



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

# **Stronger Controls Needed Over the Udall Foundation's Invoicing Processes and Contract Oversight for the John S. McCain III National Center for Environmental Conflict Resolution**

**This is a revised version of the report prepared for public release.**



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

May 19, 2022

Charles P. Rose  
Chair, Board of Trustees  
Morris K. Udall and Stewart L. Udall Foundation  
130 S. Scott Avenue  
Tucson, AZ 85701

Subject: Final Audit Report – *Stronger Controls Needed Over the Udall Foundation’s Invoicing Processes and Contract Oversight for the John S. McCain III National Center for Environmental Conflict Resolution*  
Report No. 2020-CR-069

Dear Mr. Rose:

This letter transmits our audit report on the Morris K. Udall and Stewart L. Udall Foundation’s John S. McCain National Center for Environmental Conflict Resolution.

We will track the implementation status of Recommendations 1 through 5 and 7 through 9. In addition, we will notify Congress about our findings, and we will report semiannually, as required by law, on actions you have taken to implement the recommendations and on recommendations that have not been implemented. We will also post a public version of this report on our website.

If you have any questions about this report, please call me at 202-208-5745.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Sedney".

Kathleen R. Sedney  
Assistant Inspector General for Audits, Inspections, and Evaluations

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# Contents

Results in Brief ..... 1

    Objective ..... 3

    Background ..... 3

Findings..... 6

    Improper Payments to Contractors for Managed Projects ..... 6

    Contractors Paid Before Providing Deliverables for Managed Projects..... 8

    Unauthorized Personnel Allowed To Oversee Contractors ..... 10

    Improper Billing Practices for Work Performed on Directly Managed and Managed Projects 11

        Failure to Adhere to Agreement Terms and Conditions..... 11

        Funding Partners Invoiced for Unallowable and Unsupported Travel Costs ..... 12

    Performance-Based Acquisitions Not Used..... 13

Conclusion and Recommendations..... 14

    Conclusion..... 14

    Recommendations Summary..... 14

Appendix 1: Scope and Methodology..... 19

    Scope ..... 19

    Methodology ..... 19

Appendix 2: Monetary Impact ..... 21

Appendix 3: Contractor Payments ..... 22

Appendix 4: Udall Foundation Billing ..... 23

Appendix 5: Response to Draft Report..... 24

Appendix 6: Status of Recommendations..... 30

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# Results in Brief

## What We Reviewed

We audited the Morris K. Udall and Stewart L. Udall Foundation (Udall Foundation), an independent Federal agency, to determine whether it had adequate controls in place to effectively manage its John S. McCain III National Center for Environmental Conflict Resolution (National Center). The Udall Foundation's purpose includes increasing the awareness of the nation's natural resources; identifying critical environmental issues; and training professionals in environmental, natural resources, conflict resolution, and related fields. According to its budget justification, the Udall Foundation's National Center provides impartial collaboration, consensus-building, and conflict resolution services to aid parties in resolving environmental, natural resources, and public lands issues involving the Federal Government.

The National Center establishes projects through agreements with Federal and non-Federal funding partners and either performs the services itself or manages contracted private-sector providers procured through the Interior Business Center (IBC). The National Center annually receives approximately \$3.2 million dollars in appropriations and earns approximately \$3 million in revenue for providing its services.

## What We Found

The Udall Foundation needs to strengthen its controls over the National Center. We found that the Udall Foundation made improper payments to contractors, paid contractor invoices before receiving deliverables, did not adhere to some of the required oversight duties for contracting officer's representatives (such as reviewing contractor invoices and contract deliverables), and improperly billed funding partners for inaccurate, unsupported, and unallowable costs.

As a result, we question \$401,836 in unsupported and unallowable costs. In addition, we observed that performance-based acquisitions and quality assurance surveillance plans were not used when acquiring services, even though the Federal Acquisition Regulation encourages such practices. Because the Udall Foundation is establishing its own procurement function, the use of such contracting methods would assist it in ensuring proper contractor oversight.

## What We Recommend

We make 11 recommendations to help the Udall Foundation improve its internal controls and prevent issues, such as those discussed in this report, from occurring in the future.

## Why This Matters

Without proper controls in place, the Udall Foundation is at risk of overpaying contractors for work performed, paying contractors for unallowable expenses or expenses that did not occur, and making unauthorized commitments. In addition, inadequate controls could lead to inaccurate billing of funding partners and billing for unallowable and unsupported charges.

Lastly, using performance-based acquisitions and quality assurance plans when awarding contracts will maximize contractor performance and competition, achieve cost savings, and assist with measuring and assessing performance.

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# Introduction

## Objective

Our objective was to determine whether the Morris K. Udall and Stewart L. Udall Foundation (Udall Foundation) had controls in place to effectively manage its John S. McCain III National Center for Environmental Conflict Resolution (National Center). Appendix 1 contains the scope and methodology for this audit.

## Background

The Udall Foundation was established in 1992 as an independent agency to honor Morris K. Udall's environmental and public lands impact, as well as his support of the rights and self-governance of the American Indians and Alaska Natives. The Udall Foundation's purpose includes increasing the awareness of the nation's natural resources; identifying critical environmental issues; and training professionals in environmental, natural resources, conflict resolution, and related fields. Although the Udall Foundation is independent of the U.S. Department of the Interior, the Consolidated Appropriations Act provided us with funds to audit this agency.

The Udall Foundation's National Center assists parties in resolving environmental, public lands, and natural resources conflicts involving Federal agencies.<sup>1</sup> It does so through services including assessments, mediation, facilitation, training, and tribal consultation. The Udall Foundation reports that the National Center produces cost savings across the Federal Government by working to reduce litigation and appeals, minimize inefficiencies and the waste of agency resources that result from conflict, reduce instances of stalled or delayed projects, and avoid lost economic opportunities. The National Center uses appropriations to support a core professional staff and is also authorized to accept and retain fees for conflict resolution services.

When a Federal or non-Federal funding partner requests environmental conflict resolution services, the Udall Foundation completes an initial assessment to determine the scope of work and services needed. During this assessment, the Udall Foundation determines, based on resources and skill sets, whether the work under the agreement will be completed directly by the Udall Foundation or whether a contracted private-sector provider will be needed.

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**Directly managed projects** are those projects in which Udall Foundation officials perform the services needed for the project.

**Managed projects** are those projects in which the Udall Foundation officials work with contracted private-sector providers to perform services.

