

Updated Assessment of GSA's Most Serious Challenges

December 1999

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MANAGEMENT CONTROLS

ISSUE: Multiple management controls have been replaced, through reinvention initiatives, by fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed.

GSA has been aggressive in empowering staff to look for ways to reduce administrative barriers to promptly respond to customer needs. In simplifying existing rules, operating procedures, and guidelines, management eliminated many of the checks and balances previously part of the control system, and now relies on a few broad controls for documentation and review of actions taken. From recent audits performed, it appears that management is not adequately ensuring implementation of the controls that will help deter fraud, waste and abuse.

Procurement: Management has been emphasizing the use of credit cards as a means of streamlining the procurement process. Individuals can charge any amount up to their spending authority. A warranted contracting officer may have a single purchase transaction limit for the credit card corresponding to the level of that person's purchasing authority of up to \$100,000. The majority of transactions are by non-warranted persons at the micro-purchase level of \$2,500 or less. The Agency encouragement to use credit cards whenever possible significantly heightens the importance of adequate controls for credit card transactions.

The Agency has been empowering staff to reduce administrative barriers to promptly respond to customers' needs, regardless of the method of procurement. Concerns encompass whether speedy procurement is being attained at the expense of appropriate regulatory requirements and good internal controls, and whether GSA is getting the best price. These concerns take on more significance when considering that GSA has a direct impact on over \$52 billion of direct Federal purchases annually.

Data Integrity: When passing the Government Performance and Results Act of 1993, Congress emphasized that the usefulness of agencies' performance data depends, to a large degree, on the reliability and validity of those data. Past audit work has shown that data integrity has been problematic within GSA's financial and operational data systems.

GAO issued a letter to Senator Fred Thompson on June 30, 2000 concerning its Observations on the General Services Administration's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan. In that letter, GAO pointed out that GSA did not provide, in its performance report, reasonable assurance that its performance information was credible. GAO found that PBS and FTS addressed data quality issues, but neither attested to the overall credibility of the data used to measure results. GAO went on to say that FSS and OGP did not directly address data credibility. In March 2000, GAO issued a report that said, among other things, that GSA's repair and alteration data were problematic.

GAO testified in June 1998 that GSA's security upgrade tracking system had incorrect data, and in October 1999 testified that GSA's information system still

lacked completely accurate data on the number and cost of completed security upgrades. Our own work in this area corroborated GAO's statements.

OIG Work Done

In our **Review of the Phoenix Fleet Management Center, Federal Supply Service, Pacific Rim Region**, report dated September 29, 2000, we found that improvements were needed to protect fleet service cards from misuse, to ensure destruction of license plates from vehicles removed from service, and to have a more efficient use of purchase cards.

Open Recommendations

- Require that all orders for replacement fleet service cards be approved by a fleet services representative or the FMC manager;
- Separate ordering and receiving duties for fleet service cards;
- Compare an inventory of vehicles and cards in the database to a list of vehicles sold to ensure that the corresponding cards have been appropriately deactivated;
- Require auction houses to notify the FMC before destroying license plates and ensure that FMC employees periodically witness the actual destruction of license plates; and
- Direct the staff to comply with GSA policy for using credit cards whenever possible, and using purchase checks only when vendors do not accept credit cards.

We are currently working with management to develop an action plan to implement the recommendations.

The **Audit of PBS's Management of Building Account Activities** report dated September 15, 2000 showed that in cases where the Agency cannot readily assign costs to a specific building, it uses holding accounts to capture these costs in the accounting system. We found that entries were incorrectly posted to these holding accounts and were not distributed to the appropriate accounts. Thus, controls do not ensure that management decisions are based on sound financial information.

Open Recommendations

- Ensure managerial controls are effective to facilitate the propriety and accuracy of financial data and sound asset management; and
- Ensure a financial system is developed with sufficient capabilities to address financial requirements, such as Federal Financial Accounting Standard No. 6, Accounting for Property, Plant, and Equipment, mandating the depreciation of full costs, including indirect costs, over the useful life of the asset.

We are currently working with management to develop an action plan to implement the recommendations.

Our **Management Control Review of Public Buildings Service Office of Property Disposal, Controls Over Proceeds From the Sale of Surplus Real Property**, report dated August 21, 2000, showed that the Office of Property Disposal cannot be assured that transactions are properly recorded and Government assets are adequately protected. Controls over transaction recording, documentation, separation of duties, access to and accountability for resources, and employee supervision are deficient.

Open Recommendations

- Develop, in consultation with other PBS components and the Office of Finance, a periodic review of the property disposal revenue program and transactions to test compliance with and effectiveness of the controls established;
- Partner with the Office of Finance to look for better ways to use available accounting tools and develop new mechanisms to provide a more meaningful and user-friendly reporting method that management can use to oversee cash receipts and disbursement activities; and
- Provide more standard, specific process guidelines to zone offices, stressing the need for adequate supervision and better separation of the zone budget analyst's responsibilities in the disposal process, and mandate the use of the Time Tracking System by all property disposal employees (for both reimbursable labor (hours) billing, and billable rate calculation.)

We are currently working with management to develop an action plan to implement the recommendations.

On January 28, 2000, we issued **Review of Controls Over Federal Supply Service Payments**. We found that management controls over purchases made using GSA's purchase card are not adequate to provide reasonable assurance that payments are for valid purchases. We also noted that, in GSA's current management control environment, payment can be made more than once for the same purchase.

Open Recommendations

- Require periodic refresher training for cardholders and approving officials;
- Use Pegasys to accomplish purchase card transaction approval and reconciliation;
- Increase the use of point-of-sale controls for Fleet card transactions; and
- Ensure that Fleet Management Center personnel follow-up on potentially improper Fleet card transactions.

