24, 2000 and covered procurement, purchasing, and contract administration activities during the period January 1998 through March 2000.

This audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests as we considered necessary under the circumstances. We reviewed the policies and procedures covering House procurement activities, interviewed OP staff and CORs, and reviewed 23 contract files. Five of the contracts were selected for review of contract administration. For these five contracts, we also reviewed the contract administration plans, COR manuals, and COR files.

In addition, we performed a workload analysis of OP's procurement and purchasing staff by analyzing the number of small purchases processed through PD, reviewing 19 contract files<sup>2</sup> that represented the greatest use of OP resources during 1999, and interviewing the procurement specialists and 15 CORs responsible for these contracts. The results of the workload analysis were provided to CHA and CAO on February 9, 2000.

### **Internal Controls**

During this review, we evaluated internal controls for the Office of Procurement. Weaknesses in the internal control environment are described in the "Results Of Review" section of this report.

### **Prior Audit Coverage**

Three recommendations contained in two prior audit reports were followed-up during the audit. They addressed improvements needed in the procurement operations of the House. The CAO has completed corrective action on one recommendation and made substantial progress on another recommendation. The final recommendation was merged with 98-CAO-19 D. Information on the corrective actions taken by the CAO and the status of the open recommendation is contained in the Exhibit of this report.

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<sup>1</sup> Of the 122 contracts, 37 contracts had dollar values associated with them, while the remaining 85 contracts did not, as they were for audit services, service agreements, blanket purchase agreements, or the contractor pays the House.

<sup>2</sup> One of these contracts was also included in the review of contract administration.

## II. RESULTS OF REVIEW

Since 1998, OP has significantly improved the effectiveness and efficiency of its acquisition of goods and services. OP developed standardized procurement instructions and manuals for the acquisition process, and improved its operations through fully implementing a contract tracking system and reducing small purchases processing times through use of automated tools. During the audit, we did not identify any material non-compliance with House policies. However, improvements were needed in administering House contracts because the CO, CAs, and CORs were inconsistent in their application of the contract administration instructions developed. For example, the CO did not consistently oversee the appointment and training of CORs, CAs did not always document required liaison with the CORs, and CORs did not adequately monitor contractor activities. As a result, the House was at risk that contractors may not meet or fulfill the requirements, terms, and conditions of their contracts.

Procurement Instructions, Section 11, covers contract administration responsibilities within the House. It broadly states, "Contract Administration consists of those activities that occur between award of a contract to final payment and closeout." Certain contract administration responsibilities are assigned to the CO, CA, and COR. In the following paragraphs, we examine some of the responsibilities of these three positions and present areas for improvement.

### **Contracting Officer Responsibilities**

The Chief Administrative Officer designated the Associate Administrator of Procurement as the CO for contracts for the procurement of goods and services for the House. As such, the CO is responsible for the overall administration of House contracts. However, the CO assigns the day-to-day administration of the contracts to the CA and COR who are identified in the body of the contract. The CA is primarily a daily liaison between the CO and COR, while the COR is responsible for ensuring the technical requirements of the contract are met. To appoint the COR, the CO issues a letter of appointment which delineates his/her roles, responsibilities, and authorities. With respect to the CO's responsibilities, we identified two areas that need additional attention--COR appointment and training, and contractor performance evaluations.

The CO did not formally notify, by letter, 6 of the 15 CORs we contacted. The issuance of the CO's letters is needed to ensure that the CORs understand their duties, responsibilities, and authorities. The CO's appointment letter informed the CORs of their roles, responsibilities, and authorities and is intended to supplement the guidance provided in the Procurement Instructions and in the contracts for which the CORs are responsible. In addition, OP provided formal classroom training for only 4 of the 15 CORs. The last formal training class OP sponsored for CORs was held on July 31, 1997.<sup>3</sup> Since the CO relies on the performance of CORs to ensure that contractors meet the requirements, terms, and conditions of their contracts, CORs should

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<sup>3</sup> During 1999, OP provided training classes designed for Technical Service Representatives (TSRs). Although TSRs do not serve as CORs, their duties require some interface with contractor personnel and they may assist the COR for computer-related contracts. Therefore, the training package included information applicable to COR duties. However, we could not confirm that any CORs attended these classes since signed attendance sheets were not retained.

have a better understanding of their roles, responsibilities, and authorities and should be provided with more training on how to properly execute their responsibilities.

