

**U.S. GENERAL SERVICES ADMINISTRATION
OFFICE OF INSPECTOR GENERAL**

Review of GSA's University for People
National Capital Region

Audit Report
A050250/O/W/F06017
August 28, 2006

Washington Field Audit Office
Washington, DC



Date: August 28, 2006

**Reply to
Attn of:** Regional Inspector General for Auditing
Washington Field Audit Office

Subject: Review of GSA's University for People, National Capital Region
Report Number A050250/O/W/F06017

To: Ann W. Everett
Acting Regional Administrator (WA)

This report presents the results of our review of GSA's University for People, National Capital Region. The initial objective of this review, performed at management's request, was to determine whether General Services Administration's (GSA) University for People (U4P) operates effectively and efficiently. To accomplish our objective we surveyed the funding, procurement, customer relations, contract administration and internal staffing program areas. Our survey indicated significant procurement deficiencies and accordingly, we refocused our review to concentrate on whether U4P's procurement and contract administration management controls were in compliance with Federal Acquisition Regulations and good business practices.

Based on our review, we found that U4P's delivery of project management training was flawed by substantial procurement deficiencies and irregularities. Essentially, U4P has entered into an unauthorized, sole source procurement to acquire project management training on behalf of its client organizations. This contract incorporated commercial provisions unacceptable to the Federal Acquisition Regulations and was negotiated, signed and executed by a Government representative who lacked the authority to enter into the agreement on behalf of the Government. In addition, fundamental controls are absent from the contract administration process and current practices do not permit reconciliation between the source of funding (customer orders placed with U4P) and the payment for services (U4P orders placed with its vendor). The effect of this is seen in the number of obligations that remain open beyond the fiscal year with no apparent justification under appropriations law.

If you have any questions regarding this report, please contact myself or Paul Malatino, Regional Inspector General for Auditing, at (202) 708-5340.

Barbara E. Bouldin
Audit Manager
Washington Field Audit Office (JA-W)

TABLE OF CONTENTS

EXECUTIVE SUMMARY

PURPOSE	1
BACKGROUND	1
RESULTS-IN-BRIEF	1
RECOMMENDATIONS	1

INTRODUCTION

BACKGROUND	3
OBJECTIVE, SCOPE AND METHODOLOGY	4
<i>Procurement Review</i>	4
<i>Contract Administration and Internal Staffing</i>	4

RESULTS OF REVIEW

SUMMARY	6
FINDINGS	6
<i>Unauthorized, Sole Source Procurement</i>	6
<i>MTA Terms and Conditions at Variance with Schedule Contract</i>	7
<i>Contract Administration Deficiencies</i>	8
<i>Administering the Memoranda of Agreement</i>	9
CONCLUSION	11
RECOMMENDATIONS	12
MANAGEMENT'S COMMENTS	12
AUDITOR'S RESPONSE	12
MANAGEMENT CONTROLS	13

APPENDICIES

PROJECT MANAGEMENT CURRICULUM	14
MANAGEMENT RESPONSE	16
REPORT DISTRIBUTION	19

EXECUTIVE SUMMARY

Purpose

The initial objective of this review, performed at management's request, was to determine whether General Services Administration's (GSA) University for People (U4P) operates effectively and efficiently. To accomplish our objective we surveyed the following areas of U4P's program: funding, procurements, customer relations, contract administration and internal staffing. Our survey indicated significant procurement deficiencies. Accordingly, we refocused our review to concentrate on whether U4P's procurement and contract administration were in compliance with Federal Acquisition Regulations and good business practices.

Background

GSA's U4P was established in 1997 as a result of a customer service lab initiative within the National Capital Region (NCR). Its mission is to provide a continuous learning environment, while also creating an environment where employees have the opportunity to develop their talents, think creatively, and set goals that are consistent with personal and agency needs. U4P's vision is to provide an opportunity for the workforce to gain the skills and education that will position them to meet the challenges of the 21st century. U4P's current customers consist of GSA internal organizations. Actual training is provided by vendors under contract with U4P.

