



OFFICE OF INSPECTIONS AND FORENSIC AUDITING  
OFFICE OF INSPECTOR GENERAL  
U.S. General Services Administration

**Evaluation of GSA's Administration of the  
Army Childcare Subsidy Program**

**JE15-006  
September 8, 2015**

**Introduction**

**Background**

**Facts**

**Findings**

**Conclusion &  
Recommendations**

**Appendices**

In February 2015, the General Services Administration’s (GSA) then Deputy Administrator, Denise Turner Roth, brought to the attention of the GSA Office of Inspector General (OIG) critical problems with the Department of the Army’s (Army) Fee Assistance Program (childcare subsidy program), which had been administered by GSA since October 2003. The Deputy Administrator told the OIG that GSA had not been properly or adequately prepared when it assumed an expansion of the subsidy program in 2014, from 200 Army families to over 9,000. She also reported that the program had a backlog of 5,300 pending actions related to subsidy requests and that it could not be transferred, as planned, to the U.S. Department of Agriculture (USDA) in March 2015.

On February 17, 2015, the OIG initiated an evaluation of GSA’s administration of the subsidy program. Our objective was to assess the adequacy of GSA’s processes, procedures, and controls over the Army childcare subsidy program. During this evaluation, we learned that GSA contractors hired to process subsidy program applications were able to access sensitive information about Army families – including personally identifiable information (PII) – prior to completing required background investigations, fingerprint checks, privacy training, and non-disclosure agreements. We issued a Management Alert on April 27, 2015 (report number JE15-003) reporting this inappropriate access and recommending immediate action to correct it (see Appendix A).

This report contains the complete findings and recommendations of the OIG evaluation of GSA’s administration of the subsidy program. In sum, we found that largely as a result of poor planning, GSA has struggled to manage the subsidy program effectively and efficiently, and its processes to support Army families enrolled in the program remain inadequate. Furthermore, GSA never intended to commit to the subsidy program long-term, as the plan has been to ensure its transfer, along with other GSA programs. We found that GSA was poorly prepared for the scale of the expanded program; GSA’s systems for processing applications and invoices were overwhelmed by the massive increase in workload; and GSA has not yet developed a stabilization plan that has been agreed to by the Army.

As a consequence, many Army families are experiencing inadequate customer service and substantial processing delays while GSA attempts to get control of the program. Army program rules require families to cover all childcare costs while GSA processes their application, which are reimbursed after their application is approved. Army families have reported the need for non-Army spouses to give up jobs and education as childcare became unaffordable, and some families have begun to report collection efforts are being instituted by their childcare providers.

In the next sections of this report, we provide background information concerning GSA’s management of the Army childcare subsidy program. We then describe GSA’s administration of the expanded program, including its agreement

to the expansion in 2014, the problems that arose during implementation of the expansion, and GSA's attempts to address the problems. Next we describe the current status of the program and the impact GSA's implementation of the expansion to date has had on Army families. We conclude with our findings and recommendations.

In response to this report, GSA's Chief Financial Officer (CFO) stated that GSA agrees with our recommendations. We have attached the CFO's response in its entirety as Appendix B to this report.

GSA administers the childcare subsidy program for its own employees as well as for the United States Coast Guard, National Park Service, and United States Customs and Border Protection. Between 2003 and August 2014, GSA also administered the Army childcare subsidy program for approximately 200 Army families enrolled in federal childcare centers. The programs are administered from a GSA branch office in Kansas City, Missouri, which is part of GSA's Office of the Chief Financial Officer (OCFO). In April 2014, GSA's workload for all of the childcare subsidy programs it administered totaled approximately 1,400 families.

The Army childcare subsidy program assists eligible Army families in reducing the cost of off-post childcare when on-post options are not available. Army Fee Assistance is the Army's contribution towards the total cost of off-post childcare, and compensates for some or all of the gap between the on-post rate and the higher off-post rate.

GSA is responsible for administering the program based on Army guidelines. Army families must fill out an application form and attach supporting documents including federal tax returns, current active duty orders, pay statements, school schedules, and certification of non-availability of on-post childcare. Childcare providers must submit a copy of a state license, the most recent inspection report dated within the past 12 months, a valid national accreditation, the provider's most recent posted childcare rates, and a complete provider application form.

Childcare providers email invoices to GSA on a monthly basis for each child enrolled. GSA staff pay invoices only when they confirm an exact match between all invoice data fields and GSA records.

For over a decade, GSA managed the Army childcare program under a "caseworker" model, in which a single GSA representative handled all of a family's requests from application to certifying invoices for payment. GSA representatives would review and approve family and childcare provider applications, which entailed working with the families and providers to obtain any missing documentation. If a family had a question about their subsidy account or needed to submit a missing document, they could call or email their GSA representative directly. The representatives would also calculate the subsidy amount; process new actions on the account, such as re-certifications of eligibility, childcare provider changes, and additions or removals of enrolled children; provide customer support; and certify invoices for payment. Using this system, and given the relatively low volume of Army families (approximately 200) and childcare providers (approximately 46) in the initial program, one GSA representative and one contractor were administering the entire Army program.

According to our interviews with Army Installation Management Command childcare officials and GSA personnel, the Army was very satisfied with the high level of customer service provided by GSA during its administration of the initial program.