All actions are to be completed by January 15, 2001.

On September 28, 1999, we issued **Management Controls for Non-Recurring Reimbursable Work Authorizations**. This was a follow-on audit to our review of **PBS's Initiatives to Improve Space Alterations**, a report dated March 24, 1999, in which we identified specific reasons for untimely and inaccurate customer billings, and GSA's inability to recover some of its costs. We found that regional management in PBS had not consistently recorded or reconciled transactional data, and was not consistently reviewing available performance data that identified red flags.

Open Recommendations

- Review and correct RWA financial data before or as it shifts from NEAR to Pegasys, and
- Strengthen the RWA management control system by:
 - Adjusting the RWA controls to meet the changed RWA process and the new GSA financial system;
 - Updating and documenting policies on accountability and responsibility for the financial management of RWAs; and
 - Providing initial and continuing training to its personnel on the use of the new financial process and the implementation of management controls.

Management's actions are being tracked by GSA's Office of Finance, Office of the Controller, the Agency's resolution tracking office. Management is required to submit progress updates to Finance each 120 days, or until completed. The actual completion date is January 15, 2002.

Our review of **PBS Operations and Maintenance Contracts**, dated September 7, 1999, showed that controls are not adequate to assure that the services GSA pays for are received and are needed. This is a nationwide problem, based on our review of four regions.

Open Recommendations

- Institute a national quality assurance program that establishes a consistent approach for monitoring contractor performance, with a focal point for guidance and direction regarding interpretation and application of O&M contract terms and conditions.

Action is to be completed by January 15, 2001.

OIG Work-In-Process

In November 2000, representatives of the GSA Office of Audits, Office of Investigations, and Office of Finance, and Citibank formed a team to establish a process for the detection and prevention of improper purchase card and travel card activity by GSA cardholders. The team's objective is to develop a highly effective, low cost detection/prevention program that will serve as a model for other Federal agencies. The team is addressing OIG, Finance, and Citibank roles in charge card data collection, data analysis, follow-up based on data analysis results, penalties for improprieties by cardholders and authorizing officials, program tracking, and program reporting.

OIG Work Planned

Our FY 2001 Audit Plan includes the following reviews:

Controls Over Recording and Classifying of PBS's Costs was requested by management because of concerns that the Regions may not have consistent cost recording and classification practices.

Reimbursable Work Authorization Program. This review was requested by regional management because of concerns that "Thrilling the Customer" has not been evaluated as to the associated costs of doing so, and may not be effective and efficient. This review was shown in our December 1999 submission of the Management Challenges as being in our FY 2000 Audit Plan. However, management requested that we defer the evaluation because they were revamping the RWA process and changing its leadership.

Occupancy Agreements/New Pricing will assess whether or not management controls are in place to ensure that rent billings properly reflect the terms and conditions of the customer's occupancy agreements and that billings are accurate.

Cost Accounting in PBS. The PBS Chief Financial Officer believes there are inconsistencies among the regions with regard to how costs are recorded and classified, which, if pervasive, could adversely impact PBS's ability to properly determine the cost of its services.

INFORMATION TECHNOLOGY SOLUTIONS

ISSUE: As the application of information technology (IT) becomes increasingly prevalent within the Government and impacts all aspects of business operations, GSA's challenges in this area have increased exponentially. GSA relies on its automated information systems to perform its mission and manage its operations. Many of these systems store sensitive information such as personal employee data and contractors' proprietary information.

Clinger/Cohen Act: The Information Technology Reform Act of 1996 (Clinger/Cohen) changed the way information systems are managed and developed within the Federal Government. Agencies are now required to link all information technology investments to their mission through the Capital Planning Process. The Act also requires Federal agencies to appoint a Chief Information Officer (CIO) responsible for developing, maintaining, and implementing an information technology architecture. Information technology architecture ensures that the requirements for an agency's information systems support the agency's overall mission and goals; provide adequate interoperability, redundancy and security; and are consistent with standards by which the agency evaluates and acquires new systems.

In implementing Clinger/Cohen, the GSA CIO faces challenges in coordinating with individual Services to: (1) develop a GSA-wide information technology architecture; (2) ensure that adequate cost-benefit and business-case analysis supports new systems development; (3) monitor each Service's compliance with the GSA-wide information technology architecture; and (4) carry out Clinger/Cohen requirements in performing central management of GSA's information systems.

Systems Development: GSA is in the process of replacing a number of its old systems, in keeping with technological advances. The National Electronic Accounting and Reporting (NEAR) system, which records, classifies and summarizes financial information and produces reports on annual, multiple-year and no-year appropriations and revolving funds, is being replaced with Pegasys. The Public Buildings Service is in the process of consolidating a number of systems to improve their functionality under a new client-server based system called the System for Tracking and Administering Real Property (STAR).

Many of the IT projects are designed to go beyond automating current business functions and create real change in the way that GSA does business. However, GSA has experienced recurring difficulty in deploying and maintaining structured system development practices that ensure the proper development of requirements as well as implementation of prescribed system processes through approved systems development life cycles. As a result, GSA systems development projects commonly experience schedule delays and cost overruns, need frequent redesign, have difficulty sharing usable data between systems, and spend a prolonged period of time in development. In conjunction with the Agency's financial statement audits performed by an independent public accounting firm (IPA), three recently implemented applications, ITOMS, STAR, and FEDPAY Version 3 were reviewed. Development and implementation

weaknesses associated with each of these applications were identified. These were cited as a reportable condition in the IPA's FY 1999 Management Letter and will again be cited in the FY 2000 Management Letter as a reportable condition.

