



United States Department of Agriculture

Review of an NRCS IT-Related Contract



Inspection Report 10801-0001-12

March 2020

OFFICE OF INSPECTOR GENERAL

IMPORTANT NOTICE

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Review of an NRCS IT-Related Contract

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OIG performed an inspection to review the extent to which a vendor met the deliverable requirements for an NRCS IT-related contract.

OBJECTIVE

Determine the extent to which the contractor met the deliverable requirements.

REVIEWED

We interviewed NRCS officials, FPAC Business Center officials, and [REDACTED]; examined NRCS procurement file and contract file documentation; and examined invoices submitted to NRCS for contracted services and goods.

RECOMMENDS

We recommend that the FPAC Business Center assess its contracting staff, PWS development, and contractor monitoring processes to determine what weaknesses exist, then train staff, and adjust processes, as appropriate.

WHAT OIG FOUND

In [REDACTED], the U.S. Department of Agriculture's (USDA) Natural Resources Conservation Service (NRCS) initiated a contract with a vendor to provide the agency with computer systems services. [REDACTED] in October 2018, USDA underwent a reorganization. As part of the reorganization, the Farm Service Agency (FSA), NRCS, and the Risk Management Agency (RMA) realigned into USDA's new Farm Production and Conservation (FPAC) mission area. As a result, changes in contract-monitoring staff occurred and it was unclear whether the information technology (IT)-related functions covered by the contract were still relevant to the new organization.

In [REDACTED], the Office of Inspector General (OIG) received concerns regarding the contractor's successful fulfillment of the deliverable requirements of the NRCS IT contract. In [REDACTED], in response to these reported concerns, OIG initiated an inspection to determine whether the contractor successfully fulfilled the requirements of the contract.

We found that the contractor did not meet the deliverable requirements of NRCS' IT contract. This occurred due to both a poorly written performance work statement (PWS) and various contract oversight challenges posed by the reorganization and subsequent development of FPAC. As a result, NRCS paid [REDACTED] for services that neither met its requirements nor resulted in any tangible benefit to the Government.

FPAC concurred with our finding and recommendation and we accepted management decision on the recommendation.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: March 30, 2020

INSPECTION
NUMBER: 10801-0001-12

TO: Robert Stephenson
Chief Operating Officer
Farm Production and Conservation Business Center

Matthew Lohr
Chief
Natural Resources Conservation Service

ATTN: Robert Bradley
External Audits, FPAC-BC, for
Natural Resources Conservation Service

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Review of an NRCS IT-Related Contract

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for the inspection recommendation in the report, and no further response to this office is necessary. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than the Office of the Chief Financial Officer (OCFO), please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our inspection fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

Stephenson, Mohr

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CC: Tiffany J. Taylor, Director, Office of Contracting and Procurement (Acting)

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Background and Objectives

Background

As stated by [REDACTED].¹ In [REDACTED], the Natural Resources Conservation Service (NRCS) contracted with a vendor to [REDACTED].² [REDACTED]

NRCS' Contract Requirements

NRCS' objective for its [REDACTED].³ The contract outlined these required deliverables, including a project schedule and a milestone plan, monthly Earned Value Management (EVM) reports, and identification of inherent risks with mitigation plans.⁴

Realignment of NRCS into FPAC Mission Area

The start of work on NRCS' IT contract commenced in [REDACTED]; however, in October 2018, USDA underwent a reorganization.⁵ As part of this reorganization, the Farm Service Agency (FSA), NRCS, and the Risk Management Agency (RMA) were realigned into USDA's new Farm Production and Conservation (FPAC) mission area. As a result, the three agencies' various administrative and management functions were combined to form the FPAC Business Center (BC). Since October 2018, FPAC BC has provided administrative and management services to FSA, NRCS, and RMA. Accordingly, FPAC BC took over responsibility for the management of NRCS' IT-related contract.

¹ [REDACTED]
² [REDACTED]
³ [REDACTED]

⁴ EVM is a systematic project management process used to find variances in projects based on the comparison of work performed and work planned. EVM reports are submitted monthly and report on any variances found.

⁵ Secretary's Memorandum, *Advancing U.S. Agricultural Trade and Improving Service to Agricultural Producers* (May 11, 2017).

In [REDACTED], OIG received concerns regarding the contractor's successful fulfillment of the deliverable requirements of the NRCS IT contract. In [REDACTED], in response to these reported concerns, OIG initiated an inspection to determine whether the contractor successfully fulfilled the requirements of the contract.

