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United States Department of State  
and the Broadcasting Board of Governors  
Office of Inspector General

## **Office of Audits**

# Review of Policies and Procedures for Implementing the American Recovery and Reinvestment Act of 2009 at the Department of State

Report Number AUD/PP-10-07, October 2009

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**United States Department of State  
and the Broadcasting Board of Governors**

*Office of Inspector General*

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

It is my hope that this report will result in more effective, efficient, and/or economical operations. I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H. W. Geisel".

Harold W. Geisel  
Acting Inspector General

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## EXECUTIVE SUMMARY

The American Recovery and Reinvestment Act of 2009 (ARRA) included \$600 million in funding for infrastructure improvements at the Department of State (the Department) and established new reporting requirements related to the awarding and use of Recovery Act funds to promote transparency and accountability. ARRA also included mandates for the Office of Inspector General (OIG) to provide oversight and audits of programs, grants, and activities funded by the Act.

This status report is the first of several reports anticipated by the OIG on the use of Recovery Act funds by the Department. Based on information provided by responsible Department officials, OIG found that the Department has made satisfactory progress in applying ARRA requirements and guidance from the Office of Management and Budget (OMB) for reporting and monitoring the use of ARRA funds. Specifically, the Department has developed policies, procedures, and plans for reviewing quarterly Recovery Act data, ensuring that quarterly reports are filed by funds recipients, and conducting required reviews of those reports. Furthermore, policies, procedures, and plans are in place to avoid key data problems; remediate systemic reporting problems; and use the reported data to help assess compliance by recipients of Recovery Act funds with the terms and conditions of contract award agreements.

Additionally, this report includes, as Appendix B, the draft report *International Boundary and Water Commission [IBWC], United States and Mexico, United States Section—Report on Controls Placed in Operation for Compliance With the Requirements of the American Recovery and Reinvestment Act of 2009*. The independent public accountant performed the audit to assess controls for Recovery Act compliance requirements by the IBWC. In its report, the independent public accountant found that controls in place as of September 30, 2009, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that IBWC has adequate processes and systems in place to track and report Recovery Act funds and that IBWC's Recovery Act reports are accurate and complete.

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## BACKGROUND

On February 17, 2009, President Barack Obama signed into effect the American Recovery and Reinvestment Act of 2009, which provided \$787 billion for Tax Relief (\$288 billion), State and Local Fiscal Relief (\$144 billion), Federal Social Programs (\$244 billion), and Infrastructure (\$111 billion).

Section 1512 of the Recovery Act requires that not later than 10 days after the end of each calendar quarter, each recipient that received Recovery Act funds from a Federal agency submit a report to that agency to include the following: (1) the amounts spent on projects or activities; (2) a list of projects or activities funded by name, including a description and completion status; (3) estimates of the number of jobs created and retained by those projects or activities; and (4) details on sub-awards and other payments.

On June 22, 2009, OMB issued, to heads of departments and agencies, OMB-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*. This guidance was to provide Federal agencies and funding recipients with information to effectively implement section 1512 reporting requirements. The guidance requires prime recipients<sup>1</sup> to enter their data to the on-line Web portal<sup>2</sup> for collecting all Recovery Act recipient reports beginning on October 10, 2009.

The Department seeks to use ARRA funds to create and save jobs, repair and modernize domestic infrastructure crucial to the safety of American citizens, enhance energy independence and reduce global warming by “greening” its facilities, and expand consular services offered to American taxpayers. From the infrastructure portion, the Department is overseeing \$600 million of investment for seven projects and a funds transfer to the U.S. Agency for International Development (USAID), as shown in Table 1.

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<sup>1</sup>Prime recipients are non-Federal entities that receive Recovery Act funding as Federal awards in the form of grants, loans, or cooperative agreements directly from the Federal Government.

<sup>2</sup>The on-line Web portal is [www.FederalReporting.gov](http://www.FederalReporting.gov).

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**Table 1. Activity and ARRA Funds**

Program/Activity	Amount (In Thousands)
<b>Diplomatic and Consular Programs</b>	<b>\$ 90,000</b>
Hard Skills Training Center	70,000
Passport Facilities	15,000
National Foreign Affairs Training Center	5,000
<b>Capital Investment Fund</b>	<b>290,000</b>
Data Center	\$120,000
IT Platform	\$ 33,500
Cyber Security	\$ 98,500
Transfer to USAID	\$ 38,000
<b>IBWC Construction</b>	<b>\$220,000</b>
<b>Total</b>	<b>\$600,000</b>

Source: OIG.

