Memorandum

To: Assistant Directors for Administration
Director, National Business Center

From: Debra E. Sonderman, Director
Office of Acquisition and Property Management

Subject: **Fiscal Year (FY) 2008 Internal Control/Departmental Functional Review Guidance for Acquisition, Financial Assistance, and Property Management**

This memorandum contains Department-wide FY 2008 internal control review requirements for the functional areas of acquisition, financial assistance, and property management, and supplements the Office of Financial Management's "Guidelines for FY 2008 Internal Control and Audit Follow-up (ICAF) Programs".

As stated in the Office of Financial Management's guidance, during FY 2008 bureaus and offices will be evaluated through the ICAF Program on how well they are:

- Managing and protecting resources;
- Complying with laws and regulations;
- Using reliable program and financial information for decision making; and
- Achieving stated program performance goals.

Managers are also being asked to continue to ensure timely implementation and reporting of corrective actions taken in response to audit and review findings. During the last reporting period, several bureau reports were not provided on time or in the requested format. Several did not contain corrective action plans and assurance statements. For the 2008 reporting period, we ask that bureau managers provide additional oversight to this area when submitting the report. We cannot accept reports without signed assurance statements.

Acquisition Internal Control Reviews and Assessments

In FY 2007, DOI contracting activities awarded over $3.9 billion in acquisition transactions. In order to provide reasonable assurance regarding the prevention or prompt detection of unauthorized acquisition, use, or disposition of assets, bureaus are responsible for performing annual internal control reviews for 25 percent of their contracting activities (this includes all headquarters, Regional, and field activities where

contracting officer warrants are maintained) over a four-year period. Under the 25 percent four year reporting cycle, 100 percent of each bureau's contracting activities will have been reviewed, assessed, and applicable corrective actions taken.

Corrective action plans must be developed, implemented, and tracked for deficiencies identified in the course of reviews/assessments. Managers will complete, within established timeframes, all actions that correct or otherwise resolve the appropriate matters identified in review reports. Bureaus must provide evidence that corrective action plans have been established and are being monitored for all cited deficiencies in their annual internal control reports to the Office of Acquisition and Property Management. All reports must include a corrective action plan.

The DOI Acquisition and Financial Assistance Management Review (AFAMR) Handbook, reissued November 20, 2007, is based on the Government Accountability Office's Framework *for Assessing the Acquisition Function at Federal Agencies*. Bureaus are encouraged to access the Framework from the PAM website (http://www.doi.gov/pam/acquisition.html). Surveys and/or interviews with program customers, procurement employees, and procurement managers should be included as part of the review process. In order to avoid possible survey saturation and duplication of effort, applicable results from bureau-wide surveys of DOI employees, customers, clients, and partners may be used.

Bureau acquisition managers must provide PAM with a description of their bureau's acquisition internal control review plans for FY 2008 no later than **December 12, 2007**. The plans should: (1) specifically identify the headquarters, Regional, and field level activities to be reviewed during the reporting cycle; (2) acknowledge requirement to include OIG, (including NFRs), and GAO audit findings and corrective actions taken; and (3) acknowledge targeted review requirements and provide a brief description/plan for accomplishing them within the reporting cycle. Please note: Once their plans have been submitted and accepted by the Office of Acquisition and Property Management, any proposed changes to bureau/office review plans made during the course of the reporting period must be coordinated with, and receive prior approval of the Office of Financial Management.

Bureau-wide FY 2008 annual internal control assessment reports for acquisition are due to the Office of Acquisition and Property Management (PAM) by Friday, June 1, 2008. Assessment reports **must** include the following:

- Findings of acquisition management reviews performed and corrective action plans implemented (including timeframes for complete implementation of corrective actions);
- Summary findings of applicable Office of Inspector General (OIG) (this includes audits and Notices of Finding and Recommendations (NFRs) prepared by third parties working for the OIG) and Government Accountability Office (GAO) reports (including audits, inspections, and reviews) and corrective plans implemented (including timeframes for complete implementation of corrective actions);

- Bureau-wide targeted review and supplementary reports (see Attachment 1, Section I for targeted review and supplementary reporting requirements for FY 2008); and
- An assurance statement regarding the adequacy of internal controls *at all levels of the contracting activity*, i.e., assurance that processes are in place in the bureau to: (1) prevent or promptly detect unauthorized acquisition, use, or disposition of assets; and (2) implement and monitor corrective actions for identified compliance or systemic weaknesses in order to bring identified weaknesses in bureau acquisition processes/procedures into compliance with applicable laws, regulations, and policies.

