



Audit Report



OIG-13-042

Community Development Financial Institutions Fund
Implemented Corrective Actions to Address Contract and
Personnel Management Deficiencies

June 27, 2013

**Office of
Inspector General**

DEPARTMENT OF THE TREASURY

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Abbreviations

ARC	Administrative Resource Center
BPD	Bureau of the Public Debt
CDFI	Community Development Financial Institutions
COR	contracting officer representative
COTR	contracting officer technical representative
DTAR	Department of the Treasury Acquisition Regulation
FAR	Federal Acquisition Regulation
IBM	International Business Machines
IT	information technology
JAMES	Joint Audit Management Enterprise System
OIG	Department of the Treasury Office of Inspector General
POC	point of contact

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*The Department of the Treasury
Office of Inspector General*

June 27, 2013

Donna J. Gambrell
Director
Community Development Financial Institutions Fund

This report presents the results of our review of the corrective actions taken by the Community Development Financial Institutions Fund (Fund) management in response to the recommendations reported as a result of our audit on contract and personnel management issued on September 17, 2009.¹ In brief, we found that Fund management has taken steps to ensure that the deficiencies reported in our prior audit were corrected.

The prior audit was conducted at your request to determine whether the Fund's contract administration practices for its information technology (IT) development and support contracts complied with the Federal Acquisition Regulation (FAR) and the Department of the Treasury Acquisition Regulation (DTAR). We reported that the Fund did not comply with FAR and DTAR requirements in its administration of the General Dynamics IT support contracts. During that audit, an improperly administered personnel action came to our attention which we also reported. Specifically, we found that the Fund did not document its justification for a noncompetitive promotion of a Fund employee. In all, we made six recommendations in our September 2009 report.

The recommendations and corrective actions we reviewed and the results of our follow-up are presented in the Corrective Action Verification section of this report. The Fund's management response to this report is included as appendix 1.

¹ OIG-09-048, *CDFI Fund Contract Administration and Personnel Management Practices Need Improvement*

Background

Audit follow-up is an integral part of good management and a shared responsibility of management and auditors. Each agency should establish an audit follow-up system to assure the prompt and proper resolution and implementation of audit recommendations.² Treasury Directive 40-03, “Treasury Audit Resolution, Follow-Up, and Closure,” requires bureau staff to ensure that (1) audit recommendations are resolved on a timely basis, (2) resolved audit recommendations (i.e., those agreed to by bureau management) are promptly acted upon and that progress with respect to proposed and ongoing corrective actions is adequately monitored, and (3) statistical information and other data are appropriately reported pursuant to all statutory and regulatory requirements.

The status of audit recommendations is tracked in the Department of the Treasury’s (Treasury) Joint Audit Management Enterprise System (JAMES), an interactive system accessible to both the Treasury Office of Inspector General (OIG) and management. JAMES contains tracking information on audit reports from their issuance through completion of all actions related to findings and recommendations.

The Fund’s JAMES point of contact (POC) coordinates audit recommendation activities with the appropriate Fund program manager and audit liaison. The POC is notified when audit information has been uploaded to JAMES, informs the responsible Fund program manager of the action, and then requests planned corrective action due dates. The POC then enters the corrective action implementation justification into JAMES and closes the planned corrective action. The POC remains in contact with the Treasury Deputy Chief Financial Officer’s Risk and Control Group, the administrators of JAMES, throughout the process and provides monthly status information.

² Office of Management and Budget Circular No. A-50 Revised, “Audit Followup”

Objectives, Scope, and Methodology

The objective of our corrective action verification was to determine whether Fund management had taken corrective actions responsive to the intent of our previously reported recommendations to improve contract administration and personnel management practices. Of the six recommendations, four were to address contract administration deficiencies, and two were to correct the improperly administered personnel action. We followed up on all six recommendations.