Results-in-Brief

U4P's delivery of project management training was flawed by substantial procurement deficiencies and irregularities. Essentially, U4P has entered into an unauthorized, sole source procurement to acquire project management training on behalf of its client organizations. The contract incorporated commercial provisions unacceptable to the Federal Acquisition Regulations and was negotiated, signed and executed by a Government representative who lacked the authority to enter into that agreement on behalf of the Government. In addition, fundamental controls are absent from the contract administration process. Generally, vendor invoices were not, and could not be reconciled with their originating order document, increasing the risk that a vendor is paid for unauthorized services. Further, current practices do not permit reconciliation between the source of funding (customer orders placed with U4P) and the payment for services (U4P orders placed with its vendor). The effect of this is seen in the number of obligations that remain open beyond the fiscal year with no apparent justification under appropriations law.

Recommendations

We recommend that the Acting Regional Administrator for GSA's National Capital Region ensure that U4P:

1. Develops a formal business plan that includes a description of the business, its potential customers, marketing, competition, operating procedures, personnel, funding source and income projections.

2. Develops and maintains acquisition plans to support its business plan.
3. Obtains appropriate procurement support and institutes the formal controls necessary to properly administer the resulting contracts. Vendor documentation and reporting requirements are elements of control that should be considered in the acquisition plan.
4. Establishes appropriate fund and accounting controls to ensure compliance with applicable appropriation law and facilitates program management. A completed course database could help administer the Memoranda of Agreement. Also, open data fields within Pegasys could be used to identify and capture financial events by MOA and by curriculum.

INTRODUCTION

Background

The General Services Administration's University for People (U4P) was established in 1997 as a result of a customer service lab initiative within the National Capital Region (NCR). Its mission is to provide a continuous learning environment, while also creating an environment where employees have the opportunity to develop their talents, think creatively, and set goals that are consistent with personal and agency needs. U4P's vision is to provide an opportunity for the workforce to gain the skills and education that will position them to meet the challenges of the 21st century.

At the time of our audit, the U4P relied on five people to carry out its mission and goals, as detailed below. Note that only two of the five are considered direct employees of U4P:

- **Director** (U4P Full Time Employee (FTE))
- **Curriculum Educational Specialist** (U4P FTE)
- **Contract Specialist** (retired December 2005; however, funded by the Public Buildings Service (PBS) while serving as U4P staff)
- **Management Analyst** (Program Support Division employee)
- **Administrative Employee** (contractor).

Although it is a component of NCR, U4P extends its services to GSA agency-wide. Its funding, originally derived from an appropriated account, has been funded since 2003 as a component of GSA's 262x revolving fund. At that point, U4P became a fully reimbursable "fee for use" program. To sustain itself, U4P was compelled to seek business opportunities beyond NCR.

U4P's current customers consist of GSA internal organizations: the Federal Technology Service (FTS) and Federal Supply Service (FSS) (currently the newly formed Federal Acquisition Service), Public Buildings Service, Office of Civil Rights, Office of the Chief Information Officer, Office of the Chief Financial Officer, Office of Government-wide Policy, Office of Chief People Officer, Office of the Chief Acquisition Officer, and the Office of Citizens Services. U4P and each customer enters into a Memorandum of Agreement (MOA) that identifies the type of training requested and the total cost of the training, including up to an 18 percent fee, charged by U4P. Currently, over 30 courses are available to U4P's clients in the areas of: *Customer Service; Computer Training; Communication Skills; Interpersonal Skills; Acquisition Training; Task/Project Management; Critical Thinking; Reading Comprehension; and Basic Mathematics.*

At the time of our review, project management courses accounted for approximately 88 percent of U4P's business. A series of policy letters¹ issued by the Office of Management and Budget (OMB) created a surge in project management training. These regulations

¹ OFPP Policy Letter 05-01, Developing and Managing the Acquisition Workforce, aligns core civilian agency acquisition workforce training requirements with those for the defense workforce. It also replaces rescinded OFPP Policy Letters 92-3 and 97-01, which established an emphasis on the development of the acquisition workforce but did not prescribe a core, government-wide curriculum.

established policies and procedures, including training requirements, to ensure the acquisition workforce (including program and project managers) was adequately trained. The remaining 12 percent consisted of computer-related or customized training. U4P selected ESI International (ESI) as its sole vendor of project management training, due in large part to ESI's partnership with The George Washington University. Under this partnership, GSA trainees have the option of earning Associates and Masters Certificates in project management in association with The George Washington University, School of Business and Public Management. During Fiscal Year (FY) 2005, ESI trained 2,662 GSA associates at a cost of \$1.46 million.