COTS Solutions: Many GSA IT projects attempt to minimize development cost and deployment schedules by developing systems based on already existing Commercial-Off-The-Shelf (COTS) software. COTS solutions appear to offer agencies the ability to forgo lengthy development of core system functionality, and the ability to adhere to industry information processing standards. However, the majority of COTS solutions: (1) require extensive modifications to meet Federal agency needs; (2) provide only a partial solution; and (3) require interfaces with existing systems that are difficult to implement. To that end, several OIG audits, including audits of STAR and Pegasys, showed that GSA COTS development efforts lacked a formal risk management program that would help identify challenges associated with extensively modifying and integrating COTS products with many custom legacy systems, as well as potential solutions to mitigate those risks.

In light of the challenges and complexity of successfully modifying and integrating COTS software packages into GSA's current legacy systems environment, GSA needs to more effectively identify and manage development challenges. Because no COTS product is specifically designed to meet requirements unique to an individual agency's needs, it is imperative that organizations fully understand the requirements "gap" well before implementation begins and ensure that this gap can be accepted by the organization without reducing performance. Later addition of modifying capabilities initially thought to be included in the COTS product often requires expensive custom development and usually results in cost and schedule overruns. The implementation of structured, verifiable systems development and configuration management activities would have a significant impact in reducing schedule delays, cost overruns, and the number of redesigns.

Information Technology Security: Good IT security practices are increasingly important in today's business environment as GSA interconnects its systems with networks such as the INTERNET AND INTRANET, which significantly increase security risks. Further, system security plans and features are needed to protect Government IT resources against unauthorized access, to restrict access by users and systems personnel, and to guard against accidental modification or deletion of data applications. GSA's computer-based critical infrastructure area is also at increasing risk due to threats such as computer hackers, other attempts at unauthorized access, and viruses. GSA needs to ensure that complete risk assessments are developed to evaluate vulnerabilities and determine what security is needed.

The most effective way to protect information and systems is to incorporate security into the architecture of each system. This approach ensures that security supports agency business operations, thus facilitating those operations, and that plans to fund and manage security are built into life-cycle budgets for information systems. Management must ensure that critical IT infrastructure is

identified and that adequate security is in place to protect business operations that rely on it.

GSA's independent public accounting firm did penetration testing during FY 1998, FY 1999, and FY 2000, and found control weaknesses over both the physical and logical access to GSA's financial systems. These weaknesses constituted a reportable condition in the FY 1998 and FY 1999 Management Letters and will be reported again in the FY 2000 Management Letter.

Contractor Performance: With decreasing staff levels and increased specialization within the field of IT, GSA increasingly relies on contractors to perform the entire range of its IT tasks, including development, testing, maintenance and administration. Sound project management practices are essential to (1) ensure that contractor-performed IT efforts fully support GSA's vision of an Integrated Information Architecture and meet mission critical information system needs, and (2) assess vendor-completion of tasks. Control mechanisms are essential to ensure that contractor developed solutions function properly.

OIG Work Done

Our **Review of GSA's Critical Infrastructure Protection Plan**, report dated September 29, 2000, disclosed that GSA has not yet successfully implemented the requirements of Presidential Decision Directive 63 in its Critical Infrastructure Protection Plan. The Chief Infrastructure Assurance Officer has not been fully empowered to direct Information technology security policies and procedures necessary to implement the Plan. Additionally, vulnerability assessments and risk mitigation plans for GSA's mission critical information systems have not been developed. This report contained no formal recommendations.

Our September 29, 2000 **Alert Report on GSA's Implementation of the New Pegasys Financial Management System** disclosed that inadequate planning and testing led to a significant lack of progress in implementing the Pegasys system. Since 1999, the Pegasys development schedule has grown from 3 to 6 years, and estimated total development and life cycle costs have increased from \$34 million to \$135 million. To date, approximately \$39 million has already been obligated with only part of Phase 1 of 4 currently planned phases operational. This report contained no formal recommendations.

In our **Systems Audit of Integrated Task Order Management System, Federal Technology Service**, report dated September 18, 2000, we found that the scope and functionality of the system have evolved rather than being defined as a part of system development life cycle processes. Inadequate testing has caused processing delays and inaccurate financial records, which may adversely affect GSA, client agencies and industry partners.

Open Recommendation

- Continue the current procurement efforts in system application development and increase emphasis on using the resources of the Service's Chief Information Officer to: (a) identify anticipated system requirements, (b) increase centralized control and guidance, and (c) improve cost projections and budgeting.

We are currently working with management to develop an action plan to implement the recommendations.

Our **Review of Smart Card Initiatives**, report dated September 11, 2000, revealed that, while emphasizing the award of the Government-wide contract for acquiring smart card services, GSA neglected its own card implementation.

Open Recommendations

- The office responsible for GSA's internal smart card implementation should be identified and have clear and measurable standards to gauge its efforts in being the Federal Government leader for smart cards; and
- Specific responsibility and guidance for coordinating, monitoring, and standardizing the smart card pilots and full implementation thereof should be communicated.

We are currently working with management to develop an action plan to implement the recommendations.

We issued **PBS Needs to Complete STAR Development and Implement Management and System Controls to Fully Realize Improved Capabilities** on March 31, 2000. This report disclosed that despite being operational since October 1997, development is still on-going and significant modifications are needed to respond to numerous user concerns, resolve software problems, and provide additional key capabilities. Additionally, as a result of difficulties in implementing system control processes, weaknesses exist in configuration management, testing, database and system administration, and system security.