**Diplomatic and Consular Programs** – The Hard Skills Training Center (\$70 million) will be built within 150 miles of Washington, D.C., and will provide a centralized location to support all security-related training that is currently conducted at 15 locations throughout the United States. The Passport Facilities (\$15 million) will fund five new start-up sites and the renovation and expansion of two existing sites. The National Foreign Affairs Training Center (\$5 million) will expand existing training capacity to ensure personnel assigned overseas have the necessary language training and information technology training. Projects include upgrading facility and grounds, updating orientation signage for the 72-acre campus, and upgrading infrastructure wiring and public address systems.

**Data Center** – The Data Center program (\$120 million) will build an enterprise data center in the western United States and consolidate all domestic servers into four enterprise data centers. The program will provide a highly available, scalable, and redundant data center infrastructure that will substantially reduce the Department’s risk and provide for future information technology (IT) growth. The new data center to be built is the Enterprise Server Operations Center - West. It will be established on the western power grid. The facility will be built in conjunction with the General Services Administration but will be owned by the Department. The three other facilities are the Enterprise Server Operations Center - East, which is a

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new data center recently established in a commercial collocation facility; the Beltsville, Maryland, Enterprise Server Operations Center, which will host all development systems; and the Old War Data Center at the Harry S Truman building in Washington, D.C., which will host other secure systems.

**IT Platform** – The funds allotted are programmed for new telephone systems (\$10 million), new computers and support (\$11.8 million and \$1.2 million), and mobile communications for emergency situations (\$10.5 million).

**Cyber Security** – The funds allotted are for smaller projects to guard against and track cyber attacks (\$62.2 million), improve hardware security and testing (\$6 million), safeguard U.S. citizens' cyber security (\$25.4 million), and expand cyber education (\$4.9 million). These projects include deploying new computer security systems, using "Smart" ID Cards by all employees to access systems, and providing the next generation of secure phones.

**Transfer to USAID** – The Department will transfer \$38 million to USAID to manage IT security and upgrades that will support overseas mission-critical operations. The Department collaborated with USAID and determined that the funding should be dedicated to the Global Acquisition and Assistance System project currently managed and planned by USAID.

**IBWC** – This project, totaling \$220 million, will evaluate and repair portions of the flood control systems for 495 miles of the upper and lower Rio Grande River, protecting about 3 million U.S. citizens in New Mexico and Texas. The project consists of \$213 million for the construction and repair of levees, \$6 million to rehabilitate contaminated soil and groundwater, and \$1 million for other related projects.

## ARRA Reporting Requirements and OIG Oversight Responsibilities

The Recovery Act established new reporting requirements related to the awarding and use of funds to promote transparency, which will help drive accountability for the timely, prudent, and effective spending of Recovery Act dollars. Challenges associated with the new reporting requirements include developing the systems and infrastructure for collecting and reporting the required information, educating recipients about the reporting requirements, assessing the quality of the reported information, and using the collected information effectively to monitor and oversee Recovery Act programs and performance. Laws, regulations, and criteria relevant to Recovery Act reporting and monitoring requirements are listed in Appendix A.

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Along with the provisions for the Department, the Recovery Act mandates that OIGs provide oversight and audits of programs, grants, and activities funded by the Recovery Act. Although the Department will not be making any grants from its ARRA funds, OIG has embarked on a program of oversight related to Recovery Act funding of Department programs and activities to minimize the risks of inefficient or improper actions that could put taxpayers' money at risk.

## OBJECTIVE, SCOPE, AND METHODOLOGY

The overall objective of OIG's review of Department oversight of ARRA funds is to ensure that policies and procedures are developed to provide the following:

- timely and effective implementation of ARRA projects and activities in compliance with ARRA requirements;
- timely and accurate reporting on the use of Recovery Act funds and the progress of ARRA-funded projects and activities;
- the establishment of proper internal control procedures to mitigate instances of fraud, waste, error, and abuse; and
- confirmation that contractors and other fund recipients meet eligibility requirements and comply with award requirements.

The scope of this status report, which OIG anticipates will be one of several reports related to oversight of Recovery Act funds, was limited to information provided by Department officials or obtained on the Department's Web site. OIG did not provide a draft of the report to the Department, but officials were briefed on the report's content. Work for the review was performed in October 2009 and, because of time constraints and the review's limited scope, did not follow *Government Auditing Standards*, as established by the Comptroller General of the United States.

