U.S. Department of the Interior
Office of Inspector General

EVALUATION REPORT

ACQUISITION OF SELECTED FURNITURE AT THE DIVISION OF ENGINEERING, U.S. FISH AND WILDLIFE SERVICE

REPORT NO. 99-I-907
SEPTEMBER 1999

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United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

SEP 30 19

EVALUATION REPORT

Memorandum

To: Director, U.S. Fish and Wildlife Service

From: Robert J. Williams
Assistant Inspector General for Audits

Subject: Evaluation Report on the Acquisition of Selected Furniture at the Division of Engineering, U.S. Fish and Wildlife Service (No. 99-I-907)

INTRODUCTION

This report presents the results of our limited evaluation of the acquisition of selected furniture at the Division of Engineering, U.S. Fish and Wildlife Service. The evaluation was initiated based on information we received that the Service had purchased furniture unnecessarily and contrary to Federal requirements. The objective of the evaluation was to determine whether the Division complied with applicable policy, procedures, and regulations in acquiring the selected furniture.

SCOPE OF EVALUATION

The evaluation was completed in February 1999 at the Division of Engineering in Lakewood, Colorado. As part of the evaluation, we conducted interviews with Division officials to obtain information concerning past and current acquisition functions and activities and reviewed the available procurement documentation regarding the selected furniture acquired by the Division.

The evaluation was conducted in accordance with the "Quality Standards for Inspections," issued by the President's Council on Integrity and Efficiency, and accordingly included such tests and evaluation procedures that were considered necessary to accomplish the objective. We also reviewed the Departmental Report on Accountability for fiscal year 1998, which includes information required by the Federal Managers' Financial Integrity Act of 1982, and the Service's annual assurance statement on management controls for fiscal year 1998 and determined that no material weaknesses were reported in these documents which directly related to the objective and scope of our evaluation. As part of our review, we evaluated the system of internal controls to the extent that they related to the objective and scope of the evaluation. The internal control weaknesses identified are discussed in the Results of

Evaluation section of this report. Our recommendation, if implemented, should improve controls designed to ensure that office furniture is purchased in accordance with Federal regulations.

PRIOR AUDIT COVERAGE

Neither the Office of Inspector General nor the General Accounting Office has issued any reports during the past 5 years concerning the acquisition of furniture at the Division of Engineering.

RESULTS OF EVALUATION

We determined that the Division of Engineering, U.S. Fish and Wildlife Service, did not fully comply with applicable Federal requirements in purchasing $220,204 of office furniture. The Code of Federal Regulations (41 CFR 101-25.104) requires each executive agency to determine whether the furniture requirements of the agency can be met through the use of "already owned" items before new furniture or office machines are acquired and to fully document the justification for the acquisition of new furniture in the agency's files. However, the Division did not include a written justification with the purchase orders or other acquisition documents for the purchase of the office furniture reviewed.

The Division of Engineering purchased the office furniture, including 51 workstations, 60 chairs, furniture installation and office layout, and design services, for $220,204. The Division Chief said that the decision to buy new furniture was based on the needs of the office which existed at the time of purchase. Specifically, the Chief stated that the replaced furniture was about 25 years old and that the new furniture was purchased for 50 staff members when the staffing level was more than 60 staff members. The Chief also stated that the new furniture would add "a professional appearance to the engineering office [since] the existing furniture was excessively old." Based on our review, we found that Federal regulations require a justification for the purchase of furniture, and the regulations also identify circumstances where furniture should not be purchased. Specifically, the Code of Federal Regulations (41 CFR 101-25.104) states:

> Each executive agency shall make a determination as to whether the requirements of the agency can be met through the utilization of already owned items prior to the acquisition of new furniture or office machines. The acquisition of new items shall be limited to those requirements which are considered absolutely essential and shall not include upgrading to improve appearance, office decor, or status, or to satisfy the desire for the latest design or more expensive lines. Generally acquisition of additional furniture or office machines from any source will be . . . limited to the least expensive lines which will meet the requirement . . . and the justification for the action shall be fully documented in the agency file . . . .

According to Division procurement officials and the Division Chief, written justifications were not available in the procurement files for the purchase of the office furniture because the contracting officer, at the time of the purchase, was not aware of the requirement to prepare a justification for furniture acquisitions. The Division Chief also stated that he was authorized to make the furniture purchases and that his decision was "reasonable considering the circumstances at the time." He further stated that his approval was verbally given to the contracting officer, who placed the order for the office furniture.

When we informed the Division Chief of the Code's requirement, the Chief stated that he was "sure" that there was a justification for the furniture purchase in the administrative files but that these files had been destroyed after a 2-year holding period in accordance with the National Archives and Records Administration's General Records Schedule 3. However, General Records Schedule 3 requires that "routine procurement files" (that is, contract; requisition; and purchase order, including correspondence and related papers pertaining to award, administration, receipt, inspection, and payment) maintained for transactions of more than $25,000 be held for 6 years and 3 months after the final payment. As such, since the office furniture totaled $220,204, any justification, including the determination that the requirement could not be met with already owned items, and the other procurement records prepared for the purchases should have been retained in the Division's files until fiscal year 2000.

Recommendation

We recommend that the Director, U.S. Fish and Wildlife Service, ensure that Service officials are aware of acquisition requirements which provide assurance that purchases of office furniture are fully documented by written justifications and that these justifications are retained for the appropriate time period.