Objectives

Determine the extent to which the contractor met the deliverable requirements.

Did the Contractor Meet the Deliverable Requirements of NRCS' IT-related Contract?

We found that the contractor did not meet the deliverable requirements of NRCS' IT-related contract. This occurred due to a poorly written performance work statement (PWS), formation of the new FPAC organization, changes of key staff in the middle of the period of performance, and inadequate oversight of contractor performance. [REDACTED]

[REDACTED] In discussions with FPAC officials, we learned that the draft documents submitted were incomplete and unacceptable, as they lacked specificity [REDACTED]

[REDACTED] As a result, NRCS paid [REDACTED] for services that neither met its contract requirements nor resulted in any tangible benefit to the Government.

According to the Federal Acquisition Regulation (FAR), a statement of work should be clear, concise, and define deliverable items.⁶ Furthermore, the FAR provides that payments for deliverables only be made if they are deemed acceptable by the Government.⁷

We identified three main factors that we believe contributed to why the contractor did not meet the NRCS contract's deliverable requirements. The three factors are described below.

Poorly Written PWS

According to USDA's [REDACTED] NRCS issued a poorly written and vague PWS that did not link the deliverables to payments. As such, neither [REDACTED] nor the FPAC program offices could properly monitor the contractor's performance since the main deliverables were not due until halfway through the performance period [REDACTED]. [REDACTED], NRCS wrote the PWS expeditiously as it had decided to acquire the services towards the [REDACTED] and the timeframes to process the acquisition were tight. [REDACTED] had concerns regarding the lack of clearly defined deliverables and the fact that most deliverables were not due until the end of 6 months. Although the [REDACTED] raised such concerns on multiple occasions prior to the contract being awarded, NRCS [REDACTED] did not change the PWS.

Formation of FPAC and Key Staff Changes

The formation of FPAC in October 2018 and the associated changes in staff posed several challenges regarding NRCS' IT contract. First, the reorganization combined FSA, NRCS, and RMA into one mission area with the intent to use shared services such as procurement, IT, and finance. In turn, the reorganization brought into question the relevance of the contract as the NRCS IT-related solution was not intended for implementation across FPAC's entire domain. Soon after the realignment, the FPAC program office raised questions to its management regarding the reorganization.

⁶ 48 CFR § 37.601 (Feb. 2, 2006).

⁷ 48 CFR § 52.232-1 (May 29, 1984).

However, FPAC management decided to continue the contract through the first phase [REDACTED] IT-related solution.

In addition, the reorganization brought key staff changes, which caused communication problems and hindered efforts to transfer knowledge to new staff. In discussions with FPAC management, we learned there was minimal communication between the key departing employees and newly assigned employees regarding contract details and status.

[REDACTED]
[REDACTED] This resulted in knowledge gaps, unfamiliar contract expectations and requirements, and a lack of institutional knowledge about the contract.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

When we spoke with FPAC management about the lack of communication, they stated that all contract-related documents should be in a central location and able to be shared between outgoing and incoming staff. However, a centralized file system for such documentation was not used for this contract; therefore, interim staff who did work during the shutdown did not have access to the files needed to manage the project and were subsequently unable to provide sufficient oversight.⁸

Agency Oversight of Contractor Performance

FPAC did try to rectify these contract issues, but, due to the lack of communication between FPAC staff, these attempts were not successful. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

⁸ [REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]⁹ The contractor also stated, via monthly status reports, that it engaged in communication with key NRCS officials in [REDACTED] and then re-established communication again in [REDACTED]. This further presented challenges in the contract oversight; it appeared the contractor was not seeking timely feedback or regularly reaching out to agency officials.

In addition, FPAC had no protocol in place for how to proceed with this contract during the FY 2019 shutdown. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

As a result, NRCS paid [REDACTED] for services that neither met its requirements nor resulted in any tangible benefit.¹⁰ Though this contract was the only one we reviewed in FPAC, the oversight issues we identified could be present in other FPAC contracts and may indicate general weaknesses in FPAC BC's control environment.

Recommendation 1

FPAC BC should assess its contracting oversight staff, PWS development, and contract monitoring processes to determine what weaknesses exist, and then train staff and adjust processes, as appropriate.