OMB guidance also requires that 22 to 29 days after each quarter (for example, October 22-29, 2009), Federal agencies perform a limited data quality review of the submitted information and notify recipients of two key data problems: Material omissions and significant reporting errors. No later than 30 days after the end of the quarter (for example, October 30, 2009), the detailed recipient report will be made available to the public on a Web site.<sup>3</sup>

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<sup>3</sup> The Recovery Act Web site is [www.recovery.gov](http://www.recovery.gov).

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Additionally, this status report provides the results of the audit performed by OIG's independent public accountant that assessed controls for Recovery Act compliance requirements by the International Boundary and Water Commission, United States and Mexico, United States Section (see Appendix B). The independent public accountant performed a limited data quality review of information submitted by IBWC.<sup>4</sup>

OIG requested information from Department officials and performed limited testing to determine whether they had developed policies, procedures, and plans for reviewing quarterly Recovery Act data; ensuring that quarterly reports are filed by funds recipients; and conducting required reviews of those reports. OIG also requested information from Department officials to determine whether they had developed policies and procedures to avoid two key data problems, material omissions and significant reporting errors, or had developed plans or processes to remediate systemic reporting problems. Finally, OIG asked Department officials if they anticipated that they will be able to use the reported information as a tool to assess compliance with the terms and conditions of contract award agreements, assess the risk of contract awards, and determine when to release remaining funds for such contract awards.

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<sup>4</sup> Because only a limited amount of ARRA funds were obligated and reported, other than IBWC, OIG did not perform a data quality review.

## RESULTS OF REVIEW

The Department has developed policies, procedures, and plans for reviewing quarterly Recovery Act data, ensuring that reports are filed by funds recipients and has ensured that the required reviews are conducted. Additionally, officials noted that they had developed policies and procedures and plans to avoid data quality and reporting problems and assess fund recipients' compliance with contract terms and conditions. OIG believes that these actions represent satisfactory progress in applying ARRA requirements and guidance from the Office of Management and Budget (OMB) for reporting and monitoring the use of Recovery Act funds.

### Reviewing Quarterly Recovery Act Data and Ensuring Reports Are Filed

The Department has three offices with contracting authority responsible for projects funded through the Recovery Act: the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM); the Foreign Service Institute (FSI); and IBWC. Each office is aware of and is working internally to develop appropriate policies and procedures for reviewing reported data.

A/LM/AQM developed guidance on Recovery Act implementation that was last updated on October 1, 2009. This guidance includes a reporting review requirement for contracting officers (CO). If issues arise or additional instructions are received as Recovery Act contract administration progresses, A/LM/AQM officials said that this guidance would be updated.

A/LM/AQM has assigned specific COs to each Recovery Act transaction. Each CO responsible for specific transactions will review the reports submitted by recipients on [www.federalreporting.gov](http://www.federalreporting.gov) and will note any discrepancies between contractor and Department information. If it is determined that another individual will review the submissions, each CO will still be responsible for ensuring that the review is completed and that any discrepancies are noted.

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FSI has assigned responsibility for the tracking of all stimulus funds and review of Recovery Act transactions to the Director of Acquisitions. This individual will review the reports submitted by recipients on [www.federalreporting.gov](http://www.federalreporting.gov). Any discrepancies will be noted, and the contractor will be promptly notified so that any discrepancies can be corrected.

The IBWC has developed standard operating procedures for implementation by COs consistent with ARRA and Department guidance. COs are required to verify that specific information has been reported by recipients, which requires COs to validate all data posted by IBWC recipients on [www.federalreporting.gov](http://www.federalreporting.gov) and compare the data with contracting information. The review and validation process is to be documented in the checklist provided in the SOP by each CO for each recipient. Discrepancies are to be reported in a timely manner in accordance with ARRA guidance and the IBWC SOP to ensure that recipients take proper and timely actions to correct posted data.

### Ensuring Required Reviews Are Conducted

A Department official noted that A/LM/AQM will survey all COs via e-mail one week after the review period begins. Each CO will return a survey noting the reviews conducted or not conducted. A follow-up survey will be sent for reviews identified as not-yet-conducted one week later to ensure that all required reviews have been completed.

The Director of Acquisition at FSI will review all Recovery Act transactions and submissions on a weekly basis. The Director of Acquisitions maintains a detailed spreadsheet showing commitments, obligations, and outlays pertaining to all contracts associated with FSI transactions.