## Expansion agreement

On April 3, 2014, GSA agreed to expand its administration of the Army program to include families in private childcare centers. GSA agreed to enroll families new to the program beginning in August 2014, and to accept the transfer of families enrolled with the previous contractor beginning in October 2014. GSA documents reflect that OCFO officials were on notice, at least since 2011, that an expanded Army program would add well over 9,000 families to GSA's caseload, and that the new Army families would be using private childcare providers. As of August 5, 2015, more than 5,000 private childcare providers are enrolled.

When GSA signed the expanded agreement in April 2014, the agency was considering a transfer of its entire financial management line of business (FMLoB), including GSA's childcare subsidy program. Internal GSA documents reflect that because of the plans for the FMLoB migration, GSA could not provide the Army with a long-term commitment for the childcare subsidy program but would work to ensure the subsidy program's transition along with other GSA financial management programs.

With the expansion, GSA agreed to meet certain customer service timelines for Army families. Those timelines specified that completed applications should be approved within three business days (later extended to ten), invoice payments processed

within seven to ten business days, customer service inquiries responded to in one day, and all customer service issues resolved within five business days or forwarded to the Army for resolution (see Figure 1).<sup>1</sup>

## GSA's implementation of the Army program expansion

According to former CFO Michael Casella, at the time the expansion agreement was signed in April 2014 there was not "good communication" between the senior executive director in Washington, DC and the Kansas City onsite division director.

CFO Casella told the OIG that, in hindsight, GSA should have told the Army they needed more time to put the right systems in place before taking on the expanded program. He also told us that not enough attention was paid to what was happening on the Army expansion in the summer of 2014, and cited "big errors" in planning, including the delay in getting contracts in place to bring contractors on board before the expansion occurred, and the agreement to process new applications beginning in August 2014.

When GSA began implementing the expansion in August 2014, GSA program personnel were using cloud email to manage incoming applications and childcare provider information, and a digital document repository system to house all program actions

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1. In April 2015, the interagency agreement was amended, extending the processing time for completed applications to 10 business days.



**Figure 1.** GSA's customer service responsibilities

and official documents of record. In addition, program personnel were using spreadsheets to process payments for invoices. In September 2014 GSA had begun to replace the spreadsheets with a software application. However, according to program staff, the software application was underdeveloped and had limited functionality.

The cloud email also did not fully support the needs of the childcare subsidy program as it was too small in scale to support the number of childcare staff who would need access and the increased volume of families' information. Each mailbox had a limit of 25 users which ultimately proved inadequate for the number of staff who would need simultaneous access to the cloud email accounts. Further, the storage capacity of each mailbox was insufficient for the large volume of emails and attachments being sent in by families. As a result, GSA periodically deleted emails from the system.

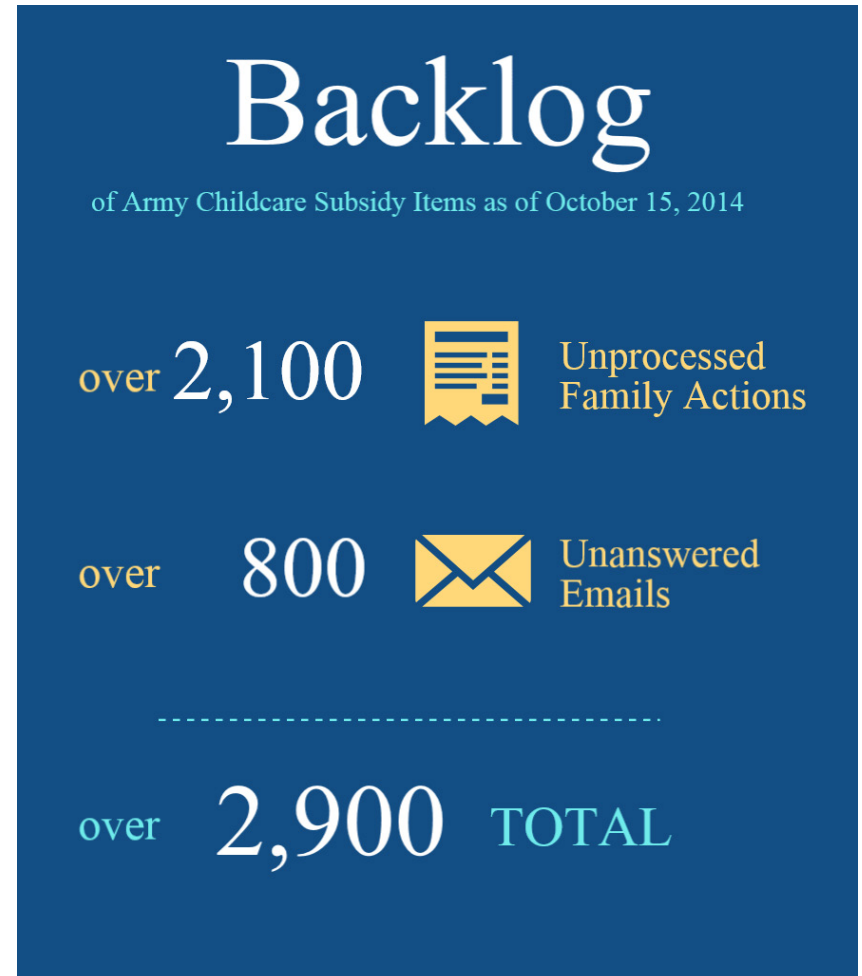
The process of approving family applications and calculating the amount of subsidy was, and remains, complex, manual, and time consuming. GSA childcare staff had to manually validate the information in each application to ensure it was correct and complete. Staff contacted the family to request any missing items by sending emails through the shared cloud email mailbox. Responses were manually sorted throughout the day to determine the intended childcare staff recipient and then manually attached to a family's application in the document repository system. Childcare provider documents were also emailed to GSA and

subject to the same processing and data validation inefficiencies as family applications.