Bureau acquisition managers **must** coordinate issuance of their annual internal control assessment report with their respective **Bureau Management Control Coordinator and ensure that their reports are signed by the Assistant Director - Administration, or bureau equivalent, prior to submission to PAM** by **Friday, June 1, 2008**.

Procurement Data Reporting

Federal agencies are required to submit complete, timely and accurate data to the Federal Procurement Data System-Next Generation (FPDS-NG). PAM continues to monitor procurement data accuracy, and reserves the right to expand or reduce special reporting requirements of any bureaus with identified FPDS-NG reporting weaknesses. Bureaus are reminded to routinely validate and verify the timeliness, accuracy, and completeness of the data entered into FPDS. The plan implements OMB Circular A-123, Management's Responsibility for Internal Control (Revised), requirements related to the maintenance of reliable, complete, and timely data. The review process occurs at each level of the organization on a bi-weekly basis. In addition, each quarter, bureaus are required to provide a certification that the acquisition data is accurate, timely and complete, identify any gaps, and the corrective actions taken in response to those gaps. Each bureau is also required to review a minimum of 3% of all actions awarded each quarter.

Federal Financial Assistance Internal Control Reviews and Assessments

In FY 2007 DOI processed grant and cooperative agreement actions within 130 different programs totaling over $2 billion. In order to provide reasonable assurance regarding the prevention or prompt detection of compliance and/or systemic weaknesses in the Department’s financial assistance programs, bureaus are responsible for performing annual internal control reviews of 25 percent their financial assistance programs (this includes all headquarters, Regional, and field activities where grants and cooperative agreements are awarded and/or administered) over a four-year period. Under the 25 percent four year reporting cycle, 100 percent of each bureau’s financial assistance programs will have been reviewed, assessed, and applicable corrective actions taken. In conducting their financial assistance transaction reviews, bureaus must use the attached Financial Assistance Agreement Review Sheet (Attachment 2).

Bureau financial assistance program officials must provide PAM with a description of their bureau's financial assistance internal control review plans for FY 2008 no later than

December 12, 2007. The plans should: (1) specifically identify the financial assistance programs at headquarters, Regional, and field level activities to be reviewed during the reporting cycle; (2) acknowledge requirement to include OIG, (including NFRs), and GAO audit findings and corrective actions taken; and (3) acknowledge targeted review requirements and provide a brief description/plan for accomplishing them within the reporting cycle. Please note: Once their plans have been submitted and accepted by the Office of Acquisition and Property Management, any proposed changes to bureau/office review plans made during the course of the reporting period must be coordinated with, and receive prior approval of the Office of Financial Management.

Corrective action plans must be developed, implemented, and tracked for deficiencies identified in the course of reviews/assessments. Managers will complete, within established timeframes, all actions that correct or otherwise resolve the appropriate matters identified in review reports. In their annual internal control reports to the Office of Acquisition and Property Management, bureaus must provide evidence that corrective action plans have been established and are being monitored for all cited deficiencies.

Bureau-wide FY 2008 annual internal control assessment reports for financial assistance are due to the Office of Acquisition and Property Management (PAM) by **Friday, June 1, 2008**. Assessment reports must include the following:

- Findings of financial assistance reviews and targeted performed and corrective action plans implemented (including timeframes for complete implementation of corrective actions);
- Summary findings of applicable Office of Inspector General (OIG) (this includes audits and Notices of Finding and Recommendations (NFR) prepared by third parties working for the OIG) and Government Accountability Office (GAO) reports (including audits, inspections, and reviews) and corrective plans implemented (including timeframes for complete implementation of corrective actions);
- Bureau-wide targeted review and supplementary reports (see Attachment 1, Section II and Attachment 2 for targeted review and supplementary reporting requirements for FY 2008); and
- An assurance statement regarding the adequacy of internal controls *at all levels of the bureau's financial assistance organization*, i.e., assurance that processes are in place in the bureau to: (1) prevent or promptly detect unauthorized use or disposition of assets; and (2) implement and monitor corrective actions for identified compliance or systemic weaknesses in order to bring identified weaknesses in bureau financial assistance processes/procedures into compliance with applicable laws, regulations, and policies.

