



Office of Inspector General
U.S. Small Business Administration

Memorandum

To: Darryl K. Hairston
Associate Administrator
Office of Management and Administration
/s/ Original Signed

Date: April 15, 2010

From: Debra S. Ritt
Assistant Inspector General for Auditing

Subject: Memorandum on the Accuracy of Recovery Act Contract Award Obligations Reported to the Federal Procurement Database System – Next Generation and Recovery.gov ROM-10-14

This memorandum addresses concerns about the accuracy of Recovery Act contract award obligations reported to Recovery.gov by the Office of Business Operations (OBO). As part of the Office of the Inspector General's oversight responsibilities under the American Recovery and Reinvestment Act of 2009 (Recovery Act), we continue to monitor the accuracy of information reported by the Small Business Administration (SBA) to Recovery.gov. During our audits of Recovery Act contracts, we identified discrepancies between the contract award data that the Agency has reported to Recovery.gov and the Federal Procurement Database System – Next Generation (FPDS-NG). Appendices I and II include complete lists of contract actions reported to Recovery.gov and FPDS-NG, respectively.

Section 1554 of the Recovery Act states, "to the maximum extent possible, contracts funded under this Act shall be awarded as fixed price contracts through the use of competitive procedures." Each agency reports to Recovery.gov contract awards that are not competed and are not fixed price. These contract awards can be viewed on Recovery.gov, which provides transparency to taxpayers of the expenditure of Recovery Act funds. Each agency is responsible for reviewing all information that will appear on Recovery.gov before posting. Therefore, SBA must ensure complete and accurate reporting of Recovery Act funding to Recovery.gov.

During our review of Agency reported data downloaded from Recovery.gov on March 19, 2010, we determined that the Agency did not report all non-competitive

contract actions. We extracted all contracts from Recovery.gov that were non-competitive, non-fixed price, or both and compared these contract actions to those reported in a March 19, 2010 download of FPDS-NG. We determined that the Agency inaccurately reported eight Recovery Act contract actions. Six of the eight contract actions reported to FPDS-NG as “not competed under SAP [Simplified Acquisition Procedures]” were not listed on Recovery.gov. In addition, five of the eight contract actions in FPDS-NG did not designate whether the contracts were awarded as firm-fixed price. Further, three of the eight contract actions in FPDS-NG were shown as not competed under SAP and did not designate the contract type. Without the appropriate contract type designation, we could not determine whether these contracts should have been reported to Recovery.gov as contracts awarded as other than firm-fixed price. In total, eight contract actions valued at nearly \$1.83 million in obligations were not reported to Recovery.gov as shown in Table 1 below.

Table 1. Recovery Act Contracts Reported to FPDS-NG Not Reported on Recovery.gov

| Contract Number | Contractor | Competition Code | Contract Type | Contract Value |
|----------------------------|------------------------------------|------------------------------|----------------------|-----------------------|
| SBA0001 SBAHQ-09-D-0003 | DRT Strategies, Inc. | Not Competed Under SAP | Firm-Fixed Price | \$1,287,701 |
| SBA0004 SBAHQ-09-D-0003 | DRT Strategies, Inc. | Not Competed Under SAP | Firm-Fixed Price | \$256,000 |
| SBA0002 SBAHQ-09-A-0022 | Digital Management Inc. | Full and Open Competition | No Entry | \$99,000 |
| SBA0004 SBAHQ-10-A-0001 | Isika Technologies Inc. | Competed Under SAP | No Entry | \$81,870 |
| SBA0002 SBAHQ-10-A-0001 | Isika Technologies Inc. | Not Competed Under SAP | No Entry | \$52,532 |
| SBA0003 SBAHQ-10-A-0001 | Isika Technologies Inc. | Not Competed Under SAP | No Entry | \$31,030 |
| SBA0001 SBAHQ-10-A-0001 | Isika Technologies Inc. | Not Competed Under SAP | No Entry | \$10,820 |
| SBAHQ-10-M-0116 | Eastern Maine Development Corp. | Not Competed Under SAP | Firm-Fixed Price | \$7,500 |

Additionally, two of the eight contract actions were inappropriately categorized by the Agency in FPDS-NG because the contract values exceeded the simplified acquisition threshold. According to the data dictionary describing contract characteristics in FPDS-NG, the “not competed under SAP” denotes a contract award that is below the simplified acquisition threshold of \$100,000 established in the Federal Acquisition Regulations (FAR) 13.003(b)(1). However, contract number SBAHQ-09-D-0003, SBA0001 awarded to DRT Strategies for

\$1,287,701, and contract number SBAHQ-09-D-0003, SBA0004 also awarded to DRT Strategies for \$256,000, were incorrectly classified because they exceeded the simplified acquisition threshold.