In addition, the Procurement Instructions (Section 11, Paragraph 11.14.b.) require the COR to complete a Past Performance Information Survey during contract closeout to document the contractor's performance for consideration for future awards. However, since the CO hasn't developed a survey guide or established criteria to evaluate contractor performance, no such contractor evaluations have been done. As a result, subsequent contracts could be awarded to contractors who did not perform satisfactorily.

### **Contract Administrator Responsibilities**

The CO appoints one of six staff members in OP to serve as the CA on a contract. Procurement Instructions (Section 11, Paragraph 11.4.b.) state that the Associate Administrator of OP appoints the CAs to "...assist the CO on a day-to-day basis in his/her contract administration responsibilities, primarily daily liaison with the COR. The Contract Administrator is the administrative focal point within OPP [OP] for the COR and the Contractor." Except for Section 11, Paragraph 11.4.a. which delineates the contract administration responsibilities of the CO, some of which the CA is charged with assisting on, the Procurement Instructions provide very little additional guidance on the CA's responsibilities and expectations. As a result, among the CAs, we found a wide range of involvement with their assigned contracts. For example, we found evidence that one CA who was performing many of the COR's responsibilities while another CA had no minutes of meetings with the CORs or documentation of COR file reviews. Following are the areas where improvements are recommended.

The CA for the Audio Visual System Contract performed many of the duties that are identified in Procurement Instructions (Section 11, Paragraph 11.4.c.) as the responsibility of the COR. For example, while the COR properly attended to the technical inspections of the equipment and installation, the CA provided assistance to help meet the installation deadline by performing many of the COR's other duties, such as coordinating entry for contractor personnel into the work spaces within the House, monitoring the progress of the contract to ensure that deadlines were met, and serving as the focal point between the primary contractor, the Architect of the Capitol's project manager and contractor, and the International Relations Committee. In addition, the CA attended all of the meetings with the interested parties and prepared minutes of those meetings. The intensity of the audiovisual system project, planned on a very tight schedule, consumed approximately 75% of the CA's time over a period of approximately three months keeping the CA from attending to his other responsibilities as a procurement specialist and CA.

The CA for the Postal Operations contract did not ensure that minutes for the biweekly status meetings with the contractor were recorded as required by the Contract Administration Plan (CAP). The Mail Operations CAP, paragraph B.2. states, "The purpose of these meetings [Biweekly CAO-Contractor Postal meetings] is to discuss performance reports and any emerging issues.... The agenda and minutes shall be retained in the contract file." We reviewed the CA's calendar and noted that these meetings were reflected there. In addition, while copies of the agendas for biweekly contractor meetings for the Postal Operations contract were made available

for our review, we found no substantive notes of the discussions recorded on the agendas to document agreements and understandings reached or a record of who was in attendance.<sup>4</sup> While the required meetings may have been held, not all of the documentation required for these meetings was maintained to establish the degree of contractor performance. We believe that the CAP requirement for recording minutes of these meetings to be a good business practice. Failure to record such minutes results in an incomplete historical record, which could adversely affect contract administration in the event the CA or the COR leaves the employment of the House or if OP needs to take actions against a contractor.

In addition, there is no record that the CA for the Postal Operations and Food Service contracts met with the CORs independently or reviewed the contract files of the respective CORs. Procurement Instructions (Section 11, Paragraph 11.6.b.2.) state, “A periodic review should be performed of the COR files to ensure that any official documents in that file are transferred to the official contract file maintained in OPP [OP].” Although not mandatory, a periodic review of the COR files would have alerted the CA that sufficient documentation had not been maintained for the Postal Operations contract.

### **Contracting Officer Representative Responsibilities**

The COR is appointed by the CO and is responsible to monitor daily contract performance and contractor compliance with terms and conditions of the contract. The COR’s primary duty is to ensure that all of the technical requirements of the contract are met by the delivery date or within the period of performance at the price stipulated in the contract. We found one of the five CORs reviewed was not adequately monitoring his contract.

The COR for the Postal Operations contract did not maintain documentation to support that he completed performance inspections required in the COR Manual, participated in any fire drills since 1998, inspected the contractor’s records, or visited the mail room to observe operations. In addition, neither the site manager nor the OIG staff observed the COR or his assistants at the February 24, 2000, fire drill for the Ford Building. The contractor’s site manager noted that the COR and his assistants probably visit the mail room in the Ford Building about once a month, and he doesn’t believe they have ever asked to look at the contractor’s records. The site manager also noted that he has seen them in the other House Office Building mail operation sites. While the COR for the postal contract may have been monitoring the contractor’s activities, without proper documentation neither the COR’s activities nor the contractor’s reports could be validated.