The IBWC administrators for Recovery Act funds will continue to review all ARRA activity, performing specific reviews of the COs' recipient reporting checklists to ensure that all recipient reporting reviews are conducted as required.

Given the relatively small volume of required data reviews, A/LM/AQM will perform full reviews only of reported data. Because of the small number of contracts at FSI, the Director of Acquisitions will perform 100 percent reviews at least once a week. Additionally, the IBWC will validate all recipient reporting data as specified in the ARRA guidance.

## Avoiding Data Quality/Reporting Problems and Assessing Contract Compliance

On October 6, 2009, A/LM/AQM staff provided specific instructions to contracting personnel that their responsibility was to validate that a report was submitted by a recipient and to look for material omissions and significant reporting errors. If any omissions or significant errors were noted, the CO was to include questions in the comments section for recipient (vendor) response.

All staff were provided copies of the September 29, 2009, OMB Office of Federal Procurement Policy Memorandum, *Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance with FAR Clause 51.204-11*. Staff also were given a slide presentation by A/LM using Recovery Board screen shots and guidance. All A/LM/AQM managers were provided copies of all the material. A/LM officials said that a follow-up briefing would be conducted with contracting personnel who were unable to attend the briefing.

The Director of Acquisitions at FSI maintains a detailed document containing all information that each contractor should be reporting that will be used to check the contractor's submissions, thereby allowing the immediate identification of any discrepancies.

The IBWC has sent its acquisition staff all recipient reporting ARRA guidance and memorandums issued to date. In particular, June 22, 2009, OMB M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, and all subsequent guidance on recipient reporting. In addition, an SOP was developed and issued to all COs working on the ARRA project.

The Department will be able to determine the usefulness of the reported data for additional assessments after the first quarterly reporting and review has been completed. Officials anticipate that reported data will assist with assessment of compliance with terms and conditions of contract award agreements, but not with risk or funding matters. In addition, according to a Department official, systemic reporting problems are not anticipated. However, if any reporting problems arise, they will be handled as a contract performance matter.

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## APPENDIX A

### LAWS, REGULATIONS, AND RELEVANT CRITERIA

The Office of Inspector General used the laws, regulations, and criteria applicable to the review of the policies and procedures for implementation of the American Recovery and Reinvestment Act of 2009 as follows:

American Recovery and Reinvestment Act of 2009 (Recovery Act), Public Law 111-5, February 17, 2009.

- The Administration created a Web site, [www.recovery.gov](http://www.recovery.gov) to provide information to the public on the planning and implementation of ARRA.
- Office of Management and Budget (OMB) Circular A-133 Compliance Supplement.
- OMB Memorandum, *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009* (M-09-10), February 18, 2009.
- OMB Bulletin No. 09-02, *Budget Execution of the American Recovery and Reinvestment Act of 2009 Appropriations*, February 25, 2009.
- OMB Memorandum, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009* (M-09-15), April 3, 2009.
- OMB Memorandum, *Guidance on Data Submission under the Federal Funding Accountability and Transparency Act* (M-09-19), June 1, 2009.
- OMB Memorandum, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* (M-09-21), June 22, 2009.
- OMB, Office of Federal Procurement Policy Memorandum, *Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance with FAR Clause 51.204-11*, September 29, 2009.

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APPENDIX B

**International Boundary and Water Commission,  
United States and Mexico, United States Section**

**Report on Controls Placed in Operation  
for Compliance With the Requirements of  
the American Recovery and Reinvestment Act of 2009**

Leonard G. Birnbaum and Company, LLP  
Certified Public Accountants  
6265 Franconia Road  
Alexandria, Virginia 22310

## **Independent Accountant's Report**

At the request of the Office of Inspector General (OIG), U.S. Department of State, we evaluated the controls placed into operation by the International Boundary and Water Commission, United States and Mexico, U.S. Section (IBWC). We evaluated the controls for compliance with the requirements of the American Recovery and Reinvestment Act of 2009 (ARRA) for tracking and reporting Recovery Act funds as established by the April 3, 2009, Office of Management and Budget (OMB) Memorandum M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*.

We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain a reasonable basis for our findings and conclusions based on our audit objectives. Our audit included tests of specific controls to obtain evidence about their effectiveness. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the controls in place as of September 30, 2009, as discussed in this report, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that IBWC had adequate processes and systems in place to track and report Recovery Act funds and that IBWC's Recovery Act reports were accurate and complete.