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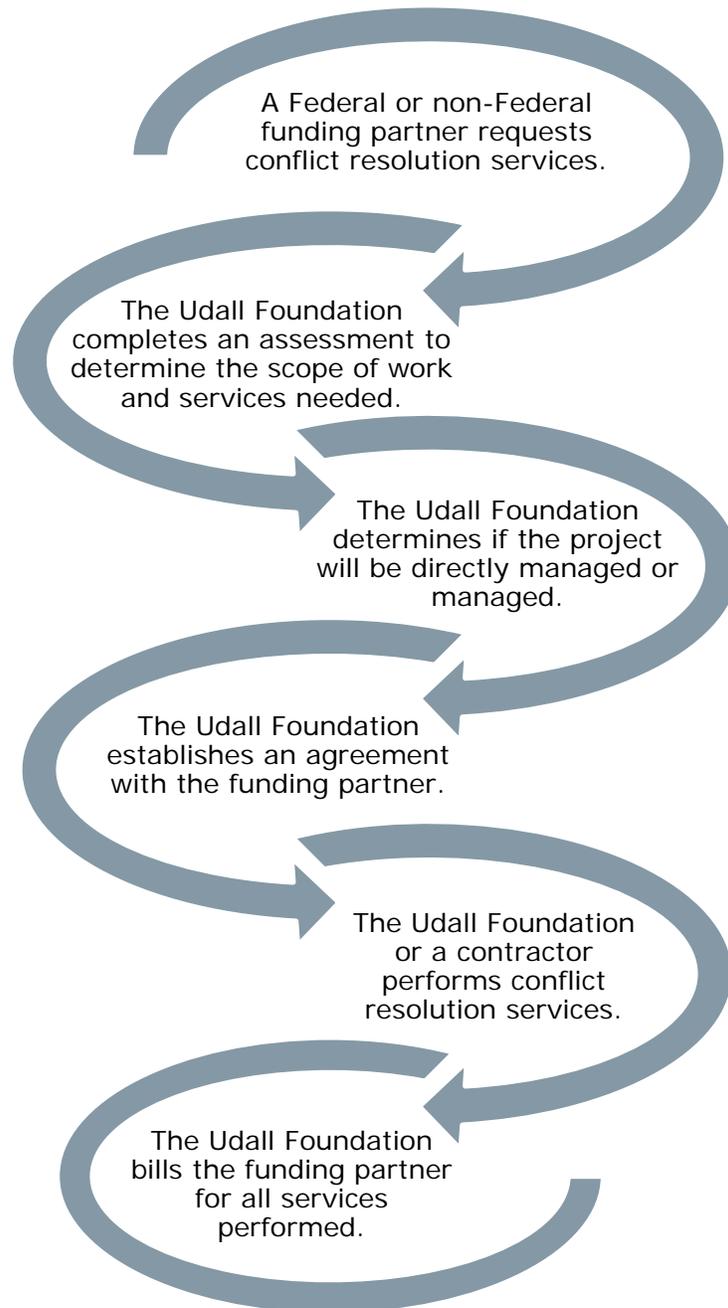
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<sup>1</sup> For example, in one of the projects we reviewed, the Bonneville Power Administration, U.S. Army Corps of Engineers, and the Bureau of Reclamation engaged in drafting an Environmental Impact Statement for the Columbia River Systems Operation Review. The Bonneville Power Administration entered into an agreement for the Udall Foundation to provide facilitation services in drafting portions of the Environmental Impact Statement.

After this assessment, the Udall Foundation and the funding partner create an agreement to establish terms and conditions and a budget, which gives the Udall Foundation the ability to bill for work performed on the project. Once the agreement and type of project has been established and services begin, the Udall Foundation bills the funding partner for all work performed by the Udall Foundation personnel or by the contracted private-sector provider (see Figure 1).

To acquire the services needed for its managed projects, the Udall Foundation uses acquisition services from the Department's Interior Business Center (IBC). However, as of July 2020, the Udall Foundation hired a contracting officer and is in the process of transitioning away from the IBC and developing its own procurement policies and procedures. Because the Udall Foundation is a Federal agency, it is required to comply with the Federal Acquisition Regulation (FAR) when acquiring services.

**Figure 1: The Udall Foundation's Process for Providing Environmental Conflict Resolution Services**



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# Findings

We found weaknesses in the internal control systems related to contractor payments, the acceptance of contract deliverables, the responsibilities of the contracting officer's representative (COR), and invoices for funding partners. Specifically, we found that the Udall Foundation:

- Made improper payments to contractors, resulting in questioned costs of \$327,115 due to unsupported costs and violations of regulations
- Paid \$193,257 in contractor invoices before receiving deliverables, resulting in questioned costs of \$74,721
- Did not adhere to some of the required oversight duties for CORs, such as reviewing contractor invoices and contract deliverables
- Improperly billed funding partners for inaccurate, unsupported, and unallowable costs

In addition, we observed that the IBC did not use performance-based acquisitions and quality assurance surveillance plans when acquiring services on behalf of the Udall Foundation, even though the FAR encourages these practices. The use of such contracting methods would assist the Udall Foundation in the proper oversight of the contractors in the future as it transitions away from using IBC.

Without proper controls in place, the Udall Foundation is at risk of overpaying contractors for work performed, paying contractors for unallowable expenses or expenses that did not occur, and making unauthorized commitments. In addition, inadequate controls could lead to inaccurate billing of funding partners and billing for unallowable and unsupported charges. Lastly, the Udall Foundation may not be adequately assessing contractor performance because it is not using performance-based acquisitions and quality assurance plans when awarding contracts.

## Improper Payments to Contractors for Managed Projects

We found that the Udall Foundation approved \$327,115 in improper contractor payments associated with the three managed projects we reviewed. As a result, we question \$317,415 in improper payments due to unsupported labor charges and \$9,700 related to insufficient documentation or unallowable travel expenses (see Appendix 2). Appendix C of the U.S. Office of Management and Budget (OMB) Circular A-123, *Requirements for Payment Integrity Improvement*<sup>2</sup> (M-18-20), dated June 26, 2018, defines an improper payment as any payment that should not have been made or was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. A payment is also considered improper

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<sup>2</sup> Although a more recent OMB Circular was issued in March 2021, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement (M-21-19)*, M-18-20 was used because it was applicable during our audit scope.

if a reviewer is unable to determine whether a payment is proper because of insufficient documentation.

For two of the three managed projects reviewed, we noted that \$317,415 in labor charges billed by the contractors included only the total labor hours worked and did not specify the amount of time worked on each task. FAR § 52.212-4, “Contract Terms and Conditions-Commercial Items,” requires these invoices, which capture work completed under time-and-material task orders,<sup>3</sup> to include a description, quantity, unit of measure, unit price and extended prices of the items. In addition, although not specifically referenced in the task orders, FAR § 52.232-7, “Payments Under Time-and-Materials and Labor-Hour Contracts,” requires submission of individual daily job timekeeping records along with the contractor’s vouchers.

As an example of weaknesses in identifying time spent on specific tasks, a single contract line item in one project task order included multiple items, such as conducting conference calls, participating in meetings, and preparing a draft and final project plan. Although the contractor provided a general task listing with the invoice, the invoice included only a lump-sum of labor hours worked and did not specify how many hours were spent on each task within the contract line item. Similarly, in the other project, the Udall Foundation awarded several task orders to a contractor, with each task order including multiple task items. However, the contractor’s invoices included only the total travel and labor hours worked along with a status report noting tasks that were performed during the billing period. None of the invoices or related progress reports provided documentation on the number of hours worked per line item.