Before implementing the expansion, GSA did not perform a full needs assessment to determine what IT systems would be necessary to accommodate an additional 9,000 families – a 45-fold increase in Army business. Internal GSA documents dated March 2014, however, reflect an assessment that administration of the increased workload of the program would require over 100 additional spreadsheets and that the related maintenance, consolidation, and verification of program information could not support a 9,000 family growth. The documents contain a proposal to seek a software application solution for invoice processing. The documents also reflect that 55 contractor staff would be needed if the proposed software application was implemented and 72 would be needed if it was not. However, GSA had only ten contractors on board when the expanded program was implemented in August 2014, and the proposed software solution was not fully functioning.

By October 15, 2014, a significant backlog developed. The backlog consisted of over 2,100 pending actions related to subsidy requests and over 800 unanswered emails (see Figure 2).

On November 13, 2014, GSA's transfer of the FMLoB to USDA was approved by OMB. The plan included transferring the Army subsidy program on March 31, 2015. The feasibility of a March transfer was placed in doubt, however, by an internal December



**Figure 2.** Backlog of Army Childcare Subsidy items as of October 15, 2014



2014 Business Plan for Fiscal Year 2015 that addressed GSA's administration of the childcare program. The business plan identified additional staffing needs, the email system shortfalls, and case management needs for the program.

## **GSA's efforts to address the growing backlog**

In December 2014, Gerard Badorrek was appointed the new GSA CFO. According to CFO Badorrek, by mid-January 2015, the program's problems came to the attention of former Administrator Daniel Tangherlini, who had reportedly received a letter from a military family in Hawaii stating that GSA was not processing their childcare subsidy application. According to CFO Badorrek, a 5,000 item backlog and "thousands of emails unaddressed" also came to the attention of the Administrator's office, and senior leadership learned GSA was still working on actions from September and October.

By this time the OIG had also begun to receive complaints from frustrated Army families alleging poor customer service, delays in application processing, and non-payment of subsidies. The OIG forwarded these initial complaints to GSA management for resolution.

CFO Badorrek travelled to Kansas City in January 2015 to assess the program, and upon his return took the following steps to

address program issues:

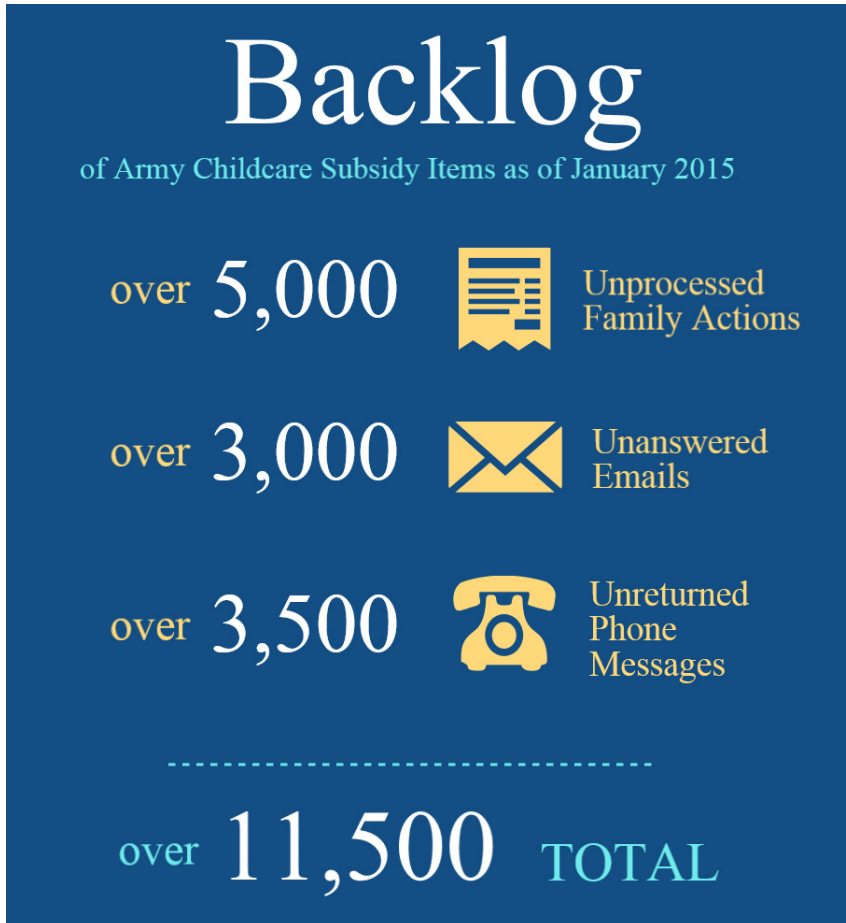
- Assigned direct day-to-day oversight of the program to a senior executive, the Director of the Office of Financial Policy and Operations in Washington, DC;
- Shifted the program from the caseworker approach to a project specialization model, in which program personnel were assigned to individual tasks, such as childcare provider rate verifications, subsidy calculations, and checklist review;
- Awarded a new \$276,000 services contract for the hiring of an additional 20 personnel; and,
- Assigned the OCFO Chief of Staff to institute weekly reporting and high-level meetings to track comprehensive program metrics.