Bureau financial assistance program officials must coordinate issuance of their annual internal control assessment report with their respective Bureau Management Control Coordinator and ensure that their reports are signed by the Assistant Director - Administration, or bureau equivalent, prior to submission to PAM by **Friday, June 1, 2008**.

Property Internal Control Reviews and Assessments

In order to provide reasonable assurance regarding the prevention or prompt detection of unauthorized acquisition, use, or disposition of assets, bureaus are responsible for performing annual internal control reviews of 25 percent their real and personal property management, and fleet programs (this includes all headquarters, Regional, and field activities) over a four-year period, so that by the end of four years, 100 percent of the bureau's property management program will have been reviewed, assessed, and applicable corrective actions taken.

Corrective action plans must be developed, implemented, and tracked for deficiencies identified in the course of reviews/assessments. Managers will complete, within established timeframes, all actions that correct or otherwise resolve the appropriate matters identified in review reports. In their annual internal control reports to the Office of Acquisition and Property Management, bureaus must provide evidence that corrective action plans have been established and are being monitored for all cited deficiencies.

The Department of the Interior Property Management Review Guideline (PMRG) was revised and issued November 14, 2007. **Use of the revised PMRG in performing the reviews is mandatory.** Bureaus are encouraged to access the PMRG from the PAM website (http://www.doi.gov/pam/property.html).

Bureau property managers must provide PAM with a description of their bureau's property compliance review plans in the areas of real, personal property, and fleet management for FY 2008 by **December 12, 2007.** The plans should: (1) specifically identify the property management functions at headquarters, Regional, and field level activities to be reviewed during the reporting cycle; (2) acknowledge requirement to include OIG, (including NFRs), and GAO audit findings and corrective actions taken; and (3) acknowledge targeted review requirements and provide a brief description/plan for accomplishing them within the reporting cycle. Please note: Once their plans have been submitted and accepted by the Office of Acquisition and Property Management, any proposed changes to bureau/office review plans made during the course of the reporting period must be coordinated with, and receive prior approval of the Office of Financial Management.

Surveys and/or interviews with program customers, property employees, and property managers should be included and addressed as part of the review process. In order to avoid possible survey saturation and duplication of effort, applicable results from bureau-wide surveys of DOI employees, customers, clients, and partners may be used. Please consult your bureau/office Department of the Interior Customer Service Forum representative regarding bureau/office survey plans for FY 2008.

Bureau-wide FY 2008 annual management control assessment reports for property management are due to the Office of Acquisition and Property Management by **Friday, June 1, 2008.** Assessment reports must include the following:

- Findings of property management reviews performed and corrective action plans implemented (including timeframes for complete implementation of corrective actions);
- Summary findings of applicable Office of Inspector General (OIG)(this includes audits and NFRs prepared by third parties working for the OIG) and Government Accountability Office (GAO) reports (including audits, inspections, and reviews) and corrective plans implemented (including timeframes for complete implementation of corrective actions);
- Bureau-wide targeted review reports (see Attachment 1, Section III for targeted review requirements for FY 2008); and
- An assurance statement regarding the adequacy of internal controls *at all levels of the property management activity*, i.e., assurance that processes are in place in the bureau to: (1) prevent or promptly detect unauthorized acquisition, use, or disposition of assets; and (2) implement and monitor corrective actions for identified compliance or systemic weaknesses in order to bring identified weaknesses in bureau asset management processes/procedures into compliance with applicable laws, regulations, and policies.