In addition, we found several instances in which contractor invoices had insufficient documentation to support travel costs and sometimes included charges that violated the Federal Travel Regulations (FTR). Specifically, we identified \$2,895 in travel charges that were not adequately supported and \$6,805 that violated the FTR. For example, deficiencies with travel claims included missing rental car receipts, missing prices on an airline receipt, and a receipt amount that did not match the amount claimed on the invoice. A contractor also claimed mileage for travel that did not include information that would provide assurance that the travel was reasonable and justified, such as dates, meeting location, purpose of travel, or justification for travelers claiming both mileage reimbursement and a rental car expense. Furthermore, one contractor’s invoices contained airline accommodations above coach-class even though the FTR provides that travelers, in most cases, must use coach-class accommodations for official business travel.<sup>4</sup> See Appendix 3 for additional details on the payment amounts and categories we sampled.

These weaknesses occurred because the Udall Foundation did not have policies or procedures requiring appropriate documentation and providing instructions for reviewing invoices to ensure compliance with the FTR and the FAR.

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<sup>3</sup> A time-and-materials contract provides for acquiring supplies or services on the basis of (1) direct labor hours as specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit; and (2) actual cost for materials.

<sup>4</sup> FTR § 301-10.122, “What class of airline accommodations must I use?”

Although the Udall Foundation had a flowchart describing the contractor invoice review process, neither this document nor other materials required that:

- Labor hours be supported by records specifying the amount of time worked on each task
- Travel charges be supported by documentation that includes the travel purpose, locations, duration, and number of travelers
- Reviewers ensure that charges on invoices comply with the FTR

Without contractor invoice review policies and procedures in place, the Udall Foundation is at risk of overpaying contractors for work performed and of reimbursing contractors for unallowable travel expenses or travel expenses that did not occur.

### **Recommendations**

We recommend that the Udall Foundation:

1. Resolve the \$320,310 in unsupported questioned costs
2. Resolve the \$6,805 in unallowable questioned costs
3. Develop and implement policies and procedures for the review and approval of contractor invoices, including the instructions on how reviewers should confirm that invoice charges comply with regulations, to ensure appropriate documentation is provided to support invoice costs.

## **Contractors Paid Before Providing Deliverables for Managed Projects**

Contract deliverables associated with two of the three managed projects we reviewed were not consistently provided before the Udall Foundation paid contractors for work performed. More specifically, for these two projects, the Udall Foundation paid \$193,257 in contractor charges before it received the contract deliverables. FAR § 52.212-4, “Contract Terms and Conditions-Commercial Items,” states that payments to the contractor shall be made for items accepted by the Government that have been delivered as set forth in the contract.

For one project, the Udall Foundation paid \$118,536 in contractor invoices over a 2-year timeframe (periodically from March 2017 through May 2019) without ensuring the deliverables were received and accepted. Specifically, the first of four task orders in our scope was awarded in March 2017, and 2 years later, in April 2019, the Udall Foundation emailed the contractor stating that none of the deliverables for any of these four task orders had been received and asking the contractor to provide them. Consequently, the Udall Foundation did not accept and approve the deliverables until May 2019, over 2 years after the task order was awarded, even though it paid the contractor’s invoices during that timeframe. The deliverables included

monthly collaboration agendas and summaries, an organizational charter and governance documents, a work plan, a collaborative engagement strategy, and monthly status reports.

In the other project, we found that the Udall Foundation paid \$74,721 charged on the contractor's invoices even though there was no evidence that eight deliverables had been provided. The deliverables required in the task orders included documentation of group and team calls, draft and quarterly work plans, and a preferred venues list with justifications for selection. Because the Udall Foundation could not demonstrate that those deliverables were performed, we question \$74,721 in unsupported costs. See Appendix 2 for details on the monetary impact.

Furthermore, in all three managed projects reviewed, we found instances where we could not readily determine whether deliverables were received and accepted by the Udall Foundation even though each contract's terms and conditions required the program manager or the COR to inspect all deliverables. For example, in one project, deliverables were included as attachments to the contractor's monthly invoices, but there were no descriptions to relate them to the deliverables in the task order. Also, evidence that the deliverable had been completed was dispersed throughout several invoices, which made it difficult to determine whether the contractor met the deliverable and the Udall Foundation accepted it. Therefore, we had to ask the program manager separately to provide evidence for a sample of the deliverables.

These deficiencies occurred because the Udall Foundation did not have a deliverable acceptance policy or procedure in place that required the use of particular documents, such as deliverable acceptance forms or monitoring checklists, to establish evidence of receipt and acceptance of contractor deliverables. FAR § 46.5, "Acceptance," states that "Acceptance constitutes acknowledgement that the supplies or services conform with applicable contract quality and quantity requirements" and shall be documented using "an acceptance certificate on an inspection or receiving report form." Without a mechanism and an explicit requirement to document the acceptance of contract deliverables, there is no record of whether the deliverables were received, accepted, or reviewed by authorized individuals. Accordingly, the Udall Foundation is at risk of paying for services that have not been performed or services that do not meet the quality standards outlined in the task orders and contracts.

### **Recommendations**

We recommend that the Udall Foundation:

4. Resolve the \$74,721 in unsupported questioned costs
5. Develop and implement a deliverable acceptance policy and procedure that includes a mechanism for monitoring the receipt of deliverables from the contractor and a deliverable acceptance form that should include, at a minimum, the date the deliverable was received, whether it met the quality standards in the task order or contract, and who reviewed the deliverable

## Unauthorized Personnel Allowed To Oversee Contractors

The ██████████ assigned to the three managed projects we reviewed did not always monitor contractor compliance in accordance with contract terms and conditions, as required in the ██████████. The IBC contracting officers delegated their responsibilities to the ██████████ through delegation letters. Pursuant to these letters, the ██████████ delegated responsibilities included monitoring the contractor's performance to ensure technical compliance with the contract, inspecting the delivery of all services and products, and verifying the efficient and satisfactory performance of work for payment purposes. Although the delegation letters did not permit the ██████████ to further delegate any of the assigned responsibilities, we found that the ██████████ nonetheless relied on program managers, who had not always been formally appointed by the contracting officers, to perform some of these assigned duties.

The ██████████ told us that ██████████ relied on the Udall Foundation's program managers to inspect and monitor contractor performance, ensure the technical aspects of the contract were adhered to, validate performance of the work noted on the invoice, and inspect and accept the deliverables. ██████████ explained that ██████████ turned to the program managers because they regularly corresponded with the contractors. The ██████████ further stated that ██████████ had never traveled to participate in project meetings or monitor work completed by the contractors, despite the ██████████ stating that, aside from the contracting officer, the ██████████ was the only Government employee who could provide technical direction to the contractor. In short, even though the program managers were well positioned to oversee aspects of the contracts, the contracting officers did not consistently formally delegate monitoring responsibilities to those program managers, and, as a result, unauthorized personnel were allowed to correspond with and oversee the contractor's work.

This situation occurred in part because the Udall Foundation did not have a contractor surveillance program that ensured all personnel monitoring the contractor's performance were designated by the contracting officer. In addition, we were told that none of the program managers assigned to the contracts we reviewed had received formal procurement training. Conversely, CORs are required to be certified, per guidance in the OMB memorandum on Revisions to the Federal Acquisition Certification for Contracting Officer's Representatives (FAC-COR). The certification ensures CORs receive appropriate training on managing various contracts and includes instruction on fundamental contract rules and regulations. While there is no requirement for program managers to receive this training, we have concluded that it would be beneficial to the extent that they have a role in monitoring contractor responsibilities.

Without a contractor surveillance program that ensures all personnel are designated and appropriately trained, the Udall Foundation risks inappropriate communication between Udall Foundation personnel and contractors, potentially resulting in unauthorized commitments<sup>5</sup>.

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<sup>5</sup> An unauthorized commitment is an agreement that is not binding because the Government representative who made it lacked the authority to enter into that agreement on behalf of the Government.

## Recommendations

We recommend that the Udall Foundation:

6. Develop and establish a contractor surveillance program to ensure personnel responsible for monitoring contractor performance are appropriately designated in writing by the contracting officer
7. Provide contract surveillance training to the Udall Foundation personnel involved in contract administration

## Improper Billing Practices for Work Performed on Directly Managed and Managed Projects

We found that the Udall Foundation's invoices submitted to the funding partner for work performed did not consistently adhere to agreement terms and sometimes included travel charges that were not adequately supported or violated the FTR.<sup>6</sup> Although the dollar amounts associated with the findings in this section were relatively small, control deficiencies exist in the Udall Foundation's billing practices.

### Failure to Adhere to Agreement Terms and Conditions

In four of the seven projects reviewed, we found that the Udall Foundation either did not adhere to the terms and conditions outlined in its agreements when invoicing the funding partners for work performed or we were unable to determine whether charges on the invoices were appropriate because specific terms and conditions were missing from agreement documentation. As a result, the Udall Foundation over or underbilled the funding partners.

We found invoices with labor rates that exceeded those outlined in the agreements, ultimately overcharging other Federal agencies by approximately \$7,113. For example, in one of the projects, the Udall Foundation overbilled the funding partner on 12 invoices in the amount of approximately \$7,083 by charging a higher labor rate than what was set forth in the agreement. In another project, Udall Foundation officials overbilled their travel hours by billing the full labor rate rather than half of that rate as required in the interagency agreement. This appears to be a systemic issue, as it was noted in the management letters from the independent auditors for fiscal years 2017 through 2019.

In addition, we found invoices containing a contractor administration fee that was less than the agreed-upon percentage, causing the Udall Foundation to absorb approximately \$6,302 in costs. For example, the terms outlined in the agreement for one project required the Udall Foundation to charge a 10-percent administration fee for all contractor labor, travel, and other direct costs. However, we reviewed the calculation of the administration fee for 20 invoices and found that

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<sup>6</sup> As previously described, once work is completed by either the Udall Foundation officials or contracted private-sector providers, the Udall Foundation bills the funding partner for work performed.

the percentage used on 11 invoices was less than 10 percent, meaning the Udall Foundation underbilled the funding partner by \$5,996.

In addition, we were unable to determine whether charges on the invoices associated with another project were appropriate because specific terms and conditions were missing from agreement documentation. Namely, we were unable to determine whether the Udall Foundation charged the appropriate billing rates for its labor hours or the appropriate percentage for the contractor administration fee because the Udall Foundation did not include such labor rates or the percentage fee in its agreements with the funding partner.

This weakness occurred because the Udall Foundation officials did not follow its own invoice review process that, although still in draft at the time of our work, directed the program associate and manager to verify that the correct labor rate and contractor administration fee charged on the invoices were in accordance with the terms of the agreement. Having adequate policies and procedures in place and ensuring that they are followed will help prevent inaccurate billing charges. Verifying agreements contain the appropriate terms and conditions will help the Udall Foundation more accurately bill its funding partners, which helps to limit disputes and ensure that charges are paid. Appendix 4 contains details on the invoice amounts sampled by category.

#### **Funding Partners Invoiced for Unallowable and Unsupported Travel Costs**

We found \$2,331 in travel charges invoiced to the funding partners were either unallowable or did not include sufficient supporting documentation. For one project in particular, a Udall Foundation official flew business class instead of coach class and charged the funding partner \$1,262. As described previously, however, travelers must use coach-class accommodations for official business travel.<sup>7</sup> In another project, an invoice included \$539 in travel costs that were not adequately supported. More specifically, a program manager traveled to one location to support two projects, but we were unable to verify the amount invoiced for travel because the supporting documentation did not explain how the total costs were divided between the two projects.

This deficiency occurred because the Udall Foundation's travel voucher policy and procedure was inadequate. Specifically, the Udall Foundation's process regarding travel vouchers did not require a supervisor or a manager to review and approve invoices before payment. Rather, the procedure required a financial analyst or executive assistant to prepare travel vouchers and the Director of Finance and Operations to approve those vouchers, even though the Director of Finance and Operations may not be familiar with the official's travel. Having adequate policies and procedures in place and ensuring that those policies and procedures are followed will help prevent billing charges that violate regulations.

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<sup>7</sup> FTR § 301-10.122, "What class of airline accommodations must I use?"

## Recommendations

We recommend that the Udall Foundation:

8. Finalize its draft invoice review process and ensure that program associates and managers verify that the labor rate and contractor administration fee charged on the invoices comply with the terms of the agreement
9. Develop and routinely provide training on travel regulations and proper documentation required for a travel voucher to all Udall Foundation travelers and approvers
10. Revise its travel voucher review process to require that a supervisor or manager review the travel voucher before payment

## Performance-Based Acquisitions Not Used

Although the FAR encourages the use of performance-based acquisitions, which includes the use of quality assurance surveillance plans, the Udall Foundation did not use this contracting method when acquiring services. We understand that the IBC awarded the contracts on behalf of the Udall Foundation. However, because the Udall Foundation is transitioning away from the IBC to its own procurement function, the use of performance-based acquisition would assist the Udall Foundation in providing the proper level of oversight for contractors in the future.

According to the FAR, performance-based acquisitions are the preferred method for acquiring services, and the FAR encourages this approach to the maximum extent practicable. FAR § 37.6, “Performance-Based Acquisition,” states that performance-based contracts for services should include a performance work statement and measurable standards (e.g., in terms of quality, timeliness, quantity) and the method of assessing contractor performance standards. In addition, FAR § 46.4, “Government Contract Quality Assurance” recommends the use of quality assurance surveillance plans to ensure services acquired conform to the contract’s quality requirements and states that surveillance plans should specify all work requiring surveillance and the method of surveillance. Using performance-based acquisitions and quality assurance plans when awarding contracts will maximize contractor performance and competition, achieve cost saving, and assist with measuring and assessing performance.

## Recommendation

We recommend that the Udall Foundation:

11. Develop a policy in accordance with FAR § 37.6, “Performance-Based Acquisition,” that documents when to use performance-based acquisition and any rationale for not using such a method

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# Conclusion and Recommendations

## Conclusion

The Udall Foundation needs to improve its controls over the National Center. By implementing the recommendations made in this report, the Udall Foundation can address the weaknesses we identified regarding contractor payments, deliverable acceptance, and COR responsibilities. It also needs to strengthen policies and procedures for billing funding partners for work performed. In addition, the use of performance-based acquisitions and quality assurance plans will assist the Udall Foundation in properly measuring and assessing contractor performance. Given that the Udall Foundation will have its own contracting function, it can incorporate lessons learned into its new procurement policies and procedures to avoid these issues in the future.

## Recommendations Summary

We provided a draft of this report to the Udall Foundation for review. The Udall Foundation concurred with all 11 recommendations and will work to implement corrective actions. We consider recommendations 1–5 and 7–9 resolved but not implemented and recommendations 6, 10, and 11 resolved and implemented. See Appendix 5 for the full text of the Udall Foundation’s responses; Appendix 6 lists the status of each recommendation.

We recommend that the Udall Foundation:

1. Resolve the \$320,310 in unsupported questioned costs

**Udall Foundation Response:** The Udall Foundation concurred with the recommendation and acknowledged that “there is an absence of backup documentation that would have fully confirmed that the costs in question were proper.” However, the Udall Foundation also stated it “is confident that the work in question was conducted properly, within allowable costs, and of high quality.” Because the Interior Business Center (IBC), in its capacity as the Udall Foundation’s contracting officer, was the final approving authority for those costs, the Udall Foundation will bring this recommendation to the attention of the IBC for potential further action by September 30, 2022.

**OIG Comment:** Based on the Udall Foundation’s response, we consider Recommendation 1 resolved but not implemented.

2. Resolve the \$6,805 in unallowable questioned costs

**Udall Foundation Response:** The Udall Foundation concurred with the recommendation and stated that reimbursement for the costs “should not have been approved” by the IBC in its capacity as the Udall Foundation’s contracting officer. The Udall Foundation will bring the recommendation to the IBC’s attention for potential further action by September 30, 2022.

**OIG Comment:** Based on the Udall Foundation’s response, we consider Recommendation 2 resolved but not implemented.

3. Develop and implement policies and procedures for the review and approval of contractor invoices, including the instructions on how reviewers should confirm that invoice charges comply with regulations, to ensure appropriate documentation is provided to support invoice costs

**Udall Foundation Response:** The Udall Foundation concurred with the recommendation and stated it is establishing policies and procedures, including a Contractor Officer’s Representative (COR) handbook. According to the Udall Foundation, “These policies and procedures will ensure all necessary documentation is provided by its contractors before payment of invoices, consistent with the Federal Travel Regulation (FTR) and Federal Acquisition Regulation (FAR) requirements.” The targeted completion for this recommendation was July 1, 2022. However, after the Udall Foundation’s formal response but before the issuance of the final report, the Udall Foundation provided us with its finalized COR handbook as evidence that this recommendation was implemented.

**OIG Comment:** Based on the Udall Foundation’s response and documentation provided, we consider Recommendation 3 resolved but not implemented. We found that the contents of the handbook do not address this recommendation. Specifically, the COR handbook does not provide instruction on how reviewers should confirm that labor hours are supported by records specifying the amount of time worked on each task; travel charges are supported by documentation that includes the travel purpose, locations, duration, and number of hours; and charges on invoices comply with the FTR. The recommendation will be considered implemented when the Udall Foundation provides us with documentation demonstrating that those instructions have been included in the COR handbook or addressed in other policies and procedures.

4. Resolve the \$74,721 in unsupported questioned costs

**Udall Foundation Response:** The Udall Foundation concurred with the recommendation and stated that supporting documentation to fully confirm that costs were proper was absent. However, the Udall Foundation stated it was “confident that the work in question was conducted properly, within allowable costs, and was of high quality” because of the “National Center program’s close engagement with the contractors as work was performed.” Because the IBC, in its capacity as the Udall Foundation’s contracting officer, was the final approving authority for those costs, the Udall Foundation stated that it will bring this recommendation to the IBC’s attention by September 30, 2022, “for potential further action.”

**OIG Comment:** Based on the Udall Foundation’s response, we consider Recommendation 4 resolved but not implemented.

5. Develop and implement a deliverable acceptance policy and procedure that includes a mechanism for monitoring the receipt of deliverables from the contractor and a deliverable acceptance form that should include, at a minimum, the date the deliverable was received, whether it met the quality standards in the task order or contract, and who reviewed the deliverable

**Udall Foundation Response:** The Udall Foundation concurred with the recommendation and stated that it is establishing policies and procedures—including a COR handbook—that will ensure all necessary documentation for the acceptance of a deliverable is received by the contractor. The targeted completion of this recommendation was July 1, 2022. However, after the Udall Foundation’s formal response but before the issuance of the final report, the Udall Foundation provided us with its finalized COR handbook as evidence that this recommendation was implemented. The Udall Foundation also stated that it has initiated a series of employee training webinars.

**OIG Comment:** Based on the Udall Foundation’s response and documentation provided, we consider Recommendation 5 resolved but not implemented. We found that the handbook does not address this recommendation. Specifically, the COR handbook neither provides a mechanism for monitoring the receipt of deliverables from the contractor nor a deliverable acceptance form that includes the date the deliverable was received, whether it met the quality standards in the task order or contract, and who reviewed the deliverable. The recommendation will be considered implemented when the Udall Foundation provides us with documentation demonstrating that they have developed and implemented a deliverable acceptance policy and procedure that includes a mechanism for monitoring as described above.

6. Develop and establish a contractor surveillance program to ensure personnel responsible for monitoring contractor performance are appropriately designated in writing by the contracting officer.

**Udall Foundation Response:** The Udall Foundation concurred with the recommendation and stated that it had implemented “surveillance procedures as a key control of its in-house contracting program.” It identified the “issuance of the Udall Foundation’s Acquisition instruction” and also stated that a COR handbook was developed that addresses this recommendation. Specifically, the COR handbook “details the process for nominating and appointing a Technical Monitor . . . to assist the COR in surveilling contractor performance.” The targeted completion for final implementation of the COR handbook was July 1, 2022. However, after the Udall Foundation’s formal response but before issuance of the final report, the Udall Foundation provided us with its finalized COR handbook as evidence that this recommendation was implemented.

**OIG Comment:** Based on the Udall Foundation’s response and documentation provided, we consider Recommendation 6 resolved and implemented. We found that the COR handbook required that, if a technical monitor was needed to assist in monitoring the contractor’s performance, the technical monitor must be appointed by the contracting officer. The COR handbook also detailed the process for nominating and appointing a

technical monitor. Therefore, we determined that the COR handbook addressed our recommendation.

7. Provide contract surveillance training to the Udall Foundation personnel involved in contract administration

**Udall Foundation Response:** The Udall Foundation concurred with the recommendation and stated that it would provide contractor surveillance training to employees involved in contract administration by December 31, 2022.

**OIG Comment:** Based on the Udall Foundation’s response, we consider Recommendation 7 resolved but not implemented.

8. Finalize its draft invoice review process and ensure that program associates and managers verify that the labor rate and contractor administration fee charged on the invoices comply with the terms of the agreement

**Udall Foundation Response:** The Udall Foundation concurred with the recommendation and stated that it added a control to its final invoice review process and revenue cycle process memorandum that requires the agreements manager or designee to review all invoice discrepancies to ensure the billing rate is in accordance with the appropriate agreement and contract. The added control requires a software modification to the Udall Foundation’s internal system, which is in development and is expected to be implemented by September 30, 2022.

**OIG Comment:** Based on the Udall Foundation’s response and documentation provided, we consider Recommendation 8 resolved but not implemented. We verified that the Udall Foundation added the control to the final invoice review process and revenue cycle. The recommendation will be considered implemented when the Udall Foundation provides documentation demonstrating that the software modification is completed.

9. Develop and routinely provide training on travel regulations and proper documentation required for a travel voucher to all Udall Foundation travelers and approvers

**Udall Foundation Response:** The Udall Foundation concurred with the recommendation and stated that it “will continue to provide and emphasize generalized FTR training annually to employees.” The Udall Foundation stated that this recommendation was implemented on February 25, 2022.

**OIG Comment:** We consider Recommendation 9 resolved but not implemented based on the Udall Foundation’s response and review of the evidence of training provided. The Udall Foundation provided us with an email that was sent to all employees requiring them to take the annual FTR training. However, this email did not demonstrate that training on the proper documentation required for a travel voucher was included in the

annual FTR training. The recommendation will be considered resolved and implemented when we receive this documentation.

10. Revise its travel voucher review process to require a supervisor or manager review the travel voucher before payment

**Udall Foundation Response:** The Udall Foundation concurred with the recommendation and stated that a step was added to the travel voucher review process “requiring supervisor or management approval of all travel vouchers prior to payment.” According to the Udall Foundation, this recommendation was resolved on September 30, 2021.

**OIG Comment:** Based on the Udall Foundation’s response and the review of the revised travel voucher review process, we consider Recommendation 10 resolved and implemented.

11. Develop a policy in accordance with FAR § 37.6, “Performance-Based Acquisition,” that documents when to use performance-based acquisition and any rationale for not using such a method

**Udall Foundation Response:** The Udall Foundation concurred with the recommendation and stated that it implemented a performance-based acquisition model, developed associated policies and procedures, and provided (and will continue to provide) training webinars on the subject matter. It also stated that the Udall Foundation’s contracting officer “works directly with the National Center program to determine when another acquisition method may be appropriate and beneficial to the Federal Government.” According to the Udall Foundation, this recommendation was resolved on May 4, 2021.

**OIG Comment:** Based on the Udall Foundation’s response and the review of the supporting documentation provided, we consider Recommendation 11 resolved and implemented.

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# Appendix 1: Scope and Methodology

## Scope

We performed our audit of the Morris K. Udall and Stewart L. Udall Foundation's (Udall Foundation's) John S. McCain III National Center for Environmental Conflict Resolution (National Center) from September 2020, through July 2021. Our scope included projects established by the Udall Foundation during fiscal years (FYs) 2017 through 2019.

## Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our objective, we:

- Gathered background information and gained an understanding the Udall Foundation's National Center
- Reviewed laws, regulations, policies, procedures, and guidance applicable to the subject audit
- Reviewed prior audit reports issued by our office and the Udall Foundation's external auditors for FYs 2017 through 2019
- Interviewed key officials involved in the National Center, including program managers, program associates, and the contracting officer's representative
- Reviewed agreements and contracts for accuracy and reasonableness
- Tested invoices associated with seven projects that the Udall Foundation submitted to the funding partner to determine whether items on the invoices adhered to the terms of the agreements, complied with regulations, and were supported by appropriate documentation
- Tested contractor invoices for three managed projects that were submitted to the Udall Foundation for payment to determine whether items on the invoices complied with regulations and were supported by appropriate documentation
- Evaluated and tested the roles and responsibilities required of the Udall Foundation's contracting officer's representative

- Reviewed deliverables associated with the three managed projects to determine whether deliverables were met, met within established deadlines, and accepted by the Udall Foundation

In conducting our audit, we selected two sets of samples from National Center projects that the Udall Foundation established between FYs 2017 through 2019. Our universe for the two sets of samples included 43 directly managed projects valued at approximately \$2.2 million, and 12 managed projects that encompassed approximately \$4.7 million in contracts. In one sample, we judgmentally selected four directly managed projects valued at approximately \$558,000. In the other sample, we judgmentally selected three managed projects associated with approximately \$3.9 million in contracts. We selected the sample to reflect high dollar agreements and contracts as well as projects with both Federal and non-Federal partners.

- For the 7 projects selected, we judgmentally sampled 27 invoices valued at \$1,649,147 that the Udall Foundation billed to the funding partners. Our universe included 98 invoices valued at \$2,431,520. We selected the sample based on the invoices with the highest value, appearance of duplicate invoices, and invoices that included travel and other direct expenses.
- For the 3 managed projects selected, we judgmentally sampled 25 contractor invoices valued at \$964,269. Our universe included 166 contractor invoices valued at \$4,410,310. We selected the sample based on the contractor invoices that were included in our judgmental sample of invoices that the Udall Foundation submitted to the funding partners.

We assessed significant internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Our audit was not designed to identify all deficiencies in internal control and therefore, significant deficiencies may exist that have not been identified. However, as described in our findings, we identified certain deficiencies in internal control related to appropriate invoice documentation, invoice approval processes, acceptance of deliverables, and oversight of contractor work.

Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. In addition, during the audit, we used nonstatistical sampling, and we did not project the results of the tests to the total population. Finally, we relied on computer-processed data to a limited extent when selecting our contract sample. We confirmed the validity of such data, as appropriate, by reviewing supporting source documents.