### **Background**

On February 17, 2009, President Barack Obama signed the Recovery Act into effect, providing \$787 billion for Tax Relief (\$288 billion), state and local fiscal relief (\$144 billion), Federal social programs (\$244 billion), and infrastructure (\$111 billion). Of the \$787 billion, the Department is overseeing \$600 million of investments. Of the \$600 million, \$220 million has been allotted for IBWC projects.

IBWC Recovery Act projects will evaluate and repair portions of the flood control systems for 495 miles of the upper and lower Rio Grande River, protecting about 3 million U.S. citizens in New Mexico and Texas. The project contains funding of \$213 million for the construction/repair of levees, \$6 million to rehabilitate contaminated soil and groundwater, and \$1 million for other related projects.

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The Recovery Act incorporated several significant requirements for agencies that have been appropriated funds under the Act and on the primary recipients of Recovery Act funds obligated by these agencies. Principal among the new requirements are extensive reporting requirements.

The “Recovery, Accountability and Transparency Board” was established by the Recovery Act to coordinate and conduct oversight of funds to prevent fraud of programs, grants, and activities to minimize the risks of inefficient or improper actions that could put taxpayers’ money at risk.

The Recovery Act provided funds to the OIGs of recipient agencies to ensure that agencies complied with the requirements of the Act. To ensure that the agencies comply, OIGs must assess the agencies’ implementation of the Act’s requirements as early as possible.

### **Objective**

The objective of our audit was to determine whether

- IBWC had adequate processes and systems in place to track and report Recovery Act funds and
- IBWC’s Recovery Act reports were accurate and complete.

### **Scope**

The scope of this audit was a review and assessment of IBWC’s controls over the tracking and reporting of Recovery Act funds. The scope of audit included the following:

- Assessing IBWC’s controls over tracking and reporting Recovery Act funds.
- Assessing IBWC’s compliance with financial and reporting requirements contained in the Recovery Act and all related guidance, including OMB’s February 18, 2009, memorandum M-09-10, *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, February 18, 2009, and Memorandum M-09-15, April 3, 2009.

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- Under Section 1.5, we ensured that IBWC was meeting Transparency and Reporting requirements, Information Collection and Dissemination, Budget Execution, Risk Management, and Contract Awards requirements.
- Ensured that specific types of reports were issued in accordance with the following guidelines: 2.1, “Reporting Requirements”; 2.2, “Recovery.gov posting requirements”; 2.4, “Weekly Reports” ; and 2.6, “Award level transaction data.”
- Testing the controls over Recovery Act funds included in IBWC’s Recovery Act reports. Specifically, we tested, on recovery.gov, weekly updated activity reports detailing funding, major actions taken to date, major planned actions, and contracts awarded.
- Testing reported Recovery Act expenditures and transactions for completeness and accuracy.

## **Findings and Conclusions**

### ***1. Assessing IBWC's controls over tracking and reporting Recovery Act funds:***

- a. The addition of approximately \$220 million in Recovery Act funding in FY 2009 represents a substantial increase over the normal annual budget of the IBWC and potential related increased risk. As a result, our evaluation included the following:

- Review of internal "Risk Assessments" made by IBWC to accommodate the Strategic, Operations and Reporting Compliance aspects of OMB Memorandum M-09-15.

We found that formal Memorandum M-09-15 Risk Assessments had been formulated by the Internal Audit/Compliance section of IBWC to address and rank these Recovery Act risk areas. Further, Internal Audit plans incorporated specific assignments for coverage of "ARRA Compliance" and adherence to "Recovery Act Accountability Objectives" and "ARRA Reporting Oversight."

- Evaluation of controls over the solicitation, award, and expenditure of program funds, including identification of the current procurement processes and procedures in place and their adaptability to Recovery Act acquisitions.
  - We reviewed IBWC's development and submission of draft and final Agency-wide Recovery Act Plans and the related development of transparent, merit-based selection criteria for committing, obligating, and expending Recovery Act funds.
- b. As a result of what was described in paragraph a, we made the additional observations and conclusions regarding IBWC's Recovery Act Plan that were made as follows:
- IBWC developed and submitted draft and final Recovery Act plans and published them on IBWC's Web site.
  - IBWC developed and submitted draft and final program-specific plans, including spending plans.

