



*Office of Inspector General*

June 29, 2015

**MEMORANDUM**

**TO:** Office of Acquisition and Assistance, Director, Aman S. Djahanbani

**FROM:** OIG/A/ITA, Acting Director, Alvin A. Brown /s/

**SUBJECT:** Management Letter Requiring Quick Response to Address Weaknesses in USAID's Contract No. AID-OAA-M-15-00001 With C.I. Travel Center (Project No. AA101115)

This management letter transmits our time-sensitive findings regarding missing and unclear contract language in USAID's Contract No. AID-OAA-M-15-00001 with C.I. Travel Center, which USAID plans to award after it has addressed a protest from an unsuccessful bidder. This memorandum discusses concerns with the language and strongly suggests corrective action to strengthen the requirements in the contract. This is not an audit report, but rather was developed during the fieldwork for the audit of USAID's controls over the use of premium-class travel (Project No. AA101115). The audit team is still conducting the fieldwork and plans to issue a report that includes these concerns.

This management letter has four suggestions to address our concerns. Given the information provided in response to the draft letter, we acknowledge USAID's management decisions on those suggestions.

I want to express my sincere appreciation for the cooperation and courtesy extended to my staff to date during this audit.

# BACKGROUND

The objective of the audit related to this management letter was to determine whether USAID implemented controls to prevent improper use of premium-class travel in accordance with Agency policy. Therefore, the audit team is reviewing the entire premium-class travel process from travel request through the payment of travel vouchers.

During our review of airfare payments, we found deficiencies in the reconciliation and payment review processes performed by the Bureau for Management's Cash Management and Payments (CMP) Division. No standard operating procedures are in place for the processes.

In addition, the process of reconciling what's been charged to the Agency's Citibank charge card, called the central billing account (CBA),<sup>1</sup> to Duluth Travel Inc. transactions is time-consuming and inadequate because Duluth does not provide a reconciled report of the two, as required by the contract. Instead, it provides a report of its transactions, which CMP employees must reconcile by hand to a monthly CBA statement. CMP must manage constraints such as no trip identification numbers in the CBA statements, line items in the statements and Duluth's reports that do not match, and merchant charge entries that do not have trip identification numbers or other information.

These deficiencies led the audit team to review USAID's Contract No. AID-OAA-M-11-00006 with Duluth for travel management services. It requires the company to "provide professional travel agent and travel related services to assist the Agency in meeting its travel needs for . . . domestic and international travel."

The audit team found deficiencies with the requirements in the contract and discussed them with USAID's contracting staff. For example, the reconciliation paragraph used language for outdated, obsolete technology such as magnetic tapes and floppy disks. During that discussion, the cognizant contracting officer said USAID did not exercise the last of four option years<sup>2</sup> for the Duluth contract and plans to award a new contract, No. AID-OAA-M-15-00001, to C.I. Travel Center. That contract will be a firm-fixed price<sup>3</sup> each year. However, the officer added, that award was protested and is consequently delayed. So Duluth continues to provide services under an extension of the period of performance.

Because of the issues found in the current Duluth contract, the audit team found it necessary to review the new contract with C.I. Travel Center to determine whether the contract requirements and language are clear and complete. The weaknesses we found are described in the Discussion section.

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<sup>1</sup> CBAs are used to cover travel expenses that USAID pays for directly, such as airfare.

<sup>2</sup> Option Year 4 beginning April 28, 2015, through March 27, 2016.

<sup>3</sup> The fees are \$312,998.40 for the first year, \$316,989.50 for the first option year, \$321,060.43 for the second, \$325,212.77 for the third, and \$329,448.17 for the fourth.

# DISCUSSION

USAID's contract with C.I. Travel Center is missing significant information that would ensure that its requirements are clear and complete. As discussed below, the audit team identified the following areas of concern: (1) requirements for the monthly CBA reconciliation reports need to be defined, (2) a penalty for noncompliance with reporting requirements needs to be included, (3) the section regarding refunds of CBA purchases needs improvement, and (4) language regarding rest stops needs to be strengthened.

## **Requirements for Monthly CBA Reconciliation Reports Need to Be Defined**

The Federal Managers' Financial Integrity Act of 1982 requires agency heads to establish controls that provide reasonable assurance that:

- Obligations and costs comply with applicable laws.
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
- Revenues and expenditures are recorded and accounted for properly.

Therefore, it is critical that USAID staff receive a fully reconciled report of the transactions to the charged items in the CBA travel account so CMP employees can review each charge before authorizing payments.

Section C.16, "Required Reports," of USAID's contract with C.I. Travel Center requires a monthly CBA reconciliation report. However, the contract does not include language that discusses what information should be in the report.