Open Recommendations

- Institute a "time-out" in adding new STAR capabilities and other modifications, and first develop a complete software and hardware requirements baseline to identify the total set of capabilities needed in STAR;
- Develop a STAR Project Plan, with direct involvement by the Office of the Public Buildings Service Chief Information Officer to provide strategic direction;
- Consistent with the Project Plan, establish a strong project management team with sufficient full-time staff and documented roles and responsibilities to adequately manage the completion of all development efforts and the work of the System Development Center; and

- In accordance with the Project Plan, work to complete STAR development in a timely manner and at reasonable cost.

All actions are to be completed by May 15, 2001.

Our report of September 30, 1999, **Audit of GSA's Security Controls Over Local Area Networks**, cited weaknesses in access controls and configuration management.

Open Recommendations

- Ensure that Services, Staff Offices, and Regional Offices develop adequate LAN security plans including physical and environmental security controls, and appropriate security provisions for LAN operations and support contracts;
- Establish Agency-wide processes for managing GSA's LAN user accounts, configuration management, and contingency planning;
- Identify necessary security controls for remote access to GSA's LANs, including adequate monitoring requirements for remote access activities and management of remote user accounts, and include these requirements in the CIO's policy guidance on the appropriate use of Remote Access Servers; and
- Establish policies and procedures to ensure that mandatory security awareness training is provided for all LAN users and administrators.

All actions are to be completed by January 15, 2001.

Our September 25, 1998 report, **GSA's Information Systems Security Has Not Kept Pace With Increasing Internet and Intranet Risks**, disclosed that security resources are dispersed and controls are lacking. Additionally, risk assessments are needed to ensure controls applied are adequate, and GSA is lacking policies and procedures on IT security to adequately manage the development of Internet and Intranet capabilities.

Open Recommendations

- Specify roles and responsibilities for Internet and Intranet security, including management responsibilities for gateways, web sites, and applications, to ensure that security is addressed and adequate security measures are in place for the Wide Area Backbone Network and for Service and Staff Office applications; and
- Ensure that IT security decisions are based on risk assessments for individual systems.

All actions are to be completed by January 15, 2001.

OIG Work-In-Process

In our audit of **GSA's Seat Management Initiative**, an out-sourcing program that is intended to achieve savings and improvements, we are reviewing GSA's efforts to contract-out workstation and local area network operations.

We have initiated a review of **Contract Administration of the Pegasys Contract**. Pegasys is replacing GSA's NEAR system, which records, classifies and summarizes financial information and produces reports on annual, multiple-year and no-year appropriations and revolving funds. We plan to review the delays and cost increases associated with the implementation of the Pegasys financial system since its inception. We will also evaluate the contractor's performance relative to the costs billed and the services delivered.

Another review of the **CFO's Development of the Pegasys System** has just begun and will concentrate on Pegasys development plans, system architecture and database design, system security, implementation, and integration with GSA's existing older systems.

In our audit of **IT Security for Electronic Commerce**, we are reviewing the security of GSA's IT initiatives in electronic commerce.

We are reviewing **FTS's Office of Information Security (OIS)** to assess the existence and effectiveness of management controls over account balances and financial reporting. Also, we are evaluating the controls in place to ensure that excess funds are returned to customer agencies when the work is completed.

We are working with FTS to determine if **Metropolitan Area Acquisitions**, a relatively new program, is being implemented and working in accordance with expectations. The objectives of this program are to achieve immediate, substantial and sustained price reductions for local telecommunication services in selected metropolitan areas.

OIG Work Planned

Our FY 2001 Audit Plan includes reviews of the following:

Millennia Contracts. These contracts are intended to be used on task orders over \$10 million for IT products and services. We will assess whether these contracts are meeting GSA's expectations and the needs of FTS clients and field personnel, and serving as an appropriate business model. We will also determine whether other successful FTS procurement vehicles offer similar services.

IT Solutions Shop Application. We will assess whether FTS has adequately addressed the development and implementation challenges of the Internet-based application. This application was developed to increase the efficiency of order preparation for IT products and services.

FTS 2001 Transition and Billing for Long Distance Telecommunications. We will focus on whether customer transitions to FTS 2001 are being carried out in a cost effective, efficient and well-planned manner; and whether or not billing systems are providing customers with accurate, detailed billing information.

GSA's Implementation of the Clinger/Cohen Act of 1996. This review will determine if the CIO is monitoring the performance of Agency IT programs, evaluating the performance on the basis of applicable performance measures, and advising the Administrator regarding whether to continue, modify, or terminate a program or projects.

GSA's Feddesk System. We will evaluate whether the travel system meets all user requirements and whether adequate controls are in place to ensure transactions input and data processed are accurate, reliable, and adequately protected.

Security of GSA's Electronic Mail Systems. We will evaluate the reliability, integrity, and availability of e-mail information and system practices and processes.

PROCUREMENT ACTIVITIES

ISSUE: GSA provides Federal agencies with products and services valued in the billions through various types of contracts, two of the most prevalent types being the Multiple Award Schedule (MAS) Program and the multiple award task and delivery order contracts, also known as Multiple Award Indefinite Delivery Indefinite Quantity Contracts (MACs).

The MAS Program provides Federal agencies with a simplified procurement process for the purchase of a diverse range of commercial supplies and services from multiple vendors. GSA administers over 110 schedules that produced sales in FY 2000 alone of \$13.8 billion; and the volume is expected to continue to grow.