### **Conclusion**

Without timely and effective contract administration, the House is at risk that contractors may not fulfill the requirements, terms, and conditions of their contracts. Although none of the five contracts reviewed resulted in the House not substantially receiving the contracted services, the House must remain vigilant of contractor’s performance to ensure compliance with contract terms. Early identification of contractor performance problems provides time to initiate corrective actions and thus ensure the House gets the full level of service for which it has paid.

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<sup>4</sup> Subsequent to the audit period, the CAO had begun to record attendance at these meetings.

We found several reasons for the inconsistent contract administration. The CO did not formally appoint each COR with a letter of appointment, which would have supplemented guidance on his/her roles, responsibilities, and authorities, or provide sufficient formal classroom training for the CORs to better understand what is expected of them. Further, the CO did not develop a Past Performance Information Survey instrument to evaluate contractor performance. In addition, OP did not sufficiently clarify the duties and expectations of the CA, as the current Procurement Instructions do not adequately address the CA's responsibilities. Finally, the CO did not instruct the CORs in adequate detail as to the documentation that should be maintained to support their observations and conclusions.

### **Recommendations**

We recommend that the Chief Administrative Officer:

1. Provide Contracting Officer's Representatives guidance and training for their contract administration responsibilities.
2. Develop a Past Performance Information Survey template to evaluate contractor performance at closeout.
3. Revise current Procurement Instructions for the U.S. House of Representatives to identify specific responsibilities and expectations for Contract Administrators.
4. Require Contracting Officer's Representatives to maintain documentation of their contractor oversight and evaluation activities, and for contracts in which a CAP is required, to include the date, inspection or activity, and results.

### **Management Response**

On November 14, 2000, the CAO concurred with the recommendations. In addition to one-on-one guidance currently provided to CORs, OP has begun providing periodic written guidance to CORs through the CAO newsletter and with direct messages to all CORs. OP has already provided four formal COR training sessions during September and October 2000, and CAO Associate Administrators were directed, beginning with FY 2001, to include COR training in the annual Training Plans of their employees who serve as CORs. Required formal training sessions for new CORs will be offered on a quarterly basis, and more frequently if necessary. Annual refresher training for all CORs will be required, and sessions will also be offered quarterly. In addition, documentation is now being kept on attendance at formal training sessions.

OP has developed the recommended Past Performance Information Survey template. The template has been added to OP's Intranet web page.

OP has begun drafting a revision of the Procurement Instructions for the U.S. House of Representatives to identify specific responsibilities and expectations for CAs. In addition, existing provisions pertaining to contract administration, contained in the Individual Performance Plans of CAs, will be revised.

OP will include in its revision of the Procurement Instructions for the U.S. House of Representatives strengthened provisions to require CORs to maintain documentation of their contractor oversight and evaluation activities, and for contracts in which a CAP is required, to include the date, inspection or activity, and results.

Subsequent to the CAO response, the CAO completed revisions of the Procurement Instructions for the U.S. House of Representatives to identify specific responsibilities and expectations for Contract Administrators and require Contracting Officer's Representatives to maintain documentation of their contractor oversight and evaluation activities.

**Office of Inspector General Comments**

The corrective actions taken are responsive and satisfy the intent of the recommendations. Therefore, we consider these recommendations closed.

**EXHIBIT**

**Status Of Implementation Of Prior Audit Report Recommendations**

Report and Recommendation Number.	RECOMMENDATIONS ACTIONS COMPLETED TO DATE ACTIONS NEEDED FOR CLOSURE	STATUS TARGET DATE
<b>Audit Report No. 95-CAO-11, entitled <i>Standardized Processes Are Needed To Create An Efficient And Effective Procurement System</i>, dated July 18, 1995:</b>		
95-CAO-11 A.3	<p><b>RECOMMENDATION:</b> Develop proposals, for approval by the Committee on House Oversight, to include definitional requirements for the information needed to integrate a procurement budgeting and planning process in the new financial management system specifications.</p> <p><b>ACTION COMPLETED:</b> The CAO has developed definitional requirements for the information needed to integrate the procurement budgeting and planning process in the new financial management system specifications. They have also incorporated the procurement process into the strategic planning process. The CHA has not passed judgment on these actions as they have relegated them to be an internal matter for the CAO to decide.</p>	Closed
95-CAO-11 A.5	<p><b>RECOMMENDATION:</b> Develop proposals, for approval by the Committee on House Oversight, to implement: (a) a standardized vendor selection and monitoring process that includes procedures to systematically gather and use ongoing performance information on vendors; and (b) a computerized vendor database system to manage a vendors list and provide vendor specific performance information.</p> <p><b>ACTION COMPLETED TO DATE:</b> The Chief Administrative Officer is working on a final proposal to the Committee on House Administration to implement a vendor monitoring process and database for Office Systems Management. In addition, all Chief Administrative Officer organizations will monitor purchase order performance with Procurement Desktop as it is implemented and a separate Contract Tracking System has been developed to track vendor contracts.</p> <p><b>ACTIONS NEEDED FOR CLOSURE:</b> The Chief Administrative Officer must consolidate existing databases or implement standard procedures to manage a major vendors list and provide specific</p>	Substantial Progress  5/30/01