On February 12, 2015, then Deputy Administrator Denise Turner Roth briefed the OIG on critical problems besetting the program, including a backlog of approximately 5,300 unprocessed actions, insufficient program funding for the remainder of the fiscal year, and that the program would not be ready for transfer to the USDA as part of the FMLoB migration scheduled for March 31, 2015.<sup>2</sup> Deputy Administrator Roth and her staff told the OIG that they intended to achieve a "steady state" for the program before transferring it to USDA, and that the target date for the transfer

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2. Deputy Administrator Roth became the Acting Administrator on February 23, 2015.





**Figure 3.** Backlog of Army Childcare Subsidy items as of January 2015

3. OIG Management Alert Report, *Army Fee Assistance Program: Army Families' Sensitive Information at Risk*. April 27, 2015. The unreturned phone messages also included those left for the U.S. Coast Guard childcare subsidy program. GSA was unable to distinguish those left by U.S. Coast Guard from Army families.  
 4. The backlog depicted in Figure 3 does not include unpaid invoices because GSA did not track metrics for unpaid invoices or inform the OIG of any invoice backlog until June 2015.

had been changed to May 31, 2015.

Deputy Administrator Roth also told the OIG that GSA had begun negotiations with the Army to obtain additional funding to support increased staffing levels and a new “customer relationship management system” to replace the document repository system, which was struggling to support the workload associated with the additional 9,000 families. In response to this briefing, the OIG initiated this evaluation.

In March 2015, the Director of the Office of Financial Policy and Operations who had been assigned direct day-to-day oversight for the childcare program left GSA to work for another federal agency. CFO Badorrek retained executive oversight for the program and reassigned the direct day-to-day oversight and monitoring role to his Chief of Staff, a GS-15 staff officer in Washington, DC. Also in March 2015, GSA had increased the number of contractors supporting this program to 85.

In April 2015, the OIG issued a Management Alert reporting that as of January 2015, the backlog of unprocessed childcare subsidy actions, unanswered emails, and unreturned phone messages requiring processing had reached over 11,500 (see Figure 3).<sup>3</sup> This was more than double the amount of unprocessed actions GSA had previously reported to the OIG.<sup>4</sup> We also reported that GSA contractors hired to process subsidy program applications

were able to access sensitive information about Army families, including PII, prior to completing required background investigations, fingerprint checks, privacy training, and non-disclosure agreements.

Also in April 2015, the Army agreed to GSA's request for additional program funding and increased the contract amount by \$4.4 million.<sup>5</sup> The additional funding was used to support increased staff levels (a total of 145 program personnel: 60 GSA employees and 85 contractors) and to pay for a new customer relationship management system.

On May 12, 2015, GSA implemented the first phase of the new customer relationship management system, which was expected to streamline the document intake process, automate portions of the application process, replace the document repository system, provide program metrics, and overall to assist staff in reducing the backlog. However, GSA program management reported that the subsidy staff had difficulty using the new system. The result was further increases in the backlog.

In June, GSA added a family handbook to the website and revised the subsidy applications to help families better understand application requirements. CFO Badorrek also assigned a senior executive, the Director of Regional Financial Services, to oversee efforts to reduce a part of the backlog related

to the difficulty in verifying childcare provider rates. GSA also awarded a new task order for an additional 12 contractors to answer help desk calls. These 12 contractors, however, were trained to provide only scripted answers to basic program questions and to refer specific account questions to GSA regional program staff.

The transfer of GSA's childcare subsidy program to USDA as part of the FMLoB migration remains on hold as the agency attempts to achieve stabilization. In July 2015 CFO Badorrek advised Acting Deputy Administrator Adam Neufeld that the most recent target date for the move, September 30, 2015, should be pushed back by three months. We found that as of July 31, 2015, GSA had not established formal performance indicators and benchmarks by which to measure progress towards stabilization of the program.

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5. From the time of the expansion in FY 2014 through FY 2015 the value of GSA's interagency agreements with Army totaled over \$13M.