The MAS Program was modified in August 1997, in part to implement the Federal Acquisition Streamlining Act (FASA) and the Clinger/Cohen Act. These changes eliminated both vendor certifications of pricing information submitted for negotiation purposes and the contractual right to audit such pricing information on a postaward basis. Prior OIG MAS contract audits reflected systemic problems with MAS contractors' submissions of reliable pricing information for purposes of negotiating MAS contract prices. These findings were made during periods when safeguards, including audits and certifications, were still in place. Elimination of these safeguards will likely lead to similar, if not more serious, findings.

GSA's Federal Supply Service (FSS) made additional changes to the MAS Program that now permits contracting officers to extend existing 5-year MAS contracts for an additional 5-year period when vendors provide assurances of price reasonableness and assurances that their pricing practices have not changed since contract negotiation. FSS has been making 5-year extensions routinely without seeking preaward audits, although significant MAS contract modifications, such as extending the contract term or adding substantial new products to a contract, should be the subject of an audit in accordance with FSS's own Procurement Information Bulletins.

This problem may be exacerbated by FSS's recent institution of an Evergreen contracting program, under which FSS awards MAS contracts for 20-year periods (5-year base contract, plus three 5-year options). With contracts of this length, FSS needs to be particularly vigilant in periodically collecting updated commercial information and auditing that information.

Additionally, in July 2000, FSS initiated Corporate Contracting within the MAS Program. This initiative allows contractors to consolidate some or all of their individual GSA MAS contracts under one contract. The theory is that, through consolidation, there will be administrative cost savings to both GSA and the contractors, and that FSS should also be able to leverage more favorable discounts, terms and conditions due to the larger contract volume. However, it appears that here, too, FSS has made little provision for collecting updated commercial pricing information, with preawards on significant dollar contracts at the time FSS consolidates the individual contracts into a corporate contract. Consequently, FSS may not be able to make an effective price reasonableness

determination on the new corporate contract. In addition, FSS may be missing an opportunity to negotiate prices under these contracts that are, in fact, reflective of the Government's total buying power.

Furthermore, the industrial funding mechanism used to support the MAS Program may have an adverse impact on the prices negotiated. FSS charges MAS contractors a one percent (1%) fee on all sales made under the contracts. This mechanism constitutes a structural disincentive for contracting personnel to negotiate lower prices, or not to award a contract, since doing so would reduce FSS's revenues.

MACs are appropriate when the Government cannot predetermine, above a specified minimum, the precise quantities of supplies or specific services that will be required during the contract period. GSA competitively awards, using source selection procedures, multiple contracts covering the same scope of work and then, as needs are identified for specific tasks and products, the agencies compete the task/delivery orders among the contract holders. The use of multiple award contracts is encouraged by the Federal Acquisition Streamlining Act of 1994 to promote best value and the fair opportunity for contract awardees to compete among themselves. The competition is intended to lower prices, obtain better quality, reduce delivery time, and improve customer service.

OIG Work Done

On September 17, 2000, we issued **Audit of Orders Placed by the Public Buildings Service Against Multiple Award Construction Contracts**. In this review, we found that the use of MACs for construction work was inconsistent and opportunities to provide less costly and higher quality services were not being maximized.

This review has been closed by GSA's Office of Finance, Office of the Controller, the Agency's resolution tracking office.

Management Actions

PBS has drafted and circulated a revision to the Management Analysis Review System requiring adherence of ordering officials to laws and regulations governing the use of multiple award construction contracts.

During our **Audit of FTS' Use of Multiple Award, Indefinite Delivery Indefinite Quantity Contracts**, report dated September 19, 2000, we concluded that FTS must advance the concepts of fair opportunity and best value by moving to performance-based task order deliverables with price incentives. Changes are also needed for several operational processes and strategies that inhibit fair opportunity and the selection of a procurement vehicle that offers the best available solution to meet client needs. In addition, there were opportunities for FTS to improve its oversight function, revenue collection techniques, and contract administration.

Open Recommendations

- Provide training and development tools to enhance multiple award contract procurement practices within GSA;
- Remove inhibitors to fair opportunity and promote meaningful competition;
- Strengthen oversight and documentation controls to better safeguard assets;
- Examine a cost saving alternative technique for collecting contract access fees; and
- Adjust contract administration practices.

We are currently working with management to develop an action plan to implement the recommendations.

In the **Audit of Federal Supply Service's Use of Multiple Award Indefinite Delivery Indefinite Quantity Contracts**, report dated July 26, 2000, we found over 65 percent of the delivery orders sampled were not supported by documentation reflecting that vendors were provided a fair opportunity to compete for these orders. Additionally, the orders were not being reported to the Federal Procurement Data System. If the data in this system is inaccurate, the information provided by the Federal Procurement Data Center is not a useful tool for measuring and assessing the impact of Federal procurements on the nation's economy, nor the extent to which small and small disadvantaged business firms are sharing in Federal procurements.

Open Recommendation

- Develop a system to report delivery orders under FSS's various multi-vendor programs into the Federal Procurement Data System.

Management's actions are to be completed by January 15, 2001.

In the **Audit of FTS Wireless Telecommunications Services Program** report dated July 27, 2000, we noted that FTS is in the midst of implementing many new wireless program initiatives, but procurement-related vulnerabilities may impede program success. There is no cohesive acquisition plan or sufficient detail to ensure a proper and complete procurement design.

Open Recommendation

- Working with FSS, FTS should engage appropriate level procurement personnel to conduct adequate market research and prepare a cohesive acquisition plan for wireless services. If multiple award IDIQ contracts are indicated, FTS should incorporate provisions to ensure vendors receive fair opportunity to be considered.