Objective, Scope and Methodology

The objective of our review was to determine whether GSA's U4P operates effectively and efficiently. To accomplish our objective we surveyed the following U4P program areas: funding, procurements, customer relations, contract administration and internal staffing. We determined that a focus on U4P's procurement practices and contract administration would prove most beneficial to management at the time of our review. Our review encompassed a sample of FY 2005 project management task orders, the Memoranda of Agreement (MOA) for ten U4P client organizations, and all related contract documentation.

Procurement Review

In order to accomplish the objectives for our review with a focus on U4P's procurements, we performed the following:

- Interviewed U4P staff to determine the history of the U4P program, its functions and staff roles and responsibilities.
- Interviewed Program Support Division (WCA) personnel to gain an understanding of its responsibilities related to U4P's procurement procedures.
- Sampled ten U4P FY 2005 project management task orders issued to ESI.
- Examined ten FY 2005 client MOAs.
- Queried GSA Finance's databases to obtain and review all FY 2005 ESI invoices issued to U4P and other financial transactions.
- Interviewed ESI personnel.

Contract Administration and Internal Staffing

In order to accomplish the objectives for our review with a focus on U4P's contract administration and internal staffing capabilities, we performed the following:

- Analyzed and traced pertinent procurement documents from initial order through invoice submission for the sampled task orders.
- Interviewed seven U4P clients to gain an understanding of program successes, failures, and possible suggestions for improvements.
- Reviewed U4P's internal policies, procedures and best practices.
- Analyzed support documentation for ten FY 2005 project management task orders.
- Documented the procurement practices for Equal Employment Opportunity (EEO), computer, and other types of training.

Our review was conducted between September 2005 and April 2006, in accordance with generally accepted government auditing standards and in compliance with the laws and regulations to the extent necessary to satisfy the review objectives.

RESULTS OF REVIEW

Summary

Our review, focused on U4P's delivery of project management training, found substantial procurement deficiencies and irregularities. Essentially, U4P has entered into an unauthorized, sole source procurement to acquire project management training on behalf of its client organizations. The resultant contract incorporates numerous commercial provisions unacceptable under Federal Acquisition Regulations. The contract was negotiated, signed and executed by a Government representative who lacked the authority to enter into that agreement on behalf of the Government.

Further, as specific client requirements arose, U4P issued task orders that misleadingly referenced another GSA issued contract held by the contractor (a legitimate multiple award schedule (MAS) contract put in place by the GSA Federal Supply Service and available to all government purchasers), while the terms and conditions of the unauthorized sole source contract (Master Training Agreement) were in fact controlling. These task orders, signed by a GSA contracting officer, did not provide order details (such as course name, date, place, unit price) or contain the minimum information needed to administer and control the procurement. In fact, it was the absence of detail that prompted our search for the terms of agreement that governed the underlying transactions and ultimately led us to the sole source contract, which was not maintained by U4P as an official document of record. We learned of this document only through discussion with the contractor.

Due at least in part to the ambiguity of the underlying procurement vehicle, fundamental controls are absent from the contract administration process. Generally, vendor invoices were not, and could not be reconciled with their originating order document, increasing the risk that a vendor is paid for unauthorized services. Further, current practices do not permit reconciliation between the source of funding (customer orders placed with U4P) and the payment for services (U4P orders placed with its vendor). The effect of this is seen in the number of obligations that remain open beyond the fiscal year with no apparent justification under appropriations law.

Findings

Unauthorized, Sole Source Procurement

In reconstructing the relevant procurement history between U4P and its project management training vendor, ESI, it appears that U4P initially intended to acquire ESI's training services via a series of individual task orders to be issued under ESI's existing MAS contract. ESI holds three MAS contracts - one under the MOBIS (Mission Oriented Business Integrated Services) schedule, one under the Information Technology (IT) schedule, and one under the Training Aids schedule. The MOBIS contract excludes IT specific training, but otherwise provides for general business topics such as project management. ESI's offerings under Training Aids relate to procurement training. The significance of issuing a task order under a schedule contract is that for the ordering agency it provides a much more streamlined acquisition. Pricing, terms and conditions are

already established so the full and open competition that would otherwise be required is replaced with simply issuing a task order.