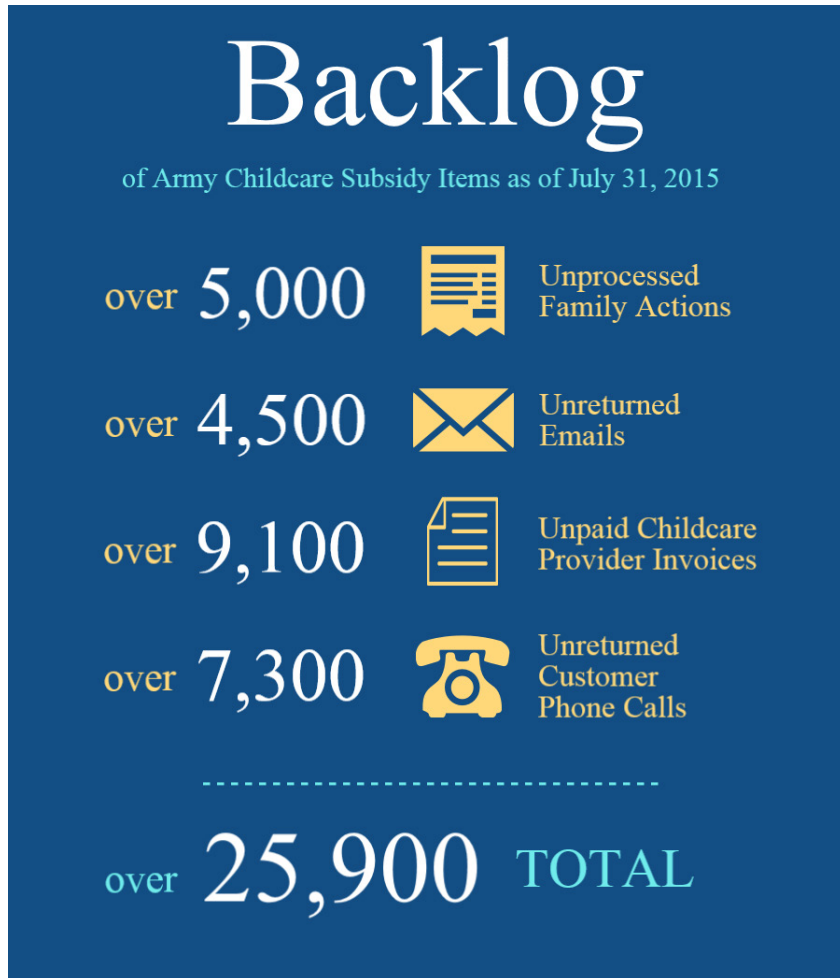


Figure 4. Backlog of Army Childcare Subsidy items as of July 31, 2015

Despite the efforts taken to address problems in administering the expanded program, GSA reported to the OIG on July 31, 2015, that the inventory of Army childcare subsidy items requiring action has increased to over 25,900 (see Figure 4). The backlog includes unprocessed family actions, unreturned emails, unpaid childcare invoices, and unreturned customer phone calls.

**Unprocessed family actions and unreturned emails**

As of July 31, 2015, GSA had not completed processing over 5,000 family actions, including new applications, re-certifications of childcare program eligibility, childcare provider changes, additions and removals of children to and from the program, and other benefit changes. In addition, GSA had not begun processing over 4,500 unanswered emails.

Under Army customer service timelines, GSA is required to process completed applications within 10 business days. However, Army family complaints indicate that GSA routinely exceeded this customer service requirement, in one case by more than seven months. GSA’s internal planning documents indicate that application processing goals currently being considered are well beyond the 10 business days that Army requires.

**Unpaid childcare provider invoices**

GSA childcare subsidy program personnel use a series of invoice error codes to categorize invoices that need resolution before

they may be paid. On a daily basis, a staff member compiles all unpaid invoices that require resolution and enters them into a spreadsheet used by program managers to track the backlog of unpaid invoices. The unpaid invoices are then filed for resolution.

While our evaluation was ongoing, Acting Administrator Roth and Acting Deputy Neufeld asked the OIG to evaluate the high error rate of unpaid invoices. The OIG conducted fieldwork to evaluate the unpaid invoice backlog. According to GSA's invoice backlog tracking spreadsheet, as of July 30, 2015, 63% of the unpaid invoices were set aside for resolution because of the following issues:

- The Army family did not have a valid certificate of eligibility on file;
- The Army family did not appear in the invoice processing system; or
- Subsidy amounts did not match what was recorded in GSA's invoice processing system.

Our examination of a sample of invoices, along with interviews of program staff, confirmed that these were the three most common reasons for the unpaid invoices. However, we found the invoice backlog tracking spreadsheet contained inaccuracies. On July 29, 2015, we performed a physical count of all unpaid invoices GSA had set aside for resolution. We counted a total of

8,770 invoices and sampled 342 to test whether they had already been paid and whether GSA had accurately entered them into the unpaid invoice backlog tracking spreadsheet.<sup>6</sup>

We determined that 15% of the invoices from our sample had already been paid, while the remainder required resolution by GSA to determine if they are payable. We also found that 30% of unpaid invoices were not entered into the spreadsheet. Further, 10% of the unpaid invoices in our sample were entered in the spreadsheet multiple times.

GSA offers no formal training to staff who perform invoice keying and invoice error remediation functions, nor were there any formal standard operating procedures given to staff who perform those job duties. During our interviews, program staff members assigned to invoice work advocated for more formal training and guidance.

### **Unreturned customer phone calls**

Between January and May 2015, the GSA help desk received more than 42,000 incoming calls, an average of 432 calls and 42 voicemails per business day. The help desk representatives answered only 32% of these incoming calls and as a result, many callers spent 15 minutes on hold and were then forced to either leave a voicemail or hang up.

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6. We did not conduct a statistical sample. The invoices were segregated by error code and within each error code, we sampled every 25th invoice. These totaled 342 unpaid invoices.

GSA staff told us they did not have the “luxury” to listen to all of the families’ voicemail messages because of the backlog of higher priority tasks. As a consequence, the families’ voicemail messages were periodically deleted due to size limitations of the voicemail inbox. According to GSA program staff, the call and voicemail handling system used by the help desk was not designed to support the high volume of calls received.