Actions are to be completed by August 15, 2001.

Our **Audit of Consulting Services Provided by the Public Buildings Service Through Reimbursable Work Authorizations**, report dated July 5, 2000, showed that while providing financial and consulting services, PBS did not fulfill procurement requirements for full and open competition, and facilitated the award of task orders to consultants at the customers' request.

Open Recommendations

- Promote and provide competition required by the Federal Acquisition Regulation and contract clauses; and
- Provide services to customer agencies within the scope of PBS' authority and fulfill the mission of the Federal Buildings Fund.

All actions are to be completed by February 15, 2001.

Our audit of **Federal Supply Service's Industrial Funding Fee for the Schedules Program**, report dated May 28, 1999, showed that the current fee no longer approximates a break-even position, generating nearly twice the revenue needed to cover program costs in the past two fiscal years. The excess revenue is significant, approximately \$30 million each fiscal year, and is expected to continue. We also noted that the controls over fee collection, including the verification of contractors' sales reports and management reports, need to be improved.

Open Recommendation

- Improve oversight of the process by developing management reports to improve collection efforts, prioritize work, and critically assess the costs for administering the fee.

Action is to be completed by March 15, 2001.

OIG Work-in-Process

We are reviewing **Contracting for Services Under MAS Contracts** to determine whether FSS contracting personnel are negotiating fair and reasonable pricing prior to award of each MAS services contract. This is a program with an estimated contract value of \$11.2 billion. Our review is covering 82 percent of the total task order dollar value of \$254 million for the period April 1, 1999 through March 31, 2000.

In **Pricing Practices for Products Under MAS Contracting Program**, we are examining pricing obtained by FSS under GSA's MAS procurement program. In particular, we are evaluating the results of negotiations – in terms of pricing – in order to determine whether prices negotiated under MAS procurements meet regulatory most-favored customer pricing objectives. We are also specifically reviewing pricing practices and procedures on MAS contract extensions. Finally, we are reviewing the impact of diminishing numbers of preaward audits requested and used by contracting officials on pricing achieved for MAS products.

OIG Work Planned

Our FY 2001 audit plan does not contain any reviews in this area.

HUMAN CAPITAL

ISSUE: As a result of organizational downsizing and restructuring, major program streamlining, and personnel reductions through attrition and buyouts, much of GSA's corporate knowledge and expertise have been lost or displaced. Additionally, GSA is aggressively promoting speedier and less burdensome ways to purchase supplies and services, extending its initiative to be more responsive to its customers by empowering employees with greater responsibilities and authorities. Many employees have been transferred or promoted into procurement and contract management positions of responsibility without adequate training and/or experience, and have limited job knowledge.

The loss of institutional memory has fostered the notion of knowledge sharing. Federal spending for services related to the business management concept called "Knowledge Management" is expected to explode from \$400 million per year to nearly \$6.3 billion over the next 5 years. GSA has created a position, known as the Chief Knowledge Officer, to promote knowledge sharing and enhance GSA's workforce skills. Some of the expected initiatives will be in the form of changing promotion criteria and funding bonuses based on cost savings attributable to knowledge sharing practices or programs.

Recognizing that the average age of the employee in GSA is 47 years, that less than 1,000 employees are under 30 and nearly as many are over 60, and that nearly half of GSA's employees will be eligible to retire in the next 5 years, GSA launched an initiative called the "World-Class Workforce." Among its most prominent accomplishments to date are the promotion of a nationwide recruitment and orientation effort; use of GSA's University-On-Line for all employees without requiring prior permission or funding from supervisors; and development of a website that serves as an employee portal on workforce issues.

The phased closing of the Agency's distribution centers and forward supply points was to begin in October 1999 and be completed within 18 months. Because of continuing discussions with the Union, the Administrator announced that he was turning back the clock and would treat all operations as going concerns as they were in mid-May 1999. In October 2000, the case was presented to the Federal Service Impasses Panel. A final ruling is anticipated by March 31, 2001. Should the closure proceed, approximately 2,000 GSA employees nationwide would be displaced. A number of the displaced employees will be placed in other positions within GSA. Our concern is that these individuals may not have any experience in the area in which they are placed and may not receive the proper training and guidance commensurate with their new responsibilities.

OIG Work Done

Follow-up Review of Contract Workload Management. In our report of March 30, 1998, we concluded that the Agency still does not have a system to measure the MAS contract workload to ensure that there is a fair balance of work among the contract

officials. Some contracting officers were carrying a much larger share of the work than others were.

Open Recommendation

- Ensure planned automation of preaward and contract modification processes contains sufficient data necessary to manage the contracting process.

Management is submitting a revised action plan to the Agency's resolution tracking office. That revision will be forward to our office for concurrence.

OIG Work-in-Process

We are performing a follow-up review of **FSS Hardware and Appliances Center** that was reported in our December 1999 update to the Management Challenges. In that review, report dated August 26, 1999, we found that total Center staffing had declined in recent years and many of the employees who left were experienced contracting personnel. As a result, many of the Center's acquisition personnel were inexperienced, lacked training and expertise in MAS contracting, and lacked expertise in the items they were responsible for procuring. Resolution of that review has been achieved with GSA's Office of the Controller, Office of Finance, the Agency's resolution tracking office. Because of the significance of the conditions found during that review, however, we believe that a follow-up review is critical to determine if the conditions have, in fact, been corrected.

OIG Work Planned

Our FY 2001 Audit Plan includes a review of **Human Resources Planning in GSA**. The review will examine GSA's efforts regarding its work-class workforce initiative, as well as Service-related human capital efforts, i.e., learning opportunities for GSA employees, employee recruitment, and retention activities.