On May 6, 2002, ESI and the Director of U4P entered into a Master Training Agreement or MTA - an ESI document used to establish the terms of agreement that govern its commercial contracts. It enumerates specific terms, conditions, deliverables and penalties. These terms are, in several material aspects, at odds with the schedule contract and in fact assert precedence over that contract. The MTA states in part:

“This Agreement and any Session Confirmations specifically referred to constitute the entire Agreement between the parties as to the subject matter hereof and supersede all other agreements, expressed or implied, written or oral. Pre-printed and other additional or conflicting terms in any invoice, purchase order, acknowledgement, confirmation, or other similar document shall be void and of no effect. No modification of, or amendment to, this Agreement is binding unless such modification or amendment makes specific reference to this Agreement and be in writing and signed by both parties.”

While the MTA clearly defines and governs the terms of sale from May 6, 2002, and is in substance the governing contract, purchases under that agreement instead took the form of task orders issued against the ESI MOBIS contract number with the MTA itself never formally referenced. Absent the MTA, the task orders do not contain details sufficient to describe the services being ordered or the terms of agreement. It was in fact this deficiency that prompted our search for the governing terms. We learned of the MTA and obtained copies of the document from discussions with the vendor. Although it serves as the only evidence of the terms of agreement, the MTA has not been incorporated as an official document of record. It supersedes and replaces the schedule contract with an agreement that in this instance has been negotiated, signed and executed by a Government representative who was not a contracting officer and lacked the authority to enter into that agreement on behalf of the Government. The result is an unauthorized sole source procurement.

MTA Terms and Conditions at Variance with Schedule Contract

The original MTA stated that ESI would deliver the course *Managing Projects in Organizations* to 745 GSA employees agency-wide. This original Agreement was amended five times between February 2003 and October 2005, to add new courses, increase the number of training slots by 3,800 and institute and revise minimum order penalties. Changes in the MTA are executed by new or revised task orders against the MOBIS contract, even in those instances where the added courses were titles not available under the MOBIS contracts. The result is a misleading procurement action, contrary to procurement regulations and the term of the MAS contract, and in at least one aspect, contrary to appropriations law.

For example, the 2005 Master Training Agreement Renewal incorporates the following change:

“U4P guarantees a total training volume of seventy-five (75) classes between October 1, 2004 and September 30, 2005. In the event that U4P has delivered fewer than 75 courses on September 30, 2005, ESI will invoice U4P for the difference in quantity of classes between the actual number of classes delivered and the minimum required volume at the rate of \$13,650 per class.”

The terms of U4P’s agreement with ESI impose a penalty if U4P orders fewer than 75 classes during the fiscal year. The agreement gives ESI the right to bill U4P for all undelivered classes, and to do so at a penalty rate of \$13,650 per class, versus the normal cost of \$8,250 per class. U4P’s customer agreements contain no such penalty provision. Most of the agreements do provide for a cancellation fee of \$2,000 per class, but this only applies to classes actually ordered. There is no means for U4P to recover from its clients for a failure to meet their requirements estimate. Accordingly, the ESI penalty clause of \$13,650 per class creates a potential unfunded liability for each undelivered class.

The 2005 Master Training Agreement also incorporated a change to the previously required minimum class size. According to the original MTA, issued in 2002, U4P agreed to deliver a minimum 15 attendees per class at a cost of \$550 per slot (\$8,250 per class). The FY 2005 Master Training Agreement increases the initial minimum standard course attendance from 15 to 18 slots per class (in addition to the 75 class guarantee). Our review found that in FY 2005, U4P’s clients paid \$42,900 to ESI for 25 instances where they did not meet the minimum student requirement. As such, the decision to increase the class size minimum does not appear to be in the best interest of the government. We note that the FY 2006 MTA returns the minimum to 15 attendees, with an agreement to target 18 as an average class size per quarter.