SBA also awarded delivery order number SBAHQ-10-F-0032 on behalf of the Office of the Inspector General for loan examination services that was inaccurately characterized in FPDS-NG as a “non-competitive delivery order.” The Agency awarded this delivery order under the General Services Administration Federal Supply Schedule. FAR 8.405, *Ordering Requirements for Federal Supply Schedules* requires the contracting officer to solicit three contractors that can satisfy the delivery order requirements. In making the award, the contracting officer solicited four vendors to fulfill this requirement. As a result, this delivery order should have been categorized as a competitive delivery order in FPDS-NG because it met the competition requirements established in FAR 8.405.

RECOMMENDATIONS

We recommend that the Associate Administrator for the Office of Management and Administration:

1. Reconcile Recovery Act contract awards reported to FPDS-NG, and Recovery.gov and report to Recovery.gov all non-competitive contract awards previously not reported to Recovery.gov, including the eight contract actions identified by the Office of Inspector General.
2. Review FPDS-NG and designate the appropriate contract type for the five Recovery Act contracts identified and report to Recovery.gov any Recovery Act contracts that were not awarded on a firm-fixed price basis.
3. Correct the competition characteristic recorded in FPDS-NG for contract number SBAHQ-10-F-0032 to show that the contract was a “competitive delivery order.”

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

On March 24, 2010, we provided a draft of the report to SBA’s Office of Management and Administration for comment. On April 12, 2010, the Associate Administrator for the Office of Management and Administration provided written comments, which are contained in their entirety in Appendix III.

The Associate Administrator agreed with all of the recommendations and stated SBA is committed to ensuring the accuracy of Recovery Act contract award data reported to FPDS-NG and Recovery.gov.

The Associate Administrator's comments were responsive to the recommendation.

ACTIONS REQUIRED

Please provide your management decision for each recommendation on the attached SBA Form(s) 1824, *Recommendation Action Sheet*, within 30 days from the date of this memorandum. Your decision should identify the specific action(s) taken or planned for each recommendation and the target date(s) for completion.

We appreciate the courtesies and cooperation of the Small Business Administration during this audit. If you have any questions concerning this report, please call me at (202) 205-[FOIA ex. 2] or Riccardo R. Buglisi, Director, Business Development Programs Group at (202) 205-[FOIA ex. 2]

APPENDIX I.**Agency Reported Contract Awards to Recovery.gov as of March 19, 2010**

| Contract Number | Contractor | Extent Completed | Contract Type | Award Amount |
|----------------------------|---|--------------------------------|----------------------|---------------------|
| SBAHQ-09-C-0032 | Copper River Information Technology, LLC, | Not available for competition | Firm-fixed price | \$1,827,567 |
| SBAHQ-09-C-0038 | Acuity, Inc. | Not available for competition | Firm-fixed price | \$843,027 |
| SBAHQ-10-F-0032 | RER Financial Group, LLC | Non-competitive delivery order | Firm-fixed price | \$538,401 |
| SBAHQ-08-C-0019 | KPMG LLP | Non-competitive delivery order | Firm-fixed price | \$518,933 |
| SBAHQ-09-C-0040 | Kauffman & Associates, Inc. | Not available for competition | Firm-fixed price | \$491,457 |
| SBAHQ-06-F-0368 | Government Acquisitions Incorporated | Non-competitive delivery order | Firm-fixed price | \$245,390 |
| SBA0001 SBAHQ-09-D-0001 | Panum Telecom LLC | Not available for competition | Firm-fixed price | \$123,696 |
| SBAHQ-09-M-0313 | Aspen Institute, Inc., The | Not competed | Firm-fixed price | \$84,556 |
| SBAHQ-05-D-0009 | TKC Integration Services, LLC | Not competed | Firm-fixed price | \$73,575 |
| SBAHQ-10-M-0059 | Federated IT, Inc. | Not available for competition | Firm-fixed price | \$71,122 |
| SBAHQ-08-M-0350 | Innotation Enterprises Inc | Not available for competition | Firm-fixed price | \$35,976 |
| SBAHQ-10-M-0105 | Mulhearn Wilson Constructors, Inc. | Not competed | Firm-fixed price | \$9,675 |
| SBAHQ-10-M-0104 | Gary Houston Electric Company, Inc. | Not competed | Firm-fixed price | \$5,260 |
| SBAHQ-10-M-0096 | Roy Emerzian Vintage Electric, Inc. | Not competed | Firm-fixed price | \$3,355 |
| SBAHQ-09-C-0032 | Copper River Information Technology, LLC, | Not available for competition | Firm-fixed price | \$0 |