USAID/CMP staff needs to receive monthly reports that specifically reconcile C.I. Travel Center transaction data with the monthly statement of charges from the CBA. If they do not, then they must reconcile the CBA charges manually—a time-consuming, labor-intensive task because of several constraints. For example, charges on the CBA statement may not match to an authorized travel authorization and traveler name. In addition, many tickets and charges are made and cancelled for the same trip, but refunds for canceled tickets may take weeks or months to be reflected in the CBA statement. As a result of these constraints, it is difficult to determine whether the transactions are valid. Therefore, detailed information is necessary so the contractor clearly understands what specific data should be reconciled and submitted each month.

The C.I. Travel Center contract should have language requiring the contractor to provide an automated reconciliation of transportation billings charged through USAID's CBA accounts. However, nothing in this contract discusses or refers to a reconciliation of the reservation, ticketing, and accounting elements so that all passenger reports and summary data are generated automatically from point-of-sale information.

USAID contracting officials said the contracting officer's representative (COR) is responsible for coordinating with CMP to make sure the contract addresses its requirements. However, officials in CMP said they were not included in discussions about the language in the new contract. We do not know why this happened.

Without a clear description of what the monthly CBA reconciliation report should include, the contractor could provide reports that do not meet the needs of USAID's staff. Therefore, the staff could have a considerably higher workload when reviewing travel charges and authorizing payments for the CBA travel accounts. For example, in the current contract, because Duluth did not provide reconciled reports, CMP dedicated one employee to complete reconciliations for the current month and two employees to review unreconciled items from past months.

USAID has spent \$18 million in the past 2 years on official business travel. Without a proper reconciliation report, USAID staff might not be able to detect possible errors, fraud, or abuse on charges to the CBA travel account. Therefore, USAID is at risk of making unauthorized, unallowable payments.

***Suggestion 1.** We strongly suggest that the cognizant contracting officer work with the contracting officer's representative and the Cash Management and Payments Division staff to develop and include a clear description of the data that should be presented in the monthly CBA reconciliation report required in the planned USAID Contract No. AID-OAA-M-15-00001 with C.I. Travel Center.*

## **Penalty for Noncompliance With Reporting Requirements Needs to Be Included**

According to Federal Acquisition Regulation, Section 52.232-1, "Payments," as incorporated into USAID's planned contract by reference:

The Government shall pay the Contractor, upon the submission of proper invoices or vouchers, the prices stipulated in this contract for supplies delivered and accepted or services rendered and accepted, less any deductions provided in this contract.

According to the contract, USAID plans to pay the contractor a firm-fixed price each year "for the successful completion of the scope of work and submission of all deliverables." Section C.16, "Required Reports," identifies 16 management information reports that the contractor is required to provide. Among those is the CBA reconciliation report discussed in the previous section.

However, the contract does not stipulate what deductions will be made or other penalties the contractor might face if it does not provide those reports. Furthermore, although the contract requires the contractor to prepare a quality control plan, the specifics of that plan do not discuss the required reports.

According to the contracting officials, USAID normally does not include penalties in its contracts. Instead, it relies on existing mechanisms, such as cure notices,<sup>4</sup> if any action needs to be taken.

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<sup>4</sup> A cure notice alerts a contractor that it is not meeting requirements and has at least 10 days to remedy the situation before receiving a termination notice.

However, the officials said, USAID did not take action against Duluth for not complying with the requirement to provide a monthly CBA reconciliation report, nor did it deduct any funds from the payments. As a result, Duluth continued to not comply with that requirement. Therefore, if penalties are not addressed in the new contract, USAID may continue to have similar problems with C.I. Travel.

***Suggestion 2.** We strongly suggest that the cognizant contracting officer include in planned Contract No. AID-OAA-M-15-00001 with C.I. Travel Center either (1) penalties or disincentives if the contractor does not provide the management information reports or (2) the management information reports as part of the quality control plan.*

## **Section Regarding Refunds of CBA Purchases Needs Improvement**

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (September 2014) states, "Management may contract with service organizations to perform roles in the organizational structure" and should communicate the assigned responsibilities.

Further, according to the training material that USAID CORs receive, "Selecting appropriate phrases and words is very important" when writing statements of work. Therefore, they should be exact and precisely written.

However, section C.12.2, "For CBA Purchases" of the contract is confusing. It states:

Refunds for unused, downgraded or exchanged tickets shall be made by the Contractor immediately in the form of a credit refund receipt returned to the agency, with the credit applied to the agency's CBA. **No cash refunds shall be made to the traveler for CBA purchases.** [emphasis added].