By June 2015, GSA staff had logged the telephone numbers associated with 5,100 voicemails, but did not retain any message content. GSA program staff reported that they returned calls to some of the logged telephone numbers, but took an average of 31 business days to do so. In June 2015, program managers decided to delete and not return calls to telephone numbers associated with the over 4,000 voicemails left unreturned from December 2014 through June 2015.

We reviewed GSA program metrics kept for the new help desk contract staff who started in June 2015. The new contract staff can only answer basic program questions from a frequently asked questions script and must forward account-specific inquiries to staff in Kansas City. We found that the new contract staff appeared to be more successful at answering the phone lines than the previous staff, with an average of 90% of calls answered. However, GSA is still demonstrating poor response rates to account-specific inquiries routed to Kansas City staff. We found

that for families who called in June with a specific account question requiring a response, staff responded to about 56% of the calls with an average response time of five business days. As a result, the backlog of unreturned calls is over 7,300 as of July 31, 2015.<sup>7</sup>

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7. The 7,300 figure includes the 4,000 unreturned voicemails and 3,300 calls referred to program staff in Kansas City that remain unreturned.

## Reports of hardship

As described earlier, Army program rules require families to cover the full cost of childcare while GSA processes applications for subsidy payments. We reviewed Army family emails to GSA and complaints to the OIG. Army families have reported experiencing financial strain caused by GSA's delays in approving subsidy payments. Some Army families report covering the full cost of childcare for months while awaiting GSA action. Army families also expressed extreme frustration with GSA's failure to respond to their telephone calls and e-mailed inquiries. In some instances, Army families urged GSA to take action before the family's financial situation worsened, yet received no response. Army families reported being forced to consider having a spouse quit a job, abandon a small business, or quit school in order to leave one parent at home with their children. Examples of Army families' requests for assistance include:

- An Army soldier expressed frustration about unanswered phone calls and emails sent to the help desk, stating, "It is to the point that my [spouse] and I are now filing for bankruptcy. I cannot stress how much we need assistance with day care. Right now we are paying \$1,000 a month out of pocket."

- One Army spouse emailed GSA, "We just had to pay \$1,500 to bring our account to a zero [balance] because of your failure to provide us with notice to re-certify and because of your failure to respond to our multiple inquiries." In a separate email, the spouse stated, "This is unacceptable. Still no call back from anyone. It has been two months since we started this process. I keep trying to call and leave messages and no one picks up and no one returns our calls."

- A soldier reported to the OIG hotline, "I need help. My provider has put my account in collections for fees which were supposed to be paid by GSA from May and June."

- An Army spouse stated, "I am to the point I will have to drop out of school to stay home with my children because the daycare has not received an updated form and I'm now going on 2 months of possible full price being owed. I need help today." The spouse later emailed, "I spoke again with my daycare yesterday and they still haven't heard anything have I been assigned to anyone yet? I'm going to have to pull my children out of daycare by the end of the month if they don't see anything. I can't afford to pay full price while we wait and right now they have a balance from december [*sic*]."

- Another spouse emailed GSA, "I am coming really close to losing my job due to this pending approval for childcare fee assistance."



On May 8, 2015 Acting Administrator Roth responded that GSA had taken these immediate actions to address the five recommendations identified in the Management Alert:

1. Fully enforce CIO P 2181.1, Homeland Security Presidential Directive-12 Personal Identity Verification and Credentialing, October 20, 2008.
2. Enforce training requirements for contractors and provide proof of training to the OIG.
3. Ensure that all required Non-Disclosure Agreements are executed and will provide copies to the OIG.
4. Suspend telework by anyone in the childcare program as of May 5, 2015, until GSA can ensure that any remote access of PII is in compliance with GSA rules and the contracts' terms and conditions.
5. Issue more formal procedures regarding PII handling, and on April 29, 2015, reiterated instructions for phone verification.
6. Provide credit monitoring to all impacted families who have submitted applications to the program.

**Figure 5.** Corrective actions taken by GSA to address the five recommendations identified in the Management Alert.

- An active duty soldier stated, “[My spouse] and I applied for assistance in December with two children in childcare and it is getting to the point where we will soon have to take our children out of childcare because we simply can’t afford it. We have been spending our small savings hoping that your agency’s assistance will come through. Removing the children from childcare will have devastating consequences for [my spouse]’s budding small business as [my spouse] will have to put that aside to care for the children during the workday.”
- One active duty soldier expressed frustration and worry over deploying with a childcare application still pending, stating, “I am deploying in the next week and would rather not leave my pregnant wife who works full time and takes care of our 2 year old with yet another loose end that she would have to take care of in my absence.”

## Security breach

Army families’ sensitive information was compromised. As we reported in our April 2015 Management Alert report, GSA contractor personnel hired to process the applications were able to access sensitive information, including personally identifiable information, without any background investigations or fingerprint checks in place. GSA provided the OIG with a corrective action plan to address the security breach (see Figure 5).



However, on June 11th, 2015, GSA reported to the Department of Homeland Security's U.S. Computer Emergency Readiness Team that another security breach had occurred. Over 200 unauthorized GSA-credentialed users had access to the childcare subsidy information in the customer relationship management system, potentially exposing 8,000 families' personally identifiable information. This exposure was caused by GSA's failure to restrict access controls. GSA removed the unauthorized access on June 12, 2015. On June 22, 2015, the CFO Chief of Staff reported the incident to OIG. On June 23, 2015 the OIG tested access to the information and found that it had been restricted.