Bureau property managers must coordinate issuance of their annual management control assessment report with their respective Bureau Management Control Coordinator and ensure that their reports are signed by the Assistant Director - Administration, or bureau equivalent, prior to submission to PAM by **Friday, June 1, 2008**.

If additional information is required, your staff may contact Melodee Stith at 202-208-5830 (acquisition and financial assistance), or Chris MacArthur at 202-208-6649 (property management).

Attachments

cc: Director, Office of Financial Management
Bureau/Office Management Control Coordinators
Acquisition Managers' Partnership
Property Management Partnership
Financial Assistance Communication Liaisons
Office of the Chief Information Officer (Attn: Mary Pletcher)

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ATTACHMENT 1

FY 2008 TARGETED REVIEW REQUIREMENTS

I. Acquisition

A. All Bureaus:

Earned Value Management Targeted Review

Background: In July 2006, the FAR provisions related to Earned Value Management were updated (see FAR 34.2 and 52.234). An Earned Value Management System (EVMS) is required for major acquisitions for development, in accordance with OMB Circular A-11. The American National Standards Institute/Electronics Industries Alliance (ANSI/EIA) Standard-748 provides the standards for Earned Value Management Systems. The objective of EVM is to compare the actual earned value of a given project against the established baseline, cost, schedule and performance goals to identify variances and their magnitude. It is DOI's policy that all IT projects with $1 million or more in development during the projects life cycle must comply with the FAR requirements related to Earned Value Management.

We request that the EVM Targeted Review be conducted again this year because data from the 2006 reports were not complete. **This information can be obtained through a review of the contract writing systems (IDEAS and FBMS).**

Questions/Targeted Review Report:

1. How many IT contracts were awarded by your bureau in FY 2007? Of these, how many supported IT projects with $1 million or more in development over the project's life cycle? Please provide the list of contract numbers for those contracts that support IT projects with $1 million or more in development.

2. For all contracts that support IT projects with $1 million or more in development:

   a) Were solutions architecture and project plan developed by the government project manager and sponsor prior to development of the statement of work?

   b) Was the acquisition strategy developed and/or reviewed by the Bureau Procurement Chief?

   c) Was the statement of work reviewed by the Bureau Procurement Chief or his/her designee for completeness?

   d) Was the statement of work reviewed by the Bureau Chief Information Officer for completeness?

e) Was the statement of work reviewed by the Bureau Chief Architect for completeness?

f) Was the statement of work reviewed by the Chief Technical Officer for completeness?

Note: This question addresses the following FAR and ANSI Standards: 1) FAR 7.105 (a.1): Statement of Need; 2) FAR 7.105 (a.4): Capability or Performance statement; 3) FAR 7.105 (a.7): Risk Discussion and its Risk Management Plan; 4) FAR 7.105 (a.6): Product or Service Description; 5) FAR 7.105 (b.20): Statement of Work, Specification and Data Requirements milestones; 6)FAR 7.105 (a.10): Verifiable use of ANSI 748-a Earned Value Management; 7) ANSI 748-A (1.a): All Work Defined and Authorized represented in the plans work breakdown structure (WBS); and 8) ANSI/PMI 99-001-2004 (Section 4.3): Project Management Plan.

3. For all contracts that support IT projects with $1 million or more in development, how many included:

a) The relevant EVM clauses?

Note: The model language for the clause requires (in summary): 1) Contractors to use an EVM system that complies with the ANSI/EIA guiedline 748-A) The Government to require an Integrated Baseline Review where the contractor and Government jointly assess the planning to ensure complete coverage of the statement of work; logical scheduling of work activities; adequate resources; and appropriate methodologies for calculating earned value on a continuous basis. 3) Offerors to provide monthly earned value data.4) Offerors to provide explanations for all variances that exceed the thresholds of 10% and discussions of corrective actions. 5) Offerors to provide project reports that explain whether the performance goals will be achieved. 6) Changes to the contractor's EVM system require approval of the contracting officer prior to implementation. 7) Contractor shall permit access to all pertinent records and data.

b) The appropriate instructions, conditions and notices to bidders?