However, the next paragraph in that same section states:

Employees who have been Issued Government Travel Charge Cards shall apply directly to the Contractor for refunds for unused transportation . . . **Refunds shall be given immediately, in the form of a credit refund receipt returned to the employee, with the credit applied to the individual employee's travel card account.** [emphasis added]

In the contract, USAID needs to make a clear distinction between the travel refunds that should be made to a CBA travel card, such as airfare, and other travel refunds that should be made to the employee's travel card, such as lodging costs. The contracting staff should remove the second paragraph from this specific section and add it to a subsequent section under another heading.

The audit team does not know why the contract was written this way. However, as a result, C.I. Travel may not understand the terms and therefore could run an increased risk of error or noncompliance. Moreover, refunds may be erroneously given to the traveler and not returned to the Agency.

**Suggestion 3.** We strongly suggest that the cognizant contracting officer move the second paragraph from the C.12.2 section to an appropriate section under another heading in the planned USAID Contract No. AID-OAA-M-15-00001 with C. I. Travel Center.

## **Language Regarding Rest Stops Needs to Be Strengthened**

ADS 522, *Performance of Temporary Duty Travel in the U.S. and Abroad*, section 5.22.3.9, “Rest Stops,” states:

Official [temporary duty] travel may be interrupted for a rest period of up to 24 hours if all of the criteria below are met:

1. The origin or destination point of travel is outside of the continental United States (OCONUS);
2. The scheduled flight time, including stopovers, exceeds 14 hours;
3. Travel is by a direct or usually traveled route; and
4. Travel is by coach-class service.

In addition, section 522.3.11.1, “Exceptions for Premium Class Air Travel,” states that “premium class may not be authorized for . . . travel for the following purposes:

- Assignment travel
- Home leave travel
- Rest and recuperation travel
- Separate maintenance allowance travel
- Education travel and educational allowance travel
- Visitation travel
- Emergency Visitation Travel
- Travel of children of separated parents

However, section C.2.2, “City Pairs Program,” of the contract has confusing language regarding rest stops. The last paragraph states:

Rest stops shall be provided for a period of up to 24 hours for scheduled flights in excess of 14 hours on a usually traveled route, including scheduled stopovers when traveling by less than premium-class accommodations. The point of interruption should normally be mid-way in the journey or as near to it as the schedule permits. Rest stops are not authorized when indirect travel is performed or when premium class accommodations are authorized, except when certified by appropriate agency approval authority.

As the paragraph shows, the policy for rest stops has exceptions, but it does not explicitly refer the contractor to ADS 522.3.9 and 522.3.11.1. The audit team does not know why the contract did not include these references. However, as a result, the contractor may not understand the terms and there could be an increased risk of error or noncompliance with the contract.

**Suggestion 4.** *We strongly suggest that the contracting officer add a reference to the last paragraph of section C.2.2, "City Pairs Program" to ADS 522.3.9, "Rest Stops," and Section 522.3.11.1, "Exceptions for Premium Class Air Travel," in the planned USAID Contract No. AID-OAA-M-15-00001 with C. I. Travel Center.*

# EVALUATION OF MANAGEMENT COMMENTS

USAID managers agreed to take actions on all four suggestions in the memorandum. Based on their comments, management decisions have been reached on all suggestions. Our detailed evaluation of management comments follows.

**Suggestion 1.** USAID management concurred with the suggestion that the contract be modified to include a clear description of the data required in the monthly CBA reconciliation report. In addition, detailed language has been drafted and sent to the COR for review. USAID management stated that a modification to the contract is being drafted to address this suggestion and will be completed no later than June 30, 2015. Therefore, we acknowledge USAID's management decision on Suggestion 1.

**Suggestion 2.** USAID management did not agree to include penalties or disincentives in the contract because the Agency can give the contractor an unsatisfactory performance report or cure notice. However, the managers agreed to implement our alternate suggestion to include timely submission of the required reports in the quality control plan by June 30, 2015. Therefore, we acknowledge USAID's management decision on Suggestion 2.

**Suggestion 3.** USAID management agreed that the wording of the contract is confusing and needs to make a clear distinction between travel refunds that should be made to a CBA travel card (such as airfare) and others that should be made to the individual's travel card (such as lodging). USAID managers wrote that a modification to the contract is being drafted to address this suggestion and should be completed no later than June 30, 2015. Therefore, we acknowledge USAID's management decision on Suggestion 3.