Report and Recommendation Number.	RECOMMENDATIONS ACTIONS COMPLETED TO DATE ACTIONS NEEDED FOR CLOSURE	STATUS TARGET DATE
	performance information, in a consistent manner, for all major vendors used by Chief Administrative Officer organizations.	
<b>Audit Report No. 95-HOC-22, entitled <i>U.S. House Of Representatives Audit Of Financial Statements For The 15-Month Period Ended December 31, 1994, dated July 18, 1995:</i></b>		
95-HOC-22 2.1	<p><b>RECOMMENDATION:</b> Initiate a system of accounting and control that captures data, and tracks transactions by vendor and by ordering office when goods and services are ordered, received, and paid.</p> <p><b>ACTION COMPLETED:</b> The CAO has implemented accrual accounting effective July 1, 2000. All CAO organizations, the Sergeant at Arms, and the Office of Inspector General have implemented Procurement Desktop (PD) and can now acknowledge receipt and acceptance of goods and services procured on contracts and purchases orders processed through PD. This now permits electronic processing in PD of obligated orders from requisition through purchase order and the receipt stages. The CAO has presented an implementation proposal to the Clerk, which as of November 30, 2000, has not been acted upon by the Clerk.</p>	Merged with 98-CAO-19 D

James M. Eagen III  
Chief Administrative Officer

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

## MEMORANDUM

**To:** Steve McNamara  
Inspector General

**From:** Jay Eagen  
Chief Administrative Officer

**Subject:** Response to the Audit Report Entitled "Improvements Are Needed In House Contract Administration"

**Date:** NOV 14 2000

Thank you for the opportunity to comment on the Audit Report, "Improvements Are Needed In House Contract Administration." We have carefully reviewed the report's recommendations and concur with each of them. Included below is a brief response for each of the audit recommendations made and the course of action we have already begun for each.

**Recommendation 1:** We recommend that the Chief Administrative Officer provide Contracting Officer's Representatives guidance and training for their contract administration responsibilities.

**CONCUR.**

In addition to one-on-one guidance currently provided to Contracting Officer's Representatives (CORs), the Office of Procurement (OP) has begun providing periodic written guidance to CORs through the CAO newsletter and with direct messages to all CORs. OP has already provided four additional formal COR training sessions in September and October of this year, and CAO Associate Administrators were directed, beginning with FY 2001, to include COR training in the annual Training Plans of their employees who serve as CORs. Required formal training sessions for new CORs will be offered on a quarterly basis, and more frequently if necessary. Annual refresher training for all CORs will be required, and sessions will also be offered quarterly. Finally, documentation is now being kept on attendance at formal training sessions. We believe we have taken appropriate action to close this recommendation.

**Recommendation 2:** Develop a Past Performance Information survey template to evaluate contractor performance at closeout.

**CONCUR.**

The Office of Procurement has developed the recommended Past Performance Information survey template. We believe we have taken appropriate action to close this recommendation.

**Recommendation 3:** Revise current Procurement Instructions for the U.S. House of Representatives to identify specific responsibilities and expectations for Contract Administrators.

**CONCUR.**

The Office of Procurement has begun drafting a revision of the Procurement Instructions for the U.S. House of Representatives to identify specific responsibilities and expectations for Contract Administrators. In addition, existing provisions pertaining to contract administration, contained in the Individual Performance Plans of Contract Administrators, have been revised. We will complete the remaining actions by December 1, 2000.

**Recommendation 4:** Require Contracting Officer's Representatives to maintain documentation of their contractor oversight and evaluation activities, and for contracts in which a CAP is required, to include the date, inspection or activity, and results.

**CONCUR.**

The Office of Procurement will include in its revision of the Procurement Instructions for the U.S. House of Representatives strengthened provisions to require Contracting Officer's Representatives to maintain documentation of their contractor oversight and evaluation activities, and for contracts in which a CAP is required, to include the date, inspection or activity, and results. We will complete these actions by December 1, 2000.