## **GSA failed to plan adequately for the expanded program.**

The OIG found that the primary cause of the ever-increasing backlogs following GSA's implementation of the expanded Army childcare subsidy program was GSA's failure to plan adequately for the expansion. GSA officials were on notice since 2011 that the proposed expansion would add over 9,000 families to the agency's caseload, that the new Army families would be using private rather than federal childcare services, and that GSA's existing processes and personnel could not support a 9,000 family growth. Yet before implementing the expansion, GSA did not perform a full needs assessment to determine what IT systems were necessary to accommodate the 45-fold increase in Army families, and did not ensure that it had the necessary systems and personnel in place when the expanded program was implemented.

Former CFO Casella, who was responsible for executive oversight of the expanded program at its inception, acknowledged this failure to the OIG. CFO Casella told us that in hindsight, GSA should have told the Army that it needed more time to put the appropriate systems in place before taking on the expanded program. He also told us that not enough attention was paid to the Army expansion in the summer of 2014, and cited "big errors" in planning, including the delay in getting contracts in place to bring contractors on board before the expansion occurred, and the agreement to process applications beginning in August 2014.

As a result of this failure in planning, GSA was poorly prepared for the expansion of the Army childcare subsidy program. At implementation of the expanded program, staffing levels were far too low and staff lacked appropriate training and security screening. The IT systems used to support the program did not interface with each other, were inadequate, and were unable to maintain GSA's customer service model.

## **Inadequate and incompatible IT systems were overwhelmed by the volume of the expanded program.**

When GSA began administering the expanded program in August 2014, program personnel had to manually extract applications, supporting documents, and invoices for Army families and childcare providers from the cloud email system and enter them into the document repository system for processing. Because the email and document repository systems were not automated, staff switched between systems to process applications and certify invoices for payment. Staff manually moved attachments received by email into the document repository system, so applications and attachments had to be joined manually. This caused many applications to be significantly delayed.

In addition, GSA's cloud email was not able to adequately support the expanded subsidy program. The storage capacity and user limitations of the cloud email resulted in GSA periodically deleting emails from the system. Similarly, the voicemail system

did not adequately support the expanded subsidy program. The storage capacity of the voicemail system was insufficient for the high volume of voicemails being left by Army families. As a result, GSA periodically deleted voicemails from the system.

The document repository system also proved to be inefficient. Program officials told us it was used for something it was not designed to do and was needlessly difficult to operate and prone to routing errors.

The invoice payment process was similarly manual, complicated, and prone to the submission of erroneous or missing information. Moreover, the spreadsheet used by program managers to track the backlog was inaccurate.

When the frailties of these systems met the massive increase in workload, substantial delays resulted and backlogs quickly mounted. As of July 31, 2015, GSA's efforts to improve the systems and add resources have failed to reduce the backlog.

## Conclusion

As a result of the planning and process failures outlined in this report, Army families participating in the program experienced inadequate customer service and substantial processing delays. Customer phone calls went unanswered and voice messages were ignored and deleted. GSA took up to seven months to process some subsidy applications. Families have reported severe financial and other hardships resulting from the processing delays. Access to Army families' sensitive information was inappropriately provided to contractors before they had completed required background checks and training and efforts to remediate that security access breach failed to prevent a second access breach.

As of the date of this report, GSA still intends to transfer this program to USDA. However, GSA has not obtained agreement from the Army and USDA for actions needed for a successful transition. The planned migration of the program to USDA has been placed on hold while GSA struggles to get control of the backlogs, and GSA has not yet defined a plan or benchmarks for achieving the "steady state" or "stabilization" of the program it desires before transferring the program to USDA.

## Recommendations

1. GSA should establish a plan, with performance indicators, benchmarks, and implementation strategies to eliminate the backlog, achieve customer service timelines satisfactory to the Army, and ensure the security of Army families' sensitive information.
2. To avoid further disruption to Army families in the event the program is transitioned to USDA, GSA should obtain USDA and Army agreement on conditions for program transfer.

## Management Comments

Management comments can be found in their entirety in Appendix B. At the time of our evaluation GSA had not yet finalized formal benchmarks and milestones, but had identified preliminary stabilization goals. These preliminary goals included:

- 90% of new applications, re-applications, and re-certifications completed within 90 days;
- 90% of provider changes, rate/attendance changes, and adding a child completed within 60 days; and
- 90% of invoice payment processed within of 20 days.

We note that in GSA's August 10, 2015 response to the Committee on Oversight and Government Reform, GSA identified the above as established program metrics. The Army has not agreed to these metrics.

The OIG began an evaluation of GSA’s administration and customer service support of the Department of the Army childcare subsidy program on February 17, 2015. Our objective was to evaluate GSA’s processes, procedures, and controls over the childcare subsidy program it services for the Army. In order to accomplish our objective, we:

- Conducted onsite visits to the regional program office;
- Interviewed agency management, program officials, staff, and contractors performing work on GSA’s Army childcare subsidy program;
- Interviewed Army Installation Management Command (IMCOM G9) officials;
- Reviewed program performance metrics kept by management;
- Observed onsite processes and program functions;
- Reviewed criteria relevant to the program, including GSA policies and procedures; Army subsidy rules and guidelines; interagency agreements, and contract documents;
- Reviewed other types of documentation pertinent to this program, such as OPM background investigation data, law enforcement data, and Army families’ subsidy data;
- Performed a physical count of unpaid invoice backlog, and;
- Tested a judgmental sample of 342 invoices for accuracy and validity.