Note: The model language requires the following: 1)) Offerors shall submit a comprehensive plan for compliance with the EVM guidance that: a) describes the EVM system that the offeror intends to use in the performance of the contract; b) distinguishes between the Offerors existing management system and modifications proposed to meet the guidelines; c) provides a checklist that demonstrates how the proposed system complies with the 32 ANSI-EIA guidelines; d) describes the proposed procedure for administration of the guidelines, as applied to subcontracts; and e) provides documentation describing the process and results of any third party evaluation of the system's compliance with the EVM guidelines. 2) Offerors shall identify the major subcontractors, or major subcontracted efforts planned for application of the guidelines.

4. For all contracts that support IT projects with $1 million or more in development:

a) How many winning Offerors' management systems fully complied with the ANSI/EIA 748-A Standard?

b) How many winning Offerors' management systems were found to be not compliant with the ANSI/EIA 748-A Standard? Was a comprehensive plan submitted that described how the offeror would meet the EVMS standards?

c) How many winning Offerors' provided documentation describing the process and results of any third party evaluation of the system's compliance?

d) How many winning Offerors' management systems were reviewed by the government for compliance with the ANSI/EIA 748-A Standard (e.g., was a formal compliance review conducted)?

5. For all contracts that support IT projects with $1 million or more in development:

a) Was an Integrated Baseline Review conducted? Was the IBR conducted pre or post contract award? Was a change to the cost or schedule necessary as a result of the integrated baseline review?

b) Is the contractor providing EVM data on a monthly basis?

c) Has the contract experienced variances exceeding +/- 10 percent? If so, has the contractor provided explanations for the variances and corrective action reports?

B. All Bureaus – Competition

1. Review a sampling of contract files to determine whether non-competitive actions are properly justified and approved in accordance with FAR Part 6.3, and report the results. For example, analyze whether sufficient facts and rationale are included in justifications to support the use of the urgency exception. Is adequate market research being done prior to concluding that only a single source exists?

2. Review a sampling of contract files to determine whether non-competitive actions are synopsized in accordance with FAR 5.2 and whether solicitations are made available to interested Offerors (see FAR 5.102).

3. Describe actions taken by the Bureau to encourage competition and decrease barriers to competition.

4. Describe actions taken to challenge requirements that are not stated in terms of functions to be performed, performance required, or essential physical characteristics (see FAR 6.502(b)(1)(iii)).

C. <u>In Addition to the Above, Supplementary Reporting Requirements Specific To</u>:

Bureau of Indian Affairs

Provide an update on the status of the publication of Buy Indian Act regulations.

II. <u>Financial Assistance</u>

In addition to reviewing 25 percent of their financial assistance programs during the FY 2007 reporting cycle, bureaus shall conduct targeted reviews to provide overall responses to the following questions regarding their financial assistance programs:

1. Describe bureau efforts and results during the reporting period to encourage competition in the award of grants and cooperative agreements, as appropriate. How are you ensuring that the applicability and extent of competition is adequately considered, justified, and properly documented in the transaction file?

2. Review the files to ensure that the SF 424 Application for Federal Assistance is fully completed and documented, especially in cases where there are amendments to existing awards. Describe Bureau results of an inventory of the Catalog of Federal Domestic programs. For programs that are still in operation but have no funding for the current year, administrative oversight over recipient program activities and expenditures of funds is required to determine if the CFDA program listings should be maintained or deleted from the Crosswalk system. Provide a summary of the assessment and results achieved.

<u>III. Property Management</u>

All Bureaus

A. Report of Survey Action

Background: Interior Property Management Directive 114-60.8 provides guidance for Report of Survey actions and the performance of Boards of Survey for circumstances surrounding lost, stolen, damaged, or destroyed property. These investigations are made to relieve accountability or determine employee liability.

Questions/Targeted Review Report:

1. What was the total number of Reports of Survey actions for Government property during FY 2008?

    a. What is the total number for motor vehicle accidents?
    b. What is the total number for lost or damaged items?
    c. What is the total number for stolen items?

2. What was the total number of Boards of Survey decisions in which an employee was determined?

a. In gross negligence?
b. In simple negligence?
c. Not liable?