AGING FEDERAL BUILDINGS

ISSUE: GSA is being challenged to provide quality space to Federal agencies with an aging, deteriorating inventory of buildings and critical budgetary limitations in a competitive environment.

It is estimated that it would take several billion dollars to bring the building inventory up to standard. Since the Federal Building Fund generates annual revenue between \$4.5 and \$5 billion, most of which is committed to leased space costs, operating expenditures, and construction of new courthouses, finding funds for needed repairs is a major problem.

GSA needs to determine which buildings represent the greatest risk from a safety and operational perspective, which buildings will yield the best return on investment, what the Government's future space requirements are, and how to fund the highest priority projects in a timely manner.

OIG Work Done

On February 16, 2000, we issued **Audit of PBS' Environmental Management Program**. We concluded that the Agency should become more proactive in how it views and acts on environmental issues. It needs to address issues such as property contamination, compliance with Federal and state environmental laws and regulations, and liability for tenant activities.

Open Recommendations

- Establish an organizational framework to evaluate and coordinate regional activities;
- Expand the focus of the environmental program to include property contamination, compliance with Federal and state environmental regulations, and liability for tenant activities; and
- Prioritize the environmental projects on a nationwide basis, and develop a methodology to manage and mitigate the issues.

All actions are to be completed by March 15, 2001.

Management Action

Management is in the process of developing a national Environmental Management System.

OIG Work-in-Process

We are reviewing **PBS' Initiatives to Minimize Cost Growth on Prospectus Level Repair and Alteration Projects**. We have found that construction contract costs on prospectus level repair and alteration projects have experienced growth in excess of 20 percent. PBS has been promoting a variety of principles, methods, and techniques to reduce cost growth from change orders on its prospectus level repair and alterations projects. However, these initiatives have not been fully accepted or implemented by

PBS personnel. Some of these initiatives have been only partially implemented, others need to be reevaluated. In addition, PBS has opportunities to develop additional initiatives and address management problems related to change orders.

Our review of **GSA's Safety and Fire Prevention Practices** is evaluating whether PBS's programs have the structure, responsibilities, and processes to identify and mitigate safety issues to ensure personnel and visitors to Government space are adequately protected.

OIG Work Planned

Our FY 2001 Audit Plan includes a review of **PBS' Asbestos Management Program**. We plan to assess the effectiveness of the program to provide for the welfare of Federal workers and others in GSA space.

PROTECTION OF FEDERAL FACILITIES AND PERSONNEL

ISSUE: GSA's Federal Protective Service (FPS) is responsible for developing and coordinating national practices to safeguard life and property in GSA controlled facilities. In light of concerns raised by violent terrorist acts, the Department of Justice (DOJ) assessed the vulnerability of Federal office buildings, and Congress appropriated funds for GSA to implement DOJ security enhancement recommendations. Such improvements included additional security personnel and the purchase, installation, and operation of new security detection devices.

GSA faced short timeframes to rapidly expand FPS operations and improve security measures over Federal personnel and property. Recent OIG reviews identified deficiencies in security measure implementation and the reliability of the related management information tracking system. GSA is in the process of implementing recommendations designed to improve the security enhancement effort. Once federal facilities are brought up to minimum safety standards, FPS will need to ensure that adequate personnel are available to carry out its responsibilities. Also, GSA must establish an integrated security program that will gather intelligence, maintain technology, and keep a physical presence throughout the Federal and local law enforcement community.

OIG Work Done

On March 28, 2000, we issued **Audit of the Federal Protective Service's Contract Guard Program**. During the course of this review, we became aware of conditions that warranted management's immediate attention. We provided three Alert Reports to management on significant issues. These issues are incorporated into our overall Program report. We noted, among other things, that hundreds of guards were on post without valid suitability determinations; guards lacked the training necessary to perform their duties; armed guards were on post without valid firearm qualifications; and contract enforcement and oversight were not consistent.

Open Recommendations

- Develop a national training policy concerning formal hands-on training for x-ray and magnetometer screening devices, with certification upon successful completion;
- Require an FPS presence during contractor-provided training sessions to ensure the integrity of the training process; and
- Require regional officials to witness contractor firearm qualification sessions and track the qualification status of contract guards. In addition, develop a policy concerning the placement of unarmed guards at screening posts in major Federal buildings.

All actions are to be completed by January 15, 2001.

In our **Review of FPS Efforts to Resolve Contract Guard Deficiencies in New Jersey**, report dated May 16, 2000, we found that only limited improvements have resulted. The contractor is still largely non-compliant with critical contractual requirements such as training, testing, and supervision. In addition, due to difficulties in

obtaining weapon permits, the contractor continues to staff unarmed guards at posts that should be armed. Since management asked us to conduct this follow-up review, our report did not contain formal recommendations.

In our March 24, 1999 report, **Audit of Security Measures for New and Renovated Federal Facilities**, we concluded that GSA was applying enhanced standards where possible; however, the standards were too new to have been applied to every phase of all current building projects. We did note that GSA had not used assessment standards when considering commercial properties for new leases of space. In addition, certain regional personnel were unclear regarding which PBS work units should have lead responsibility for ensuring that security considerations are factored into each phase of project development.

Open Recommendations

- Develop a policy that defines the roles and responsibilities of individuals involved in implementing the enhanced security standards for new construction and major renovation projects; and
- Create security standards for newly-acquired leased space.

Actions are to be completed by August 15, 2001.

Management Action

PBS has drafted an instructional letter that establishes the Agency's policy on the posting of sensitive, but unclassified, information on the Internet relating to the security of owned or leased Federal facilities.