APPENDIX II.**Recovery Act Contracts Reported to FPDS-NG as of March 19, 2010**

| Contract Number | Vendor Name | Extent Competed | Type Of Contract | Action Obligation |
|----------------------------|---|--------------------------------|-------------------------|--------------------------|
| SBAHQ09C0032 | Copper River Information Technology, LLC, | Not available for competition | Firm-fixed price | \$1,827,567 |
| SBA0001 SBAHQ-09-D-0003 | DRT Strategies, Inc. | Not competed under sap | Firm-fixed price | \$1,287,701 |
| SBAHQ09C0038 | Acuity, Inc. | Not available for competition | Firm-fixed price | \$843,028 |
| SBAHQ10F0032 GS23F0049J | RER Financial Group, LLC | Non-competitive delivery order | Firm-fixed price | \$538,401 |
| SBAHQ08C0019 GS23F8127H | KPMG LLP | Non-competitive delivery order | Firm-fixed price | \$518,933 |
| SBAHQ09C0040 | Kauffman & Associates, Inc. | Not available for competition | Firm-fixed price | \$491,457 |
| SBA0004 SBAHQ-09-D-0003 | DRT Strategies, Inc. | Not competed under sap | Firm-fixed price | \$256,000 |
| SBAHQ06F0368 GS35F0779J | Government Acquisitions Inc | Non-competitive delivery order | Firm-fixed price | \$245,391 |
| SBA0001 SBAHQ-09-D-0001 | Panum Telecom LLC | Not available for competition | Firm-fixed price | \$123,696 |
| SBA0002 SBAHQ-09-A-0022 | Digital Management Inc | Full and open competition | | \$99,000 |
| SBAHQ10M0048 | Credit Builders Alliance, Inc. | Competed under sap | Firm-fixed price | \$87,760 |
| SBAHQ09M0313 | Aspen Institute, Inc., The | Not competed | Firm-fixed price | \$84,556 |
| SBA0004 SBAHQ-10-A-0001 | Isika Technologies Inc | Competed under sap | | \$81,870 |
| SBAHQ05D0009 | TKC Integration Services, LLC | Not competed | Firm-fixed price | \$73,575 |
| SBAHQ08C0025 | Colson Service Corp | Full and open competition | Firm-fixed price | \$71,750 |
| SBAHQ10M0059 | Federated IT, Inc. | Not available for competition | Firm-fixed price | \$71,122 |
| SBAHQ09F0136 GS35F0553P | Four Points Technology, LLC | Competitive delivery order | Firm-fixed price | \$53,619 |

Recovery Act Contracts Reported to FPDS-NG as of March 19, 2010 (continued)

| Contract Number | Vendor Name | Extent Competed | Type Of Contract | Action Obligation |
|----------------------------|--|--|-------------------------|--------------------------|
| SBA0002 SBAHQ-10-A-0001 | Isika Technologies Inc | Not competed under sap | | \$52,532 |
| SBAHQ09F0160 GS23F0041S | North American Precise Syndicate Incorporated | Competitive delivery order | Firm-fixed price | \$48,000 |
| SBAHQ08M0350 | Innotion Enterprises Inc | Not available for competition | Firm-fixed price | \$35,976 |
| SBA0003 SBAHQ-10-A-0001 | Isika Technologies Inc | Not competed under sap | | \$31,030 |
| SBAHQ10F0087 GS10F0477P | E F Kearney Limited | Full and open competition | Firm-fixed price | \$29,431 |
| SBA0001 SBAHQ-10-A-0001 | Isika Technologies Inc | Not competed under sap | | \$10,820 |
| SBAHQ09CC0003 | TKC Integration Services, LLC | Full and open competition after exclusion of sources | Firm-fixed price | \$9,672 |
| SBAHQ09M0178 | Audio Visual Integrators LLC | Competed under sap | Firm-fixed price | \$7,984 |
| SBAHQ10M0116 | Eastern Maine Development Corporation | Not competed under sap | Firm-fixed price | \$7,500 |
| SBAHQ10M0104 | Gary Houston Electric Company, Inc. | Not competed | Firm-fixed price | \$5,260 |
| SBAHQ09CC0026 | Edwards & Hill Communications, LLC | Full and open competition after exclusion of sources | Firm-fixed price | \$5,184 |
| SBAHQ10M0096 | Roy Emerzian Vintage Electric, Inc. | Not competed | Firm-fixed price | \$3,355 |
| SBAHQ09C0032 | Copper River Information Technology, LLC | Not available for competition | Firm-fixed price | \$0 |
| SBAHQ09D0003 | DRT Strategies, Inc. | Not competed under sap | Firm-fixed price | \$0 |
| SBAHQ10A0001 | Isika Technologies Inc | Competed under sap | Firm-fixed price | \$0 |

APPENDIX III. MANAGEMENT COMMENTS

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

DATE: April 12, 2010

TO: Debra S. Ritt
Assistant Inspector General for Auditing

FROM: Darryl K. Hairston
Associate Administrator
Office of Management and Administration

SUBJECT: Draft Memorandum on the Accuracy of Recovery Act Contract
Award Obligations Reported to the Federal Procurement Database
System – Next Generation and Recovery.Gov

Thank you for providing the opportunity to comment on this draft report.

The Small Business Administration is committed to ensuring the accuracy of Recovery Act contract award data reported to the Federal Procurement Data System (FPDS) and Recovery.gov. We appreciate your input and recommendations on the issues provided in your report.

We agree with the recommendations set forth in your Draft Memorandum and will take the necessary steps to address each.

Thank you again for your review.