3. How many survey actions were appealed by employees?

4. How many survey actions were overturned at:

a. The bureau level?
b. By the Office of Hearings and Appeals (OHA)?
c. What were the reasons cited for overturning the Surveys?

5. How many appeals were upheld by OHA?

6. What is the total number of established Boards of Survey and/or Survey Officers in your bureau?

7. Describe the actions your bureau has taken to improve the protections and controls of Government property to reduce or eliminate loss, theft, or damage.

8. Describe the actions your bureau has taken to reduce motor vehicle accidents.

9. Of those employees that have ultimately been found financially liable:

a. How many have remitted payment?
b. How many liability payments have not been collected?
c. Of those not collected provide an explanation.

B. Museum Property Management

Background: Departmental requirements for managing museum property are described in Part 411 of the Departmental Manual (411 DM). 411 DM 1 provides policy guidance, 411 DM 2 identifies actions required, and 411 DM 3 identifies standards for managing museum property.

Questions/Targeted Review Report:

1. Are annual museum property inventories being conducted as required by 411 DM 3.4C? Provide a copy of the most recent certification to your bureau Property Management Officer. (see 411 DM 3.4C(5))

2. Describe losses of museum property discovered through annual inventories or other means during the past year.

3. Describe your current level of knowledge about the status of bureau collections in non-federal institutions.

4. Of the non-federal institutions referenced in question 3, with how many do you have formal agreements that define the responsibilities of both parties regarding the management of collections housed in the institutions?

5. Describe your plan for assessing the condition of facilities housing bureau museum collections (both bureau facilities and other facilities). Ensure that your plan is consistent with 411 DM 2.3, which requires that the interval between assessments at any single location must not exceed five years.

ATTACHMENT 2

FINANCIAL ASSISTANCE AGREEMENT REVIEW SHEET

Agreement No.:_____ Date of

Award:_____

Amount $ _____

Recipient:_____

Title/Description:_____

_____

_____

Specialist:_____

Actions/Contents	Required	In file	Comments
1. Assistance Agreement Request and Pre-validation of Funds, as appropriate			
2. SF-424 SF-424A/B (Non-Construction) SF-424C/D (Construction)			
3. Award Instrument Determination/Correct Legal Instrument - Contains mandatory information - Has been reviewed			
4. Authorities – Program/project Authorization and Appropriation. If mandatory, legislative/appropriations language/citation must be provided substantiating this classification.			
5. For discretionary programs, Grants.gov posting of opportunity & application package			
6. Documented extent of competition			

Actions/Contents	Required	In file	Comments
7. Business Evaluation/Budget Analysis - Funding authority/availability - Budget analysis (at a minimum, must review budget realism & Indirect Cost Rate) - Business management capability/systems			
8. Agreement (ensure that all authorities and responsibilities, deliverables, cost budgets, and time frames are clearly delineated)			
a. For cooperative agreements, includes substantial involvement description/information			
b. Includes Department's standard terms and conditions			
c. Includes special provisions, if applicable			
d. Is in prescribed format per 505 DM			
9. - Provide annual CFDA update			
10. Responsibility Determination - For <u>all</u> Recipients, Check the Excluded Parties List System - "High risk" category documentation, as applicable - Check for recipient audit submission compliance via Federal Audit Clearinghouse website (http://harvester.census.gov/sac)			
11. Lobbying Certification, as applicable			

Actions/Contents	Requi red	In file	Comments
12. Independent Reviews for competitive solicitations, awards, amendments, and termination and suspension notices			
13. Independent Reviews for non-competitive actions, as applicable			
14. Legal Review of solicitations, awards, and amendments, as applicable (Required if total anticipated amount of the entire award at completion will exceed $750,000)			
15. FAADS reporting			
16. Appointment of Grant/Cooperative Agreement Representative, as applicable			
17. Government-furnished Property – Annual inventory received			
18. Receipt of reports: - Financial Reports - SF-269 - SF-272 - Program Performance - Interim - Annual - Final - A-133 Audit			
19. CFDA Number used in lieu of Pseudo-Code			
20. Other (Specify)			

COMMENTS: