

REVIEW OF  
FEDERAL TECHNOLOGY SERVICE'S  
CLIENT SUPPORT CENTER  
CONTROLS AND TESTING OF CONTROLS  
SOUTHEAST SUNBELT REGION  
REPORT NUMBER A050009/T/5/Z05021

MAY 18, 2005



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

---

DATE: May 18, 2005

REPLY TO  
ATTN OF: Great Lakes Region Field Audit Office (JA-5)

SUBJECT: Review of Federal Technology Service's Client Support Center  
Controls and Testing of Controls – Southeast Sunbelt Region  
Report Number A050009/T/5/Z05021

TO: Jimmy H. Brigeman  
Acting Regional Administrator (4A)

Barbara L. Shelton  
Acting Commissioner, Federal Technology Service (T)

This report presents the results of the Office of Inspector General's audit of the Federal Technology Service (FTS) Client Support Center (CSC) in the Southeast Sunbelt Region (Region 4). The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375) directed the Inspectors General of the General Services Administration (GSA OIG) and the Department of Defense (DOD OIG) to jointly perform a review of each FTS CSC and determine whether each CSC is compliant, not compliant, or not compliant but making significant progress, with Defense procurement requirements.

#### **Objectives, Scope and Methodology**

To review the adequacy of policies, procedures, and internal controls in each CSC, we analyzed a random sample of procurement actions executed between August 1, 2004 and October 31, 2004. We also analyzed a judgmental sample of existing orders and the steps taken to remediate any past problems in these existing orders. For the Southeast Sunbelt Region, our sample included 17 new awards and five existing orders, valued at \$147 million and \$258 million, respectively. The audit was conducted between October 2004 and March 2005, in accordance with generally accepted Government auditing standards.

#### **Results of Audit**

We determined the Region 4 CSC to be not compliant but making significant progress. The Region has implemented national controls identified in the Administrator's "Get it

230 South Dearborn Street, Suite 408, Chicago, IL 60604

Federal Recycling Program



Printed on Recycled Paper

compliance deficiencies, including one with potential financial impact. In our review of existing orders, we found that three orders had prior deficiencies and inadequate remediation progress. As directed in the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, because the CSC is not fully compliant, we are required to perform a subsequent audit of CSC contracting practices by March 2006 to determine whether the CSC has become compliant.

Procurement Compliance Deficiency with Potential Financial Impact. We identified a \$4.3 million schedule order for services that was negotiated as a time and materials (T&M) contract. Federal Acquisition Regulation (FAR) 16.601 states a “time and materials contract may be used only when it is not possible at the time of placing the contract to estimate accurately the extent or, duration of the work, or to anticipate costs with any reasonable degree of confidence.” The order also included four option years which showed that estimated labor classifications and labor hours remained consistent from year to year. Repetitive or redundant contract requirements should be awarded under a firm fixed price type of contract, which is preferred by the FAR. Also, the interagency agreement for this task order was prepared after the award.

Other Procurement Compliance Deficiencies. We identified five new orders that had other various procurement compliance deficiencies.

- Two commodity orders for \$217,000 and \$270,000 did not have Interagency Agreements.
- Three service orders for \$5.3 million, \$919,000 and \$387,000 did not have quality assurance surveillance plans (QASP’s). FAR 37.602-2 states that “Agencies shall develop quality assurance surveillance plans when acquiring services.” QASP’s define the contractor oversight functions performed by the Government.

Existing Order Procurement Deficiencies. We identified three existing orders that had deficiencies. A remediation plan for the orders was not prepared.

- A \$46.1 million task order for services had inadequate documentation in support of the best value determination for equipment purchased. In addition, the order did not have a ceiling amount as required by FAR 16.6. There were additional file documentation issues and a QASP was not available for this order.
- A \$20.5 million task order for services was awarded with inadequate competition and a lack of support for the best value determination. The task order was procured sole source as a logical follow-on to a prior sole source contract. However, FTS could not provide documentation supporting the original sole source procurement. The contractor proposed a firm fixed price, however, FTS awarded a T&M order. The task order also exhibited large cost growth (\$1.5 million to \$20 million) and there was no QASP.

- A \$131.6 million task order for services was awarded on a T&M basis. However, the labor costs remained fairly consistent from year to year. Repetitive type contract requirements are conducive to the more favorable firm fixed price type of contracting. Although the task order called for significant labor expenditures, a QASP was not available. We also determined that some of the contractor's billing rates were not found in the underlying Schedule contract.

## **Conclusion**

While not fully compliant, we found that the Southeast Sunbelt Region CSC has made significant progress in implementing controls to ensure compliance with procurement regulations. The CSC has implemented national controls identified in the Administrator's "Get It Right" Plan and improved its overall contracting practices. We found that all orders reviewed were awarded in accordance with Section 803 of the National Defense Authorization Act for Fiscal Year 2002. However, we did find procurement compliance deficiencies in six new orders, including one with potential financial impact, and three existing orders that had prior deficiencies with inadequate remediation. As stated in our January 2004, report on the FTS CSCs, we believe that steps to remedy the CSC procurement problems require a comprehensive, broad-based strategy that focuses on the structure, operations and mission of FTS as well as the control environment. Based on the comprehensive recommendations contained in that report, no further overall recommendations are deemed necessary at this time.

## **Management Comments**

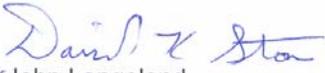
We obtained agency comments throughout our audit work, providing a draft written summary of our findings on each order to FTS regional officials for their written comments, which we incorporated into our analysis, as appropriate. We also provided a draft of this letter report to regional officials. In his response, the Acting Regional Administrator acknowledged the issues raised in the draft report and submitted a remediation plan of action. Management's response is included in its entirety as Attachment 1 to this report.

## **Internal Controls**

We assessed the internal controls relevant to the CSC's procurements to assure that the procurements were made in accordance with the FAR and the terms and conditions of the contracts utilized. While we have seen substantial improvements in internal controls, FTS will need to continue their commitment to the "Get It Right" Plan and to

implementation of effective controls over procurement processes to ensure full compliance by March 2006.

If you have any questions regarding the report, please contact Dave Stone, or me at (312) 353-7781.

*for*   
John Langeland  
Audit Manager  
Great Lakes Region

Attachments

MANAGEMENT RESPONSE

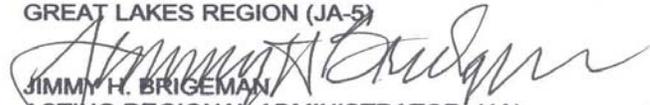
GSA Southeast Sunbelt Region

May 2, 2005

MEMORANDUM FOR

DAVID K. STONE  
REGIONAL INSPECTOR GENERAL FOR AUDITING  
GREAT LAKES REGION (JA-5)

FROM:

  
JIMMY H. BRIGEMAN  
ACTING REGIONAL ADMINISTRATOR, (4A)

SUBJECT:

Review of FTS Client Support Center Controls and  
Testing of Controls – Southeast Sunbelt Region  
Report Number A050009

Thank you for the opportunity to review and provide supporting comments on the draft audit report. The results of the audit affirm that we have implemented national controls identified in the "Get it Right" Plan, and continue to improve our overall contracting practices.

In line with the "Get It Right" Plan, we remain committed to ensure that management controls and tests of controls are adequate to provide assurances that procurements are conducted in accordance with Federal Acquisition Regulations (FAR), policies, and contract terms and conditions. Accordingly, we present the attached supporting remediation corrective plan of action on each task order identified in the audit report to be included as an appendix to the report.

Maintaining our focus with the "Get it Right", we have recently delineated pre and post award functions within our Client Support Center (CSC). Formal training was provided locally April 11-13, 2005 to the associates primarily performing pre award duties. During February 28, 2005 through March 3, 2005, formal training was provided locally to the associates primarily performing post award duties. As a result, there is significant structure to our procurement process to ensure compliance with appropriate laws, regulations, policies and procedures.

U.S. General Services Administration  
77 Forsyth Street, SW  
Atlanta, GA 30303-3458  
www.gsa.gov

MANAGEMENT RESPONSE

- 2 -

We developed an automated workflow process/tool called the "e-Approval" to manage the review and approval process of contract and task order actions. The e-Approval application automates the pre and post-award documentation review and approval processes. It is simple and fast and gives the organization complete management control and oversight. Other GSA regions have implemented and modeled our best practice.

We have implemented immediate application of the below "Get it Right" Plan objectives throughout the SESB including the CSC. Non-compliance is unacceptable!

1. Secure the best value for federal agencies and American taxpayers through an efficient and effective acquisition process, while ensuring full and open competition, and instilling integrity and transparency in the use of GSA contracting vehicles.
2. Make acquisition policies, regulations and procedures clear and explicit.
3. Improve education/training of the federal acquisition workforce on the proper use of GSA contracting vehicles and services.
4. Ensure compliance with federal acquisition policies, regulations and procedures. Non-compliance is unacceptable!
5. Communicate with the acquisition community, including agencies, industry partners, Office of Management and Budget (OMB), Congress, and other stakeholders, regarding the use of GSA contracting vehicles and services.

Again, we appreciate the opportunity to review this important audit and extend our appreciation to members of the audit team for their efforts and open dialogues during the audit. Their effort and work indeed represent an important contribution to our commitment of the "Get it Right" Plan and in improving our management controls and test of those controls.

**MANAGEMENT RESPONSE**

SESB, GSA, FTS  
 GSA/DOD IG Audit Findings  
 Remediation Plan

Task Order	IG Finding	Remediation Action
4TWP21047855	T&M Order with 4 options with estimated labor classifications/hours consistent from year to year, and IA prepared after award	<p>Pursuant to FAR 16.601, a written determination was completed prior to award and contained the supporting basis that T&amp;M is the most appropriate type for this project. Prior to exercising any options, the contracting officer will make a determination pursuant to FAR17.207 requirements. Region 4 FTS Policy requires the option to be accompanied by the determination and submitted via e-Approval for review and approval. According to the FTS Commissioner's 6/7/04 Financial Guidance, a reimbursable agreement is formalized in a number of ways such as an Interagency Agreement (IA), a Memorandum of Agreement (MOA), or a Memorandum of Understanding (MOU) with an accompanying customer funding document and FTS acceptance.</p> <p><b>Remediation Action:</b> During 11/04, e-Approval was modified to require option to be submitted via e-Approval with a determination. Appropriate review and approval are required for an option including the determination. During 3/05, e-Approval was modified to require a MOU for all Pre RFQ requests. As a result, a MOU must be in place prior to task order award.</p>

4/29/2005 11:57 AM

MANAGEMENT RESPONSE

SESB, GSA, FTS  
GSA/DOD IG Audit Findings  
Remediation Plan

4THF21057016	No IA	<p>The MOU was completed 9/1/04 and copy posted to the official file in ITSS. According to the FTS Commissioner's 6/7/04 Financial Guidance, a reimbursable agreement is formalized in a number of ways such as an Interagency Agreement (IA), a Memorandum of Agreement (MOA), or a Memorandum of Understanding (MOU) with an accompanying customer funding document and FTS acceptance. <b>Remediation Action:</b> During 3/05, e-Approval was modified to require a MOU for all Pre RFQ requests. As a result, a MOU must be in place prior to task order award.</p>
4THG21046388	No IA	<p>Task Order ended 10/28/04. According to the FTS Commissioner's 6/7/04 Financial Guidance, a reimbursable agreement is formalized in a number of ways such as an Interagency Agreement (IA), a Memorandum of Agreement (MOA), or a Memorandum of Understanding (MOU) with an accompanying customer funding document and FTS acceptance. <b>Remediation Action:</b> During 3/05, e-Approval was modified to require a MOU for all Pre RFQ requests. As a result, a MOU must be in place prior to task order award.</p>
4TNG17042020	No QASP	<p><b>Remediation Action:</b> The QASP was completed 4/22/05 and added to the official file in ITSS. Region 4 FTS provided training to associates 2/28/05 -3/2/05 and 4/1/05 thru 4/13/05, and implemented policy for QASPs to be developed in accordance with FAR 37.602-2 for PBSOW and FAR 46.401(a) for non-PBSOW. During 4/05, e-Approval was modified to require a QASP for all Pre Award requests.</p>

4/29/2005 1:57 AM

MANAGEMENT RESPONSE

SESB, GSA, FTS  
GSA/DOD IG Audit Findings  
Remediation Plan

4TEP21052446	No QASP	<p><b>Remediation Action:</b> The QASP was completed 4/27/05 and added to the official file in ITSS. Region 4 FTS provided training to associates 2/28/05 -3/2/05 and 4/11/05 thru 4/13/05, and implemented policy for QASPs to be developed in accordance with FAR 37.602-2 for PBSOW and FAR 46.401(a) for non-PBSOW. During 4/05, e-Approval was modified to require a QASP for all Pre Award requests.</p>
4TCG75044047	No QASP	<p>The QASP was being finalized during the audit review and was completed 1/31/2005 and added to the official file in ITSS. <b>Remediation Action:</b> Region 4 FTS provided training to associates during 2/28/05 - 3/2/05 and 4/11/05 - 4/13/05, and implemented policy for QASPs to be developed in accordance with FAR 37.602-2 for PBSOW and FAR 46.401(a) for non-PBSOW. During 4/05, e-Approval was modified to require a QASP for all Pre Award requests.</p>
4TEB21032533	<p>Inadequate documentation in support of best value determination for equipment, no ceiling amount, file documentation issues, and no QASP</p>	<p>The ceiling price was not initially annotated on the task order initial award document (Form 300). But it was discovered by the CO prior to the task order review by the IG audit and was correctly documented on the modifications document (Form 30s) pursuant to FAR 16. <b>Remediation Action:</b> Additional ODC purchases have been drastically reduced for this task order. The QASP was completed 4/8/2005 and added to the official file in ITSS. Region 4 FTS provided training to associates April 11 -13, 2005 on adequate documentation in support of best value determination, T&amp;M ceiling amount on award document and QASP. During 4/05, e-Approval was modified to require a QASP for all Pre Award requests.</p>

4/29/2005 11:57 AM

MANAGEMENT RESPONSE

SESB, GSA, FTS  
GSA/DOD IG Audit Findings  
Remediation Plan

4TEG21037007	<p>Inadequate competition and lack of support for best value determination, no documentation supporting original sole source order, large cost growth, and no QASP.</p>	<p>Task order ended 3/31/05. The original Sole Source Justification has been obtained from the Army agency. <b>Remediation Action:</b> Region 4 FTS provided training to associates 2/28/05 -3/2/05 and 4/1/05 thru 4/13/05 on competition requirements, best value determinations, sole source orders, scope changes/cost growth and QASPs. Region 4 FTS Policy requires these actions and documentation to be submitted via e-Approval for review and approval. Region 4 FTS implemented policy for QASPs to be developed in accordance with FAR 37.602-2 for PBSOW and FAR 46.401(a) for non-PBSOW. During 4/05, e-Approval was modified to require a QASP for all Pre Award requests.</p>
4TWG21023134	<p>T&amp;M order with labor costs fairly consistent from year to year, no QASP, and some of the billing rates were not found on the Schedule contract</p>	<p>Pursuant to FAR 16.601, a written determination was completed prior to award and contained the supporting basis that T&amp;M is the most appropriate type for this project. Prior to exercising any options, the contracting officer will make a determination pursuant to FAR17.207 requirements. <b>Remediation Action:</b> The QASP was completed 3/30/2005 and added to the task order official file in ITSS. Region 4 FTS has implemented policy for QASPs to be developed in accordance with FAR 37.602-2 for PBSOW and FAR 46.401(a) for non-PBSOW. During 4/05, e-Approval was modified to require a QASP for all Pre Award requests. Region 4 FTS provided training to associates 2/28/05 -3/2/05 and 4/1/05 thru 4/13/05 on QASPs and the regional process on performing verification of contractor billing costs and labor rates against its schedule contract.</p>

4/29/2005 11:57 AM

REVIEW OF  
FEDERAL TECHNOLOGY SERVICE'S  
CLIENT SUPPORT CENTER CONTROLS  
AND TESTING OF CONTROLS  
SOUTHEAST SUNBELT REGION  
REPORT NUMBER A050009/T/5/Z05021

REPORT DISTRIBUTION

	<u>Copies</u>
Acting Regional Administrator, Southeast Sunbelt Region (4A)	3
Acting Commissioner, Federal Technology Services (T)	1
Assistant Inspector General for Auditing (AIGA)	2
Regional Inspector General for Investigations (JI-4)	1