**Suggestion 4.** USAID management agreed that the wording of the contract is confusing because it does not explicitly refer the contractor to ADS 522.3.9 and 522.2.11.1, which address exceptions to the policy for rest stops. USAID managers wrote that a modification to the contract is being drafted to address this suggestion and will be completed no later than June 30, 2015. Therefore, we acknowledge USAID's management decision on Suggestion 4.

# MANAGEMENT COMMENTS



June 9, 2015

## MEMORANDUM

**TO:** OIG/A/ITA, Acting Director, Alvin Brown

**FROM:** M/OAA, Director, Aman S. Djahanbani /s/

**SUBJECT:** Management Letter Requiring Quick Response to Address Weaknesses in USAID's Contract No. AID-OAA-M-15-00001 with C.I. Travel Center (Project No. AA101115)

**REFERENCE:** Your Memorandum dated May 22, 2015

The Office of Inspector General (OIG) auditors reviewed USAID's new planned travel contract with C.I. Travel Center. In the review the OIG determined that the contract is missing significant information necessary to ensure that its requirements are clear and complete. The audit team identified four areas of concern and recommended corrective action for each to strengthen the contract.

### **Suggestion No. 1:**

We strongly suggest that the cognizant contracting officer work with the contracting officer's representative and the Cash Management and Payments Division staff to develop and include a clear description of the data that should be presented in the monthly CBA reconciliation report required in the planned USAID Contract No. AID-OAA-M-15-00001 with C.I. Travel Center.

### **Contracting Officer's Management Decision, Suggestion No. 1:**

The Contracting Officer concurs with this suggest that the contract should be modified to include a clear description of the data required in the monthly CBA reconciliation report. Detailed language has been drafted by Mr. John Sawh, M/CFO/CMP, and has been sent to the COR in M/MS/TTD for comment and/or concurrence.

### **Suggestion No. 2:**

We strongly suggest that the cognizant contracting officer include in planned Contract No. AID-OAA-M-15-00001 with C.I. Travel Center either (1) penalties or disincentives if the contractor does not provide the management information reports as part of the quality control plan or (2) the management information reports as part of the quality control plan.

### **Contracting Officer's Management Decision, Suggestion No. 2:**

The Contracting Officer assumes that this suggestion means fiscal penalties in some form and therefore, does not concur with this suggestion that the contract should be modified to include specific [fiscal] penalties or disincentives. This is a firm-fixed price contract with no separately

price line items that could be penalized. However, there are other mechanisms that can be used to incentivize the contractor to provide required reports on a timely basis. The issuance of an unsatisfactory CPARS past performance report is very effective. Also, the possible issuance of a cure notice is usually quite effective.

As an alternative, the auditors suggested that timely submission of required reports be included in the Quality Control Plan. The contracting officer has no objection and will draft the appropriate language.

**Suggestion No. 3:**

We strongly suggest that the cognizant contracting officer move the second paragraph from the C.12.2 section to an appropriate section under another heading in the planned USAID Contract No. AID-OAA-M-15-00001 with C.I. Travel Center.

**Contracting Officer's Management Decision, Suggestion No. 3:**

The contracting officer agrees that the wording of the contract is confusing and that a clear distinction should be made between travel refunds that should be made to a CBA travel card (such as airfare) and other travel funds that should be made to the individual's travel card (such as lodging). The contracting officer will identify the most appropriate section to move C.12.2 and obtain M/MS/TTD concurrence.

**Suggestion No. 4:**

We strongly suggest that the contracting officer add a reference to the last paragraph of Section C.2.2, "City Pairs Program" to ADS 522.3.9, "Rest Stops" and Section 522.3.11.1, "Exceptions for Premium Class Air Travel" in the planned USAID Contract No. AID-OAA-M-15-00001 with C.I. Travel Center.

**Contracting Officer's Management Decision, Suggestion No. 4:**

The contracting officer agrees that the wording of the contract is confusing because it does not explicitly refer the contractor to ADS 522.3.9 and 522.2.11.1 in which exceptions to the policy for rest stops are addressed. The contracting officer will add these references to C.2.2.

**Final Action, Suggestions No. 1, No. 3 and No. 4:**

The cognizant contracting officer appreciates the detailed comments and four specific suggestions provided by the OIG audit team.

A modification to contract No. AID-OAA-M-15-00001 is being drafted to address the suggestions that the cognizant contracting officer has accepted. The draft will be reviewed vetted and cleared with M/CFO/CMP and M/MS/TTD. The draft modification will then be discussed with the contractor.

It is anticipated that this formal modification of the contract will be completed no later than June 30, 2015, prior to the anticipated GAO award protest decision due July 7. Then the stay on contract No. AID-OAA-M-15-00001 with C.I. Travel Center will be lifted and performance will begin.