Agency Response

FPAC agreed and stated in its March 11, 2020 response that it will complete an assessment of existing contract monitoring and contract administration processes and guidance by June 30, 2020, and will develop an implementation plan by September 30, 2020 to address gaps. In addition, FPAC will complete a skills assessment of full-time Contracting Officer's Representative (COR) and use that to create a multi-year skills development plan for each full-time COR by November 30, 2020.

OIG Position

OIG concurs with this management decision.

⁹ [REDACTED]
[REDACTED]
[REDACTED]

¹⁰ We are not able to recommend recovery [REDACTED]

Scope and Methodology

We conducted an inspection of an NRCS IT-related contract and its deliverables to determine if the contractor met the contract's deliverable requirements. Our inspection followed the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) *Quality Standards for Inspection and Evaluation*.¹¹

Our inspection scope covered [REDACTED]. We reviewed the contract and its PWS, deliverables, and associated invoices. In October 2018, NRCS was reassigned to the FPAC mission area and as such, the scope also covered FPAC procurement and contract activities. We conducted interviews and fieldwork at the following USDA site locations throughout our inspection: Fort Collins, Colorado; Kansas City, Missouri; and Washington, D.C.

To address our inspection's objective, we conducted the following:

- Interviewed NRCS, FPAC, [REDACTED] staff regarding contract management activities to determine if Federal guidance and Department policies were met;
- Examined NRCS procurement file documentation to determine the type of procurement method used, specifications required, and criteria used to evaluate bids and proposals for the selected contract;
- Reviewed contract file documentation to determine that the receipt of goods and services, evaluation of contractor performance, contract renewals, and communication with vendors for the selected contract were performed according to Departmental guidance and policy; and
- Examined invoices submitted to NRCS for contracted services and goods to determine if sufficient evidence existed for payment.

We conducted this inspection in accordance with CIGIE's *Quality Standards for Inspection and Evaluation*. These standards require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our review.

¹¹ CIGIE *Quality Standards for Inspection and Evaluation* (Jan. 2012).

Abbreviations

BC	Business Center
CIGIE	Council of the Inspectors General on Integrity and Efficiency
COR	Contracting Officer's Representative
EVM	Earned Value Management
FAR	Federal Acquisition Regulation
FPAC	Farm Production and Conservation
FSA	Farm Service Agency
FY	fiscal year
IT	information technology
NRCS	Natural Resources Conservation Service
OIG	Office of Inspector General
PWS	performance work statement
RMA	Risk Management Agency
USDA	United States Department of Agriculture

Exhibit A: Summary of Monetary Results

Exhibit A summarizes the monetary results for our inspection report by finding and recommendation number.

Finding	Recommendation	Description	Amount	Category
1	1	Invoices paid for services that neither met its requirements nor resulted in any tangible benefit to the Government. ████████████████████ ████████████████████ ████████████████████ ████████████████████	██████████	Questioned Costs, No Recovery

**AGENCY'S
RESPONSE TO INSPECTION REPORT**



Farm
Production
and
Conservation

Business
Center

1400 Independence Ave., S.W.
Washington, DC 20250

Date 3/11/2020

TO: Gil H. Harden
Assistant Inspector General for Audits
Office of Inspector General

FROM: Kenneth Hill
Director
Performance, Accountability, and Risk Division
Farm Production and Conservation Business Center

SUBJECT: Farm Production and Conservation Business Center Response to Achieve
Management Decision for Audit 10801-0001-12, Review of a Natural Resources
Conservation Service Information Technology-Related Contract

Attached is the response to the Office of Inspector General (OIG) Audit # 10801-0001-12, Review of a Natural Resources Conservation Service Information Technology (IT)-Related Contract.

If you require additional information, please contact Gary Weishaar, Branch Chief, External Audits and Investigations Branch, Performance, Accountability, and Risk Division, at 202.401.0584.

/s/
Attachment

Agency Response – Audit Report 10801-0001-12 Natural Resources Conservation Service Information Technology-Related Contract

RECOMMENDATION 1

The Farm Production and Conservation Business Center (FPAC-BC) should assess its contracting oversight staff, Performance Work Statement (PWS) development, and contract monitoring process to determine weaknesses and train staff and adjust processes, as appropriate.