The MTA purports to supersede the terms and conditions of the schedule contract. But even if there had been no MTA, the U4P task orders as issued would still be deficient in that they include nine course titles that are not available under ESI’s MOBIS contract (Schedule 874). Five of these courses are Information Technology (IT) related and while not on the MOBIS Schedule, they are available on ESI’s IT Schedule contract (Schedule 70). See Appendix A for details. We determined that 112 trainees attended the *Systems Integration and Project Management* course, 81 attended *IT Risk Management*, and 74 attended the *Managing IT Projects* course; these courses are available through ESI’s IT Schedule contract only, and are not available through ESI’s MOBIS Schedule contract.

Contract Administration Deficiencies

We sampled ten FY 2005 project management task orders and their respective invoices. U4P failed to record the title, date and number of attendees for requested course(s) on nine out of ten of the original task order documents (GSA Form 300). Two failed to identify the customer agency for which the training courses were being acquired. None of the initial task order documents or subsequent modification documents contained course

locations. As a result, an important control feature is compromised: the vendor invoice for classes delivered cannot be verified against its authorizing purchase order. The following chart presents the sample results:

U4P Task Order for ESI	Course Date(s)	Course Location(s)	Course Title(s)	Period of Performance	Customer Agency	Total # of Attendees
B1105MEM0006				✓	✓	
B1105MEM0007				✓	✓	
B1105MEM0009				✓	✓	
B1105MEM0010				✓	✓	
B1105MEM0011				✓	✓	✓
B1105MEM0015				✓		
B1105MEM0030				✓	✓	
B1105MEM0031				✓	✓	
B1103MEM0037	✓		✓			
B1105MEM0040				✓	✓	

✓ order document included this data element

In addition, U4P’s recordkeeping process is undocumented and informal. There are a number of documents maintained, but the informational content is not verifiable. The internal documents include Memoranda of Agreement, Orders for Supplies or Services (GSA Form 300), and handwritten notes on file folders; the external documents include contractor invoices, Training Summary Report, Monthly Billing Logs and Training Roster Sheets, all of which, relative to the project management curriculum, are provided by ESI. Current procedures do not permit a verifiable reconciliation of the invoice to order document, or invoice to an official course roster. The roster in turn does not identify the MOA under which a given student is sponsored, which leaves only the cuff records as a means to administer the various memoranda of agreement.

Administering the Memoranda of Agreement

U4P customers place orders for training by entering into a Memorandum of Agreement (MOA) or making payments by credit card. The MOA is between the client organization and U4P and typically covers a period of time within a given fiscal year. The MOA is the official document that identifies and obligates the fund amount allotted to U4P for training. General information contained in the MOA is:

- RESPONSIBILITIES; PURPOSE;
- SCOPE;
- DESCRIPTION OF SERVICES;
- FUNDING;
- CUSTOMER
- U4P RESPONSIBILITIES; AND
- COST OF SERVICES.

Generally, for Project Management courses, the amount of the MOA divided by \$650 yields the number of training slots the customer is purchasing. This amount includes the fee U4P earns to cover its cost of operations. U4P in turn places orders with the vendor by submitting an Order for Supplies or Services (GSA Form 300) or task order at its negotiated contract rate of \$550 per student. If a customer wants to purchase additional training slots, the MOA is amended and another task order is issued to the vendor. Services ordered under a given task order are not necessarily exclusive to a single client organization or MOA. Students covered under different MOAs are at times combined into a single class.

U4P has no formalized means to match source of funds with use of funds to ensure that funds originating under a given MOA were used as authorized. The fragmented, unsystematic methods of recordkeeping currently followed are not effective as a control feature. We identified classes from 19 invoices that were completed and paid for after the ending date of the MOA. In addition, we identified over \$110,000 of U4P training fund obligations from five client organizations that remained open into the following fiscal year with no clear justification. We discussed these matters with both the Kansas City Finance and NCR Budget Divisions. Neither was aware of any additional facts that might explain the apparent funding violations.

Services are generally viewed as chargeable to the appropriations current at the time the services are rendered, although a need may arise in one fiscal year for services, which by their nature cannot be separated for performance in separate fiscal years. The GAO Comptroller General has held that the question of whether to charge the appropriation current on the date the contract is made, or to charge funds current at the time the services are rendered, depends upon whether the services are “severable” or “entire.”² In an example specifically provided in the GAO text, “Training tends to be nonseverable. Thus, where a training obligation is incurred in one fiscal year, the entire cost is chargeable to that year, regardless of the fact that performance may extend into the following year. Training which began on the first day of FY 1990 was held chargeable to 1989 appropriations where the training had been identified as a need for 1989”. However, in the example, scheduling was beyond the agency’s control. That is not the case with U4P and its clients, where a delay in scheduling a class is not considered beyond control.