We reported, on September 14, 1998, that our review of the **Federal Protective Service's Program for Upgrading Security at Federal Facilities** disclosed that the database used for reporting regional status of security enhancement countermeasures to Central Office was unreliable. During the course of that review, we issued two Alert Reports, dated February 11 and June 29, 1998, informing management of significant audit concerns that warranted immediate attention.

Open Recommendation

- Require FPS regional officers to track and report actual cost data for all future countermeasures.

Action is to be completed by March 15, 2001.

Management Action

FPS has developed a new security countermeasure tracking system, intended to capture critical information elements lacking from the original system, such as actual costs, excess inventory, and enhanced editing capabilities.

Audit of Clearance Procedures for Child Care Center Employees, report dated November 14, 2000, shows that while there have been measurable improvements in the processing of background checks over the past few years, too much time elapses before the background check process for new employees is initiated, causing serious safety concerns. Providers do not have a clear understanding of the necessary requirements in the process and licensing agreements lack sufficient detail in this regard. GSA personnel are not always enforcing policies, and FPS is not processing the paperwork as early as possible. Finally, there are delays in submitting the paperwork and scheduling of appointments.

Open Recommendations

- Ensure that all parties are aware of their obligations and responsibilities regarding the background check process;
- Have Child Care Center Directors/Providers obtain the personal data necessary to initiate the “name check” from employees prior to starting work or not later than the first day they report for work;
- Establish a clearance package monitoring system or convince FPS to expand their data system (F.I.S.T.) to include the needed data elements;
- Have the Regional FPS offices establish procedures to ensure that fingerprinting of Child Care Center employees is done expeditiously, i.e., no later than a day or two after such employees are hired;
- Process the “name check” for child care employees as soon as notification of a completed, signed Statement of Personal History or “name check” data is received; and
- Direct the appropriate organizational elements to generate the reports of child care employees requiring background check updates and forward them to the appropriate Regional Child Care Coordinator for action.

We are currently working with management to develop an action plan to implement the recommendation.

We conducted a **Review of GSA’s Building Access Controls at a Major Federal Installation**, and issued our report on September 19, 2000. Because of a variety of security badges currently being used by GSA and the other tenant agencies within the installation, it is difficult for the security personnel to discern the validity of the badges and, generally, anyone is allowed to enter the building if they display any kind of identification badge. Also, GSA has no formal procedure to ensure that card keys are deactivated or security badges are returned when a holder no longer has a valid need for routine access to buildings at the facility.

Open Recommendation

- Based on the results of the upcoming physical security assessment, Regional officials, in conjunction with the Building Security Committee, should reevaluate access controls at the installation.

We are currently working with management to develop an action plan to implement the recommendations.

Megacenter Program, Federal Protective Service, was reviewed and our report was issued on January 30, 1998. Because of personnel shortages and a lack of financial resources, the Agency was planning to consolidate regional security control centers into four megacenters. We concluded that the megacenters could be used effectively to perform the functions of several control centers. To ensure that the concept is implemented as planned, we offered some suggestions, including: accessing criminal justice information systems in other states; developing contingency plans in case of a natural disaster; and ensuring technological upgrades and preventive maintenance of alarm systems.

Open Recommendations

- Develop alternative Criminal Justice Information System access procedures for states that will not allow access to their files from out-of-state locations should current efforts to resolve the access problem prove less than fully successful; and
- Have regions develop contingency plans to continue dispatch functions during natural disasters.

Management's actions are being tracked by GSA's Office of Finance, Office of the Controller, the Agency's resolution tracking office. Management is required to submit progress updates to Finance each 120 days, or until completed. The actual completion date is June 15, 2001.

On December 1, 1998, we reported on our **Audit of the Availability of Federal Building Design Plans**. We found that these design plans were, in many cases, available to the general public through several sources and were under consideration for inclusion on Internet web sites. We concluded that GSA needed to reevaluate current policy to determine when public access to plans represents a security threat, and decide if policy changes should be made, in light of the Agency's responsibility to safeguard property and lives.

Open Recommendation

Assess and update existing policy for dissemination of Federal building design plans.

Action is to be completed by February 15, 2001.

OIG Work-in-Process

We are reviewing the **Federal Protective Service's Intelligence Sharing Program**. The review is focusing on whether the Program represents a unified effort toward establishing necessary liaisons with the intelligence community and providing management with the necessary criminal intelligence to respond to credible threats against GSA-controlled facilities. Our work has found that regional FPS offices are devoting differing levels of effort and personnel resources to the Intelligence Sharing

Program. As a result, FPS does not have a true national unified Program to ensure consistent coverage for GSA-controlled facilities throughout the country.

We are reviewing the **Internal Controls Over Smart Cards** in the National Capital Region. Specifically, we are looking at the controls over the usage of smart cards as access to the GSA/NCR buildings. We are also evaluating whether adequate controls exist to ensure that smart card holders who no longer have a valid need for routine access to the building, especially contractors, return and/or deactivate their cards upon discharge.

OIG Work Planned

Our FY 2001 Audit Plan includes a review of the **Federal Protective Service's Federal Security Risk Management Program**. This review will focus on how well FPS Physical Security Specialists have adapted to the new probability-based automated risk matrix, which links threats, risk levels and countermeasure recommendations. The previous risk assessment process was geared more toward protection from assaults and thefts than acts of terrorism. The new Program is geared to a much wider array of potential threats to Federal facilities.

Programs Not Achieving Intended Results

We are not aware of any GSA program that is completely failing to meet its intended results.