AGENCY RESPONSE

Beginning in fiscal year (FY) 2019, FPAC began a multi-year effort to align its IT-related contracts to FPAC-wide mission delivery, improve the quality of its IT-related service contracts, and strengthen contract oversight and management. During FY 2019, FPAC assessed its procurement needs and developed an acquisition strategy with its contracting partners. FPAC and the USDA Procurement Operations Division (POD) are partnering to improve performance-based contracting while implementing the acquisition strategy in FY 2020-2021. As each new contract is awarded, FPAC and POD pivot to improve contract administration and oversight.

Contracting Staff

FPAC's contract oversight staff includes its contracting officers and contracting officer representatives. FPAC partners with POD to award and manage the majority of its IT-related service contracts. POD is organized under USDA's national headquarters Office of Contracting and Procurement and reports directly to USDA's Senior Procurement Officer. In FY 2019, POD established a branch of contracting officers for FPAC.

The POD FPAC team complies with USDA procurement directives, regulations, policies, and POD acquisition operating procedures, including internal review and approval policies, and regularly trains its staff via external classroom training and internal training focused on immediately identified needs and best practices.

As part of the FPAC reorganization, FPAC centralized its IT-related contract administration functions to a team of full-time, certified contracting officer representatives (COR). Migration of contract administration to the centralized team depends on the available capacity of the team. FPAC completed a workload analysis in FY 2019 and determined that a team of 18 CORs will provide effective contract administration and oversight for the current contract portfolio. The FPAC-BC business case authorized 16 full-time CORs for IT-related contracts. FPAC-BC is operating at 69 percent of the authorized capacity for IT-focused CORs with 45 percent of the active team hired within the past 6 months. Until full capacity is available, FPAC-BC supplements the full-time CORs with other IT specialists performing contract administration part-time in addition to other duties. All individuals administering active contracts must possess a current Federal Acquisition Certification (FAC)-COR certification.

While each employee performing contract administration must maintain a current FAC-COR certification, FPAC will partner with POD to develop a mandatory skills matrix by grade level and FAC-COR certification level by June 30, 2020, to strengthen employee development and

meet FPAC-specific contract administration needs. FPAC will complete a skills assessment of full-time CORs using the skills matrix by September 30, 2020. FPAC will use the results of the skills assessment to create a multi-year skills development plan for each full-time COR by November 30, 2020. FPAC will track progress through annual individual development plans in AgLearn.

PWS Quality

FPAC acknowledges that performance work statement quality and the use of quality assurance surveillance plans is inconsistent and inadequate. FPAC and POD are partnering to provide training to integrated procurement teams supporting new IT-related contract awards. With 73 percent of FPAC IT-related contracts expiring by the end of FY 2020, FPAC and POD kicked off a coordinated contract portfolio transformation to align new contract awards to an FPAC-wide service delivery model and increase performance-based contracting.

All integrated procurement teams, including contracting officers, CORs, and subject matter experts, received training on outcomes-based contracting, market research, and modular and agile contracting principles in January 2020. As each integrated procurement team reaches pre-determined milestones in the pre-award process, POD will deliver training on how to develop effective statements of objectives, performance work statements, and quality assurance surveillance plans. The COR responsible for post-award contract administration co-leads development of the requirements document and solicitation package during the pre-award phase to support consistency.

Contract Monitoring

FPAC will complete an assessment of existing contract monitoring and contract administration processes and guidance by June 30, 2020, and will develop an implementation plan by September 30, 2020, to address gaps.

Implementation Timeline

Category	Action	Owner(s)	Due Date
Contracting Staff	Develop a mandatory skills matrix by grade level and FAC-COR certification level	FPAC IT Acquisition Section POD FPAC Branch	6/30/2020
Contracting Staff	Complete a skills assessment of current and onboarding full-time CORs using the skills matrix	FPAC IT Acquisition Section	9/30/2020
Contracting Staff	Create individual skills development plans for each full-time COR	FPAC IT Acquisition Section	11/30/2020
Performance Work Statement Quality	Complete training for integrated procurement teams on how to develop effective statements of objectives, performance work statements, quality assurance surveillance plans, independent government cost estimates, and acquisition plans	POD FPAC Branch	9/30/2020

Contract Monitoring	Complete an assessment of existing contract monitoring and contract administration processes and guidance	FPAC IT Acquisition Section	6/30/2020
Contract Monitoring	Develop implementation plan to address gaps in contract monitoring and contract administration processes and guidance	FPAC IT Acquisition Section	9/30/2020

Estimated Completion Date: November 30, 2020.

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