Because our testing sample was judgmentally selected and was not statistically sampled, our findings cannot be generalized to the population of unpaid invoices. Although our findings are not generalizable, they are indicative of the issues surrounding the unpaid invoice backlog.

Our evaluation was conducted from February through August 2015 in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) “*Quality Standards for Inspection and Evaluation*,” which provides a framework for inspections and evaluation work by the Federal Offices of Inspector General

Results of OIG Management Alert Report, *Army Fee Assistance Program: Army Families' Sensitive Information at Risk* (JE15-003), April, 27, 2015:

## **Findings**

1. GSA allowed contractors access to Army families' sensitive information and PII without completed initial background investigations, including fingerprint checks.
2. GSA did not ensure that contractors completed required training and non-disclosure agreements, and did not consistently apply criteria in allowing them to access PII remotely.

## **Recommendations**

1. GSA should enforce its policy CIO P 2181.1, Homeland Security Presidential Directive-12 Personal Identity Verification and Credentialing, October 20, 2008, that states access to moderate impact applications that contain Privacy Act information should be restricted until full access is granted after the appropriate personnel investigation is completed with favorable results.
2. GSA should enforce its training requirements for contractors handling PII and take immediate action to ensure all childcare subsidy program contractors have completed the required training.
3. GSA should ensure that required non-disclosure agreements are signed by contractors before beginning work.
4. GSA should consistently apply criteria for determining when it is appropriate for personnel to work remotely with PII and other sensitive information.
5. GSA should establish standard procedures to verify the identification of callers before any childcare information is discussed via phone.



GSA Office of the Chief Financial Officer

September 3, 2015

MEMORANDUM FOR PATRICIA SHEEHAN  
DIRECTOR  
OFFICE OF INSPECTIONS AND FORENSIC AUDITING (JE)

FROM GERARD BADORREK   
CHIEF FINANCIAL OFFICER  
OFFICE OF THE CHIEF FINANCIAL OFFICER

SUBJECT Evaluation of GSA's Administration of the Army Childcare Subsidy  
Program (JEF15-015-000)

Thank you for your draft report of August 28, 2015, "Evaluation of GSA's Administration of the Army Childcare Subsidy Program". We appreciate the partnership of the Office of the Inspector General in evaluating the Army Child Care Subsidy Administration program, and in providing recommendations. We concur with your recommendations to help us address the significant challenges that GSA has faced in administering this program. We are very concerned about the welfare of our military families, and share the IG's concern that it is critically important for GSA to eliminate the backlog of family actions as quickly as possible and provide better service to families and childcare providers.

As noted in the August 28, 2015 report, GSA has taken a number of steps to improve the management of the program, including increasing staffing through additional surge contractors and Federal detailees, implementing a new system to manage information and workflow, simplifying the application process for Army families, and improving the instructions that we provide on our website.

We have been disappointed that these actions did not result sooner in a reduction of the backlog. Our efforts to hire contractors were impacted by on-boarding issues and finding contractors with the right skill-set so that we were not able to staff the program adequately until almost the end of July. During that time, the backlogged transactions increased substantially, as noted in the IG report. In addition, the sheer volume of backlogged transactions has created an exponential increase in workload associated with phone calls and emails requesting status of application. Finally, our number of childcare providers in the program has doubled since October 2014, adding additional strain to the limited resources in place until the end of July. Overall, the Army Childcare Subsidy Program is receiving approximately 24,000 transactions including emails, phone calls, and invoices on a monthly basis. The confluence of these factors resulted in the large backlog described in the IG report. Because of the complexity of the process, the backlog and poor communication by us, each childcare application typically generates several actions, from emails to phone calls to invoice errors.

Since adding and training over 60 new contractors and detailees to the program in July and August, we have seen measured improvement in processing. For example, we completed an

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average of 55 new family actions daily over the last month compared to less than 28 per day during the month of March. We now answer the phone on the first call 80 percent of the time, compared to 40 percent in March. This improvement is not as great as we would like it to be, but we expect to eliminate the backlog by the end of the calendar year. We are seeing some promising signs. For example, the number of emails that have not been reviewed decreased from over 4,000 on July 31, 2015 to 621 on September 2, 2015, a reduction of over 80 percent. This brings the total inventory to just three days of incoming emails.

We know that overall progress is not yet adequate, and we will need to continue to work diligently to move applicants through the entire process, not just the email queue. We are striving every day to increase the number of phone calls we respond to, invoices we pay and family actions we complete, and our efforts to increase staffing are beginning to convey positive results.

We will continue to augment and adjust resources as appropriate throughout the program to continue progress in reducing backlogged transactions. During the coming months, GSA will continue to monitor production targets on a daily basis for all steps in the subsidy administration process, and will continue to update Congress and the Inspector General.

We are also meeting with Army to discuss their long-term plans for the Child Care Subsidy Program. We understand that Army is considering a range of options for administering the program, and we will work to support their decision on the program's future. Once they have decided on a firm path forward, we will work with them to detail a transition plan, including the conditions for program transfer.

I thank you again for your support as we work to reduce the transaction backlog and increase the quality of service for military families and childcare providers.



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General Services Administration

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Introduction

Background

Facts

Findings

Conclusion &  
Recommendations

Appendices