U.S. Fish and Wildlife Service Response and Office of Inspector General Reply

In the September 2, 1999, response (Appendix 1) to our draft report from the Acting Director of the U.S. Fish and Wildlife Service, the Service concurred with the recommendation. Based on the response, we consider the recommendation resolved but not implemented. Accordingly, the recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

Additional Comments on Evaluation Report

In its response, the Service provided comments regarding the documentation requirements of the contracting officer. The Service referred to Subpart 8.1 of the Federal Acquisition Regulation. Specifically, Subpart 8.102, "Policy," states:

> When it is practicable to do so, agencies shall use excess personal property as the first source of supply in fulfilling their requirements and those of their

> cost-reimbursement contractors. Accordingly, agencies shall ensure that all personnel make positive efforts to satisfy agency requirements by obtaining and using excess personal property (including that suitable for adaptation or substitution) before initiating contracting action.

The Service stated that the Federal Acquisition Regulation "is the primary source of regulation and guidance for all Government contracting officers" and that Subpart 8.102 "does not contain a requirement for any specific file documentation." The response further stated, "Although this [the Federal Acquisition Regulation] differs somewhat from the regulation at 41 CFR 101, such differences are not unusual in Federal acquisition practice."

The Federal Property Management Regulations contained in the Code of Federal Regulations (41 CFR 101-25.104) require that, prior to an acquisition of new furniture, the agency "make a determination as to whether the requirements of the agency can be met through the utilization of already owned items." The Code further states that if the requirement cannot be met, the justification for the acquisition action "shall be fully documented in the agency file." However, the Code does not specify either the procurement or the property file. We suggest that the Service document the determination in the procurement file, since Subpart 8.102 of the Federal Acquisition Regulation does state that agencies "shall ensure that all personnel make positive efforts to satisfy agency requirements by obtaining and using excess personal property" before initiating contracting actions. However, we believe that the Service's proposed corrective action to "follow all applicable requirements prescribed by the FAR [Federal Acquisition Regulation] and the Code of Federal Regulations" should resolve any ambiguities that exist between the Federal requirements.

Since the report's recommendation is considered resolved, no further response to the Office of Inspector General is required (see Appendix 2).

Section 5(a) of the Inspector General Act (Public Law 95-452, as amended) requires the Office of Inspector General to list this report in its semiannual report to the Congress.

We appreciate the assistance of Service personnel in the conduct of our evaluation.

United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240

In Reply Refer To:
FWS/DEN

Memorandum

To: Assistant Inspector General for Audits

From: Acting Director SEP 2 1999

Subject: Draft ~~Evaluation~~ Report on Acquisition of Selected Furniture at the Division of Engineering, U.S. Fish and Wildlife Service, Denver, Colorado (Assignment No. I-IN-FWS-006-98-D)

Thank you for the opportunity to respond to the subject draft report. The following comments are submitted in response to the *Results of Evaluation* and *Recommendation* sections.

Results of Evaluation: Stocks of excess Government property seldom have the types and quality of office furniture that would be acceptable to most requisitioners. This is especially true when the quantity ordered is quite large, as in the subject case, and the desire is to have a harmonious, professional appearance. Federal Acquisition Regulation (FAR) Subpart 8.102 provides the following policy:

> When it is practicable to do so, agencies shall use excess personal property as the first source of supply in fulfilling their requirements and those of their cost-reimbursement contractors. Accordingly, agencies shall ensure that all personnel make positive efforts to satisfy agency requirements by obtaining and using excess personal property (including that suitable for adaptation or substitution) before initiating contracting action.

The FAR is the primary source of regulation and guidance for all Government contracting officers. FAR 8.102 does not contain a requirement for any specific file documentation. Neither does it require any written justification for purchasing new furniture or office equipment. Although this differs somewhat from the regulation at 41 CFR 101, such differences are not unusual in Federal acquisition practice. For example, contracting officers are required by law to make awards only to responsible contractors. This requirement is deemed to be satisfied by the contracting officer's signature on the contract and no other file documentation of the decision is required. The writers of the FAR may have believed that a similar policy would suffice with respect to the purchase of office furniture.

Recommendation: Notwithstanding the comments above, the Chief, Division of Contracting and General Services (CGS) Washington Office, as the implementing official, will prepare a policy memorandum for the Director's signature to remind the Service Directorate, and specifically all Regional CGS Divisions, of the requirement to always check first for suitable excess property. This action will be taken within 90 days of the issuance of the final report. Additionally, the documentation of this action will follow all applicable requirements prescribed by the FAR and the Code of Federal Regulations.

Any questions regarding this matter may be referred to Paul Camp, Chief, Division of Engineering at (303) 987-6800, or Shane Compton, Chief, Branch of Procurement and Property Management at (703) 358-1899.

STATUS OF EVALUATION REPORT RECOMMENDATION

Finding/Recommendation Reference	Status	Action Required
1	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

ILLEGAL OR WASTEFUL ACTIVITIES SHOULD BE REPORTED TO THE OFFICE OF INSPECTOR GENERAL

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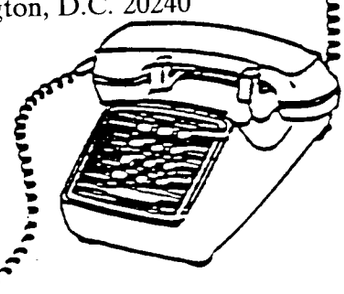

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