## Appendix 2: Monetary Impact

<b>Project</b>	<b>Unsupported Labor Costs (\$)</b>	<b>Unsupported Travel Costs (\$)</b>	<b>Unallowable Costs (\$)</b>	<b>Unsupported Deliverable Costs (\$)</b>	<b>Total (\$)</b>
Missouri River Recovery Implementation Committee	–	969	301	74,721	<b>75,991</b>
USDA Forest Service Salt River Horse Collaborative	151,005	139	6,504	–	<b>157,648</b>
USDA Forest Service South Fork American River Cohesive Strategy	166,410	1,787	–	–	<b>168,197</b>
<b>Total Questioned Costs</b>	<b>\$317,415</b>	<b>\$2,895</b>	<b>\$6,805</b>	<b>\$74,721</b>	<b>\$401,836</b>

Abbreviation: USDA = U.S. Department of Agriculture

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## Appendix 3: Contractor Payments

### Value of Contractor Invoices Tested by Category and Value of Questioned Costs

<b>Project</b>	<b>Labor Charges Tested (\$)</b>	<b>Unsupported Labor Charges (\$)</b>	<b>Travel Charges Tested (\$)</b>	<b>Unsupported Travel Charges or Violations (\$)</b>
Missouri River Recovery Implementation Committee	–	–	12,075	1,270
USDA Forest Service Salt River Horse Collaborative	151,005	151,005	16,244	6,643
USDA Forest Service South Fork American River Cohesive Strategy	166,410	166,410	4,389	1,787
<b>Total</b>	<b>\$317,415</b>	<b>\$317,415</b>	<b>\$32,708</b>	<b>\$9,700</b>

Abbreviation: USDA = U.S. Department of Agriculture

## Appendix 4: Udall Foundation Billing

Value of the Udall Foundation's Bills Tested by  
Category and Value of Issues Identified

Project	Labor Rates Tested (\$)	Incorrect Labor Rates Charged (\$)	Admin. Fees Tested (\$)	Incorrect Admin. Fees Charged (\$)	Travel Charges Tested (\$)	Unsupported Travel Charges or Violations (\$)
BOEM and NMFS Offshore Wind One Federal Decision Coordination	44,167	–	N/A	N/A	–	–
BOEM – Northeast Tribal Coordination Support	17,955	–	N/A	N/A	–	–
BPA – CRS Operation Cultural Resources Team Facilitation	62,125	7,083	N/A	N/A	5,098	578
Intertribal Timber Council and USDA Farm Bill Implementation	32,613	–	N/A	N/A	–	–
Missouri River Recovery Implementation Committee	362,113	Unknown	61,355	Unknown	16,136	1,753
USDA Forest Service Salt River Horse Collaborative	63,566	–	12,817	306	5,428	–
USDA Forest Service South Fork American River Cohesive Strategy	12,845	30	11,816	5,996	792	–
<b>Total</b>	<b>\$595,384</b>	<b>\$7,113</b>	<b>\$85,988</b>	<b>\$6,302</b>	<b>\$27,454</b>	<b>\$2,331</b>

Abbreviations: BOEM = Bureau of Ocean Energy Management  
 BPA = Bonneville Power Administration  
 CRS = Columbia River System  
 NMFS = National Marine Fisheries Service  
 USDA = U.S. Department of Agriculture

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## **Appendix 5: Response to Draft Report**

The Udall Foundation's response to our draft report follows on page 25.

March 17, 2022

Ms. Kathleen R. Sedney  
Assistant Inspector General for Audits, Inspections, and Evaluations  
Office of Inspector General  
U.S. Department of the Interior

Dear Ms. Sedney,

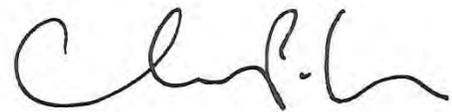
On behalf of the Board of Trustees of the Morris K. Udall and Stewart L. Udall Foundation (Udall Foundation), I am pleased to submit the following written response to your draft audit report, *Stronger Controls Needed Over the Udall Foundation's Invoicing Processes and Contract Oversight for the John S. McCain III National Center for Environmental Conflict Resolution*.

In November 2019 the Board of Trustees approved a plan to bring the Udall Foundation's contracting functions in-house after utilizing third-party contracting services for many years. This decision was taken in large measure so that the agency could implement stronger internal controls and oversight mechanisms than those historically offered by its external service providers. The agency subsequently hired a Contracting Program Manager/Contracting Officer with extensive Federal experience and established rigorous policies and procedures in compliance with the Federal Acquisition Regulation. The agency has already begun realizing efficiencies for the Federal Government in both cost and time associated with contracting and invoicing actions.

The Udall Foundation welcomes the eleven recommendations detailed in your report which will further strengthen the agency's internal controls for contracting and invoicing. As detailed below, many of these recommendations have already been partially or fully implemented; our response also provides additional information regarding the questioned costs noted in your report as well as a number of supplemental reference materials.

Please do not hesitate to contact me if I can be of further assistance.

Sincerely,



Charles P. Rose  
Chair, Board of Trustees

**Recommendation 1:** Resolve the \$320,310 in unsupported questioned costs.

**Udall Foundation response:**

The agency concurs with the recommendation.

The agency has reviewed the information provided in the audit and is confident that the work in question was conducted properly, within allowable costs, and of high quality. This determination stems from the National Center program's close engagement with the contractors as work was performed. That National Center is confident that appropriate project oversight was provided such that contractor labor and direct costs were in alignment with contract terms and conditions. However, the agency does concur that there is an absence of backup documentation that would have fully confirmed that the costs in question were proper.

The Interior Business Center (IBC) at the Department of the Interior, in its capacity as the agency's Contracting Officer for the contract(s) in question, was the final approving authority for these invoices and did so based on the information submitted by the contractors. The agency will bring this recommendation to IBC's attention for potential further action.

*Target Completion Date:* September 30, 2022

*Responsible Official:* Contracting Program Manager-Contracting Officer (CO)

**Recommendation 2:** Resolve the \$6,805 in unallowable questioned costs.

**Udall Foundation response:**

The agency concurs with the recommendation.

Reimbursement for these questioned costs should not have been approved by IBC in its capacity as the agency's Contracting Officer. The agency will bring this recommendation to IBC's attention for potential further action.

*Target Completion Date:* September 30, 2022

*Responsible Official:* Contracting Program Manager-Contracting Officer (CO)

**Recommendation 3:** Develop and implement policies and procedures for the review and approval of contractor invoices, including the instructions on how reviewers should confirm that invoice charges comply with regulations, to ensure appropriate documentation is provided to support invoice costs.

**Udall Foundation response:**

The agency concurs with the recommendation.

The agency's CO is establishing policies and procedures, including a Contracting Officer's Representative (COR) manual, that address those shortcomings identified in the audit that were provided by IBC in its capacity as the agency's Contracting Officer. These policies and procedures will ensure all necessary documentation is provided by agency contractors before payment of invoices, consistent with Federal Travel Regulation (FTR) and Federal Acquisition Regulation (FAR) requirements. These policies and procedures will also be available to all employees on the agency's internal Intranet. In addition, a series of employee training webinars was initiated on February 11, 2021 and will continue in FY 2022 and future Fiscal Years.

*Target Completion Date:* July 1, 2022

*Responsible Official:* Contracting Program Manager-Contracting Officer (CO)

**Recommendation 4:** Resolve the \$74,721 in unsupported questioned costs.

**Udall Foundation response:**

The agency concurs with the recommendation.

The agency has reviewed the information provided in the audit and is confident that the work in question was conducted properly, within allowable costs, and of high quality. This determination stems from the National Center program's close engagement with the contractors as work was performed. That National Center is confident that appropriate project oversight was provided such that contractor labor and direct costs were in alignment with contract terms and conditions. However, the agency does concur that there is an absence of backup documentation that would have fully confirmed that the costs in question were proper.

IBC, in its capacity as the agency's Contracting Officer for the contract(s) in question, was the final approving authority for these invoices and did so based on the information submitted by the contractors. The agency will bring this recommendation to IBC's attention for potential further action.

*Target Completion Date:* September 30, 2022

*Responsible Official:* Contracting Program Manager-Contracting Officer (CO)

**Recommendation 5:** Develop and implement a deliverable acceptance policy and procedure that includes a mechanism for monitoring the receipt of deliverables from the contractor and a deliverable acceptance form that should include, at a minimum, the date the deliverable was received, whether it met the quality standards in the task order or contract, and who reviewed the deliverable.

**Udall Foundation response:**

The agency concurs with the recommendation.

The agency's CO is establishing policies and procedures, including a COR manual, that address those shortcomings identified in the audit that were provided by IBC in its capacity as the agency's Contracting Officer. These policies and procedures will ensure all necessary documentation is provided by agency contractors, to include receipt and review of deliverables via surveillance plans, before payment of invoices consistent with Federal Travel Regulation (FTR) and Federal Acquisition Regulation (FAR) requirements. These policies and procedures will also be available to all employees on the agency's internal Intranet. In addition, a series of employee training webinars was initiated on February 11, 2021 and will continue in FY 2022 and future Fiscal Years.

*Target Completion Date:* July 1, 2022

*Responsible Official:* Contracting Program Manager-Contracting Officer (CO)

**Recommendation 6:** Develop and establish a contractor surveillance program to ensure personnel responsible for monitoring contractor performance are appropriately designated in writing by the contracting officer.

**Udall Foundation response:**

The agency concurs with the recommendation.

Because of proactive steps taken beginning in FY 2020, the agency has already implemented surveillance procedures as a key internal control of its in-house contracting program. This was accomplished through the issuance of the Udall Foundation's Acquisition Instruction (AI). The AI includes the requirement, as identified by

FAR Subpart 37.6, to utilize performance-based contracting as the preferred method of contracting. If the agency's CO decides that performance-based contracting is not sufficient for the requirement, a Memorandum for the Record is required that provides the rationale for the exception. Additionally, a Quality Assurance Surveillance Plan is required for all service contracts where a COR is appointed. Udall Foundation policy specifies that a COR is required on all contracts above the Simplified Acquisition Threshold, currently set at \$250,000.

A COR handbook has also been created that details the process for nominating and appointing a Technical Monitor (TM), if applicable, to contracts to assist the COR in surveilling contractor performance. This appointment is given on a contract-by-contract basis and contains specific duties delegated to the TM by the CO.

*Date Resolved:* May 4, 2021 (Acquisition Instruction implementation)

*Target Completion Date:* July 1, 2022 (final implementation of COR Handbook)

*Responsible Official:* Contracting Program Manager-Contracting Officer (CO)

**Recommendation 7:** Provide contractor surveillance training to Udall Foundation personnel involved in contract administration.

**Udall Foundation response:**

The agency concurs with the recommendation.

Because of proactive steps taken beginning in FY 2020, the agency has already implemented surveillance procedures as a key internal control of its in-house contracting program. The agency's CO has identified appropriate contractor surveillance training for employees involved in contract administration; the training will be provided by a third-party vendor in CY 2022.

*Target Completion Date:* December 31, 2022

*Responsible Official:* Contracting Program Manager-Contracting Officer (CO)

**Recommendation 8:** Finalize [the agency's] draft invoice review process and ensure that program associates and managers verify that the labor rate and contractor administrator fee charged on invoices comply with the terms of the agreement.

**Udall Foundation response:**

The agency concurs with the recommendation.

The agency is addressing this deficiency by having the agency's Agreements Manager or designee review all invoice discrepancies found during the initial and/or final review process, to ensure that the billing rate and other charges are in accordance with the appropriate agreement and contract. This review serves as an additional internal control to supplement existing agency financial reviews of invoices. This additional internal control has been documented in the Udall Foundation Revenue Cycle Process Memorandum and in the Agency Invoice Review Checklist, an internal process guide for agency personnel the supplements the Revenue Cycle Process Memorandum. The agency's CO is currently serving as the agency's Agreements Manager.

While the process of involving the agency's Agreements Manager in the invoice review process has been implemented, this change also necessitates a software modification to the agency's internal Project Management Database (PMD) system. This change is currently under development under the oversight of the agency's Chief Data and Information Officer.

*Target Completion Date:* September 30, 2022  
*Responsible Official:* Chief Financial Officer

**Recommendation 9:** Develop and routinely provide training on travel regulations and proper documentation required for a travel voucher to all Udall Foundation travelers and approvers.

**Udall Foundation response:**

The agency concurs with the recommendation.

The agency will continue to provide and emphasize generalized FTR training annually for all employees, as well as review- and authorization-specific FTR training for travel approvers. Additional attention will be paid to ensure that travel documentation requirements are met for infrequent or invitational travelers who are not subject to the internal training provided by the agency.

*Date Resolved:* February 25, 2022  
*Responsible Official:* Executive Assistant

**Recommendation 10:** Revise [the agency's] travel voucher review process to require that a supervisor or manager review the travel voucher before payment.

**Udall Foundation response:**

The agency concurs with the recommendation.

A step has been added to the travel voucher review process requiring supervisor or management approval of all travel vouchers prior to payment. This requirement is tracked through the audit trail within the agency's internal PMD system. This additional key internal control has been documented in the Udall Foundation procurement cycle process memorandum.

*Date Resolved:* September 30, 2021  
*Responsible Official:* Chief Financial Officer

**Recommendation 11:** Develop a policy in accordance with FAR § 37.6, "Performance-Based Acquisition," that documents when to use performance-based acquisition and any rationale for not using such a method.

**Udall Foundation response:**

The agency concurs with the recommendation.

The agency's CO has implemented a performance-based acquisition model for contracting actions in those instances where such an approach would be appropriate. The CO also works directly with the National Center program to determine when another acquisition method may be appropriate and beneficial to the Federal Government. The policies and procedures associated with performance-based acquisition are available to all employees on the agency's internal Intranet. In addition, a series of employee training webinars was initiated in FY 2021 and will continue in FY 2022 and future Fiscal Years.

*Date Resolved:* May 4, 2021  
*Responsible Official:* Contracting Program Manager-Contracting Officer

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## Appendix 6: Status of Recommendations

Recommendation	Status	Action Required
6, 10, and 11	Resolved and implemented	No action is required.
	Resolved but not implemented:	
1–5 and 7–9	The Udall Foundation concurred with these recommendations and will work to develop and implement a corrective action plan.	We will track the implementation status of these recommendations.

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# REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

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