To accomplish our objective, we

- reviewed the original findings and recommendations made in the prior report.
- obtained and reviewed the JAMES report for the status of the prior report's recommendations and corrective actions.
- obtained and reviewed the contract files that the Fund had (1) reconstructed and maintained for the General Dynamics IT services contract and (2) established and maintained for the successor IT services contract, with International Business Machines (IBM).
- reviewed the Fund's standard operating procedures for procurements and contracts.
- reviewed the interagency agreement between the Fund and Treasury's Bureau of the Public Debt (BPD), which provides human resource services to the Fund through BPD's Administrative Resource Center (ARC).³
- confirmed with a BPD human resource specialist the existence of valid position descriptions for all Fund employees.

³ Effective October 2012, Treasury consolidated and redesignated BPD and the Financial Management Service as the Bureau of the Fiscal Service. For purposes of this report, we refer to the former BPD using its legacy name.

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- reviewed the Fund's history of non-competitive promotions from September 2009 through April 2012.

We performed our fieldwork from March to June 2012 at the Fund headquarters in Washington, D.C.

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.

Previously Reported Findings

Prior Finding 1	Key Contract Administration and Decision Documentation Was Missing
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We reported that the Fund could not provide documentary evidence supporting the contract administration activities performed by Fund contracting officer representatives (COR) for the General Dynamics contracts.⁴ As a result, the Fund could not demonstrate that the contractor provided the services required by the contracts. Additionally, the Fund could not provide documentation showing how it determined that using three different agencies—the Federal Aviation Administration, the Department of Commerce, and the General Services Administration—from 1999 until 2010 to perform the contracting officer functions for the contracts were in the best interest of the government.

⁴ Our prior audit report used the title, “contracting officer technical representative (COTR).” In this report, we are using COR in accordance with an Office of Management and Budget September 2011 memorandum, which notified chief acquisition officers and senior procurement executives that the title “COTR” was being changed to “COR” to align with the updated FAR 1.602-2.

Prior Finding 2 Personnel Management Practices Were Inadequate

We reported that the Fund did not document its justification of a noncompetitive promotion of a Fund contract specialist from GS-13 to GS-14 in July 2006. Additionally, there was no position description for this position. When properly used, the noncompetitive promotion process allows agencies to promote an employee who has performed additional duties and responsibilities not normally required in the employee's current position description. In this instance, the Fund did not document its rationale for promoting the employee in question, nor did it identify those extra duties and responsibilities that the employee had performed in addition to his normal duties and responsibilities.

Corrective Action Verification**Finding 1, Recommendation 1**

We recommended that the Fund reconstruct and maintain, going forward, the contract administration file for the General Dynamics contracts with all required and pertinent documentation.

In response to the recommendation, and in accordance with FAR 4.801, the Fund reconstructed its contract administration file in May 2009 and had since adequately maintained the pertinent General Dynamics documentation. We reviewed the file and determined it contained the records that one would expect to be kept in contract files, such as the original contract, amendments, COR designation letters, invoices, project plans, and status reports.⁵ As the contract with General Dynamics ended in September 2010, we also obtained and reviewed the contract with IBM for IT support services, awarded on September 29, 2010. We determined that the Fund had maintained an IBM contract file with the appropriate contract documentation.

⁵ FAR 4.803 - *Contents of Contract Files* provides examples of records normally contained, if applicable, in contract files.

Finding 1, Recommendation 2

We recommended that the Fund ensure that Fund CORs adequately monitor contract performance, support contracting officers, and maintain contract administration files that document actions taken to fulfill contract administration responsibilities.

In response to the recommendation, the Fund provided Fund CORs with written guidance on their responsibilities and requirements for contract oversight. Based on our review of the contractor files and our discussions with Fund officials, we determined that Fund CORs monitored contract performance by obtaining project plans and reviewing weekly status reports from the contractor. We also determined that Fund CORs controlled and monitored the contract invoice payment process as the invoices that were uploaded to the Bureau of the Fiscal Service's Invoice Payment Platform cannot be processed for payment until the Fund COR reviewed and approved the invoice charges.⁶

Finding 1, Recommendation 3

We recommended that the Fund develop and implement standard operating procedures that specify required policies and procedures for contract administration and related files, including appropriate managerial controls to comply with FAR requirements for file documentation.

In response to the recommendation, the Fund developed and issued a desk guide for staff in January 2011. We obtained and reviewed the guide and determined that it detailed the procurement/contract process from start to finish, required maintenance contract file documentation, and cited the relevant FAR requirements.

⁶ The Invoice Processing Platform is offered by Treasury and managed by the Federal Reserve Bank of Boston. The system is available to federal agencies and their vendors at no charge.

Finding 1, Recommendation 4

We recommended that the Fund ensure that decisions to use interagency agreements are supported by the appropriate determination and finding in accordance with the FAR to demonstrate that using non-Treasury sources for the contract officer functions is in the best interest of the government.

At the expiration of the General Dynamics contract in September 2010, the Fund utilized a Treasury source, BPD's ARC, for contracting officer services to administer and procure a new IT support services contract. By committing to use a Treasury source for contracting officer services, the Fund did not need to show support for using non-Treasury sources. Therefore, the Fund met the intent of our recommendation.

Finding 2, Recommendation 1

We recommended that the Fund implement appropriate management controls to ensure that non-competitive promotions are properly documented, justified, and approved.

In response to the recommendation, the Fund has posted all vacancy announcements to Treasury's Career Connector system and allowed employees to apply internally. The Fund did this to ensure an adequately documented, competitive hiring process. We reviewed the Fund's history of promotions and determined that the Fund had not processed any non-competitive, accretion of duties promotions since we issued our audit report in September 2009. We confirmed this with an ARC human resource specialist as ARC maintained all personnel files and processed all promotions for the Fund.

Finding 2, Recommendation 2

We recommended that the Fund ensure all Fund employees have valid position descriptions in its official personnel files.

In response to the recommendation, the Fund ensured that all employees had valid position descriptions. The Fund maintained a list of all current employees and associated position

descriptions. Personnel files were maintained in electronic form at BPD ARC. We obtained and reviewed the list and confirmed that all Fund employees had valid position descriptions.

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We would like to extend our appreciation for the cooperation and courtesies extended to our staff during the review. If you have any questions, please contact me at (202) 927-6512. The major contributors to this report were Myung Han, Audit Manager, John Gauthier, Auditor-In-Charge, and Jennifer Adamson, Auditor.

/s/

Michael J. Maloney
Director, Fiscal Service Audits

Appendix 1 Management Response

 <p>DEPARTMENT OF THE TREASURY WASHINGTON, D.C. 20220</p> <p>COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND</p>	<p>MEMORANDUM</p> <p>DATE: June 19, 2013</p> <p>TO: Michael J. Maloney Director, Fiscal Service Audits</p> <p>FROM: Donna Gambrell /s/ Director</p> <p>SUBJECT: Draft Audit Report – CDFI Fund Implemented Corrective Actions to Address Contract and Personnel Management Deficiencies</p> <hr/> <p>In response to a memo from the Office of Inspector General (OIG) dated May 24, 2013 stating that the Community Development Financial Institutions (CDFI) Fund implemented corrective actions to address contract and personnel management deficiencies, please find our comments below. These comments are in accordance with Treasury Directive 40-01, <i>Responsibilities of and to the Inspector General</i>.</p> <p>Corrective Action Verification Finding</p> <p>The OIG found that the CDFI Fund management has taken steps to ensure that the deficiencies reported in its prior audit were corrected. No additional corrective actions are required by the CDFI Fund.</p> <p>Recommendation</p> <p>Given that the OIG found that the CDFI Fund management has taken steps to ensure that the deficiencies reported in its prior audit were corrected, there are no recommendations issued by the OIG.</p> <p>Management Response</p> <p>The CDFI Fund is pleased with the OIG's finding.</p> <p>The CDFI Fund appreciates the courtesies extended to our staff during this review. Should you have any questions, please contact me at 202.653.0301 or Tanya McInnis, Senior Advisor, OIG Liaison, at 202.653.0309.</p>
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Department of the Treasury

Deputy Secretary
Office of Strategic Planning and Performance Management
Office of the Deputy Chief Financial Officer, Risk and Control
Group

Community Development Financial Institution Fund

Director, Community Development Financial Institutions Fund

Office of Management and Budget

OIG Budget Examiner