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- The “Schedule and Milestones” section of the IBWC – Recovery Act approved project plan consisted of two major phases; “Pre-Construction” and “Construction.”
- The plans were submitted and incorporated into the Department of State plan by the required date–May 15, 2009.
- The plan identifies the following:
  - Objectives
  - Measures
  - Schedules and Milestones
  - Projects and Activities
  - Review Processes
  - Cost and Performance Plan
  - Energy Efficiency Spending Plans
  - Program Plan award Types
- Risk analysis processes have been established and risk mitigation steps have been incorporated into the procurement, selection, and reporting aspects of the plan.
- A Senior Accountable Officer has been appointed.

### ***2. Assessing IBWC’s compliance with financial and reporting requirements contained in the Recovery Act and all related guidance:***

- **Under Section 1.5, we ensured that IBWC was meeting Transparency and Reporting requirements and Information Collection and Dissemination, Budget Execution, Risk Management, and Contract Awards requirements.**
  - **We ensured that specific types of reports were issued in accordance with guidelines: 2.1, “Reporting Requirements”; 2.2, “Recovery.gov posting requirements”; 2.4, “Weekly Reports”; and 2.6, “Award level transaction data.”**
- a. The following observations and conclusions regarding the IBWC’s financial and reporting requirements were made:
- News releases and other publications and communications have been issued in connection with the plans.
  - IBWC has dedicated seven Web pages to the Recovery Act and has several other references at the Department of State level.
  - IBWC publishes solicitation and award notices of orders under task and delivery orders on FedBizOpps.
  - IBWC posts summaries of procurements to FedBizOpps.

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- Unique Appropriation Codes and Treasury Symbols are used to distinguish Recovery Act funds from Non-Recovery funds.
  - A sealed bid process for construction projects is the preferred award method utilized.
  - A contract clause matrix is used to ensure that all applicable clauses are incorporated into solicitations. Recovery Act clauses are highlighted to ensure awareness of their importance.
  - Awarded contracts using Recovery Act funds include appropriate reference to the directed Federal Acquisition Regulation clause at §52.204-11.
  - Performance milestones and schedules are established for each Recovery Act project and are monitored by the Contracting Officer on a weekly basis for architect/engineer design services and reported to management via weekly reports. The same will be established for construction contracts when awarded as a result of Recovery Act funding.
  - Payments against Recovery Act projects are based on progress payments.
  - Only direct costs are introduced for funding considerations under the Recovery Act appropriation for costs related to pre-construction and construction requirements, per approved project plans.
  - IBWC's Engineering Department submits purchase requests for each of the various types of services required. These are in turn reviewed and approved by the Budget representatives.
  - Obligations are accomplished upon award of the orders in support of the Recovery Act project.
  - Expenditures or payments are made upon receipt of Receiving Reports from the Contracting Officer's Representative and invoices from the contractor and after appropriate reviews and reconciliations are accomplished.
3. ***Testing controls over Recovery Act funds included in IBWC's Recovery Act reports. Specifically, tests were made of the following reports shown on Recovery.gov: weekly updated activity reports detailing funding, major actions taken to date, major planned actions, and contracts awarded.***
- We observed and concluded that IBWC had submitted weekly reports beginning on March 3, 2009, that provided a breakdown of funding, major actions taken to date, and major planned actions.

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#### ***4. Testing reported Recovery Act expenditures and transactions for completeness and accuracy.***

- a. We observed and concluded the following:
- All financial data for recordation and reporting is extracted from the Global Financial Management System (GFMS).
  - Quarterly obligation reports are created using data obtained from GFMS to create the FACTS II reports and to enter the data into the Treasury system, which generates the SF-224 report. A review is conducted to ensure that both reports contain the same subtotals and totals by category.
  - Funding Notification Reports come from the standard GFMS accounting processes. The source of inputs to the GFMS system comes from the normal acquisition process steps and related documentation, as well as from contractors on invoices and supporting documentation.
  - The Acquisitions Office maintains, among other tracking vehicles, a comprehensive and detailed “Trackable Synopsis” schedule, which provides a progressive status summary of all task orders for architect-engineer design and environmental assessment work.
  - Tests of “Spending Chain” milestones and related acquisition supporting documentation for the awards were made to assess the data gathering means used by IBWC for funding reporting. No exceptions were noted.
  - Selective tests were made of reported Recovery Act expenditures and transactions for completeness and accuracy. No exceptions were noted.

This report is intended solely for the information and use of the Department of State Office of Inspector General and management of the International Boundary and Water Commission, United States and Mexico, U.S. Section, and is not intended to be, and should not be, used by anyone other than these specified parties.

Leonard G. Birnbaum and Company, LLP  
Alexandria, Virginia

October 8, 2009

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