We found that U4P inappropriately applied FY 2005 funds to pay for training courses attended and completed in FY 2006. For example, in one instance, the client and U4P entered in an agreement that covers the period December 1, 2004 through September 30, 2005. Under this agreement, U4P is responsible for developing and delivering project management training courses to the client. Project Management is a core area of training offered recurrently by U4P. The client is responsible for ensuring that associates attend the course and arrange for substitutes. Funding for the training is set in the MOA, which

² GAO/OGC-91-5 Appropriations Law-Vol. I. A contract which is viewed as “entire” is chargeable to the fiscal year in which it was made, notwithstanding that performance may have extended into the following fiscal year. The determining factor for whether services are severable or entire appears to be whether they represent a single undertaking.

also defines the number of slots (or students) to be trained. The client informs U4P of the training course(s) and sessions they want to attend.

As of September 30, 2005, the ending date of the MOA, only one course/class had been completed, invoiced, and paid for. Subsequently, four other invoices were eventually submitted by the vendor, which showed payments for training that occurred during the months of November and December 2005 and January and February 2006. Financial records indicate that the same funds allotted in FY 2005 were used to pay for the classes completed in FY 2006.

Both the client and the U4P bear responsibility to properly manage their MOA to remain in compliance with federal appropriations law. Had the client bypassed U4P and issued task orders with the vendor directly, any unused FY 2005 funds would have expired. There is nothing inherent in the U4P MOA that alters the nature of the services being acquired. It is therefore incumbent upon U4P to monitor course activity against the terms of each MOA and provide timely feedback to its clients so they can take appropriate action. It is not within U4P's authority to retain any unused balance to support future requirements. Absent a bona fide need, any amounts that remain unobligated at year-end must be returned to the client. The severable nature of this particular service and the fact that the client can control the class schedule appear to defeat the argument that classes scheduled and completed in FY 2006 are a bona fide need of FY 2005.

Conclusion

This review was performed at management's request, and was initially conceived as a program performance review. It was to include an assessment of customers' perception of value, the efficacy of U4P's rate setting strategy and an examination of procurement practices to ensure regulatory compliance and application of best practices. However, as our survey work proceeded, it became evident that the procurement processes in place were resulting in exceptions to Federal Acquisition Regulations and GSA's own procurement policies. Accordingly, we refocused our audit to concentrate on these procurement issues and the related topics of contract and fund administration.

The specific corrective action needed to address the deficiencies related to contract and fund administration is dependent on the nature of future procurement actions. The acquisition planning that should precede the determination of future contract type(s) is in turn dependent on U4P's definition of program mission and goals. If U4P is to play an active role in formulating GSA-wide training goals and tailoring courses to best meet those needs, the procurement requirements will be more complex. It is unlikely this could be accomplished via task orders placed under MAS contract vehicles or with current U4P staffing levels.

If instead U4P is to play a more reactive role, responding to requests for training assistance as they arise and without a comprehensive training/acquisition plan, the value added will have to derive from other than the favorable pricing achieved under the current unauthorized sole source contract. Despite its shortcomings, that action has shown that the

substantial commitment levels that accompany “corporate” versus individual training requirements can result in substantial cost savings vis-à-vis the MAS contract price. It is equally clear that options available under the MAS contracts primarily contemplate off-the-shelf training; customized applications can easily push the requirement beyond the intended scope of those contracts.

Recommendations

We recommend that the Acting Regional Administrator for GSA’s National Capital Region ensure that U4P:

1. Develops a formal business plan that includes a description of the business, its potential customers, marketing, competition, operating procedures, personnel, funding source and income projections.
2. Develops and maintains acquisition plans to support its business plan.
3. Obtains appropriate procurement support and institutes the formal controls necessary to properly administer the resulting contracts. Vendor documentation and reporting requirements are elements of control that should be considered in the acquisition plan.
4. Establishes appropriate fund and accounting controls to ensure compliance with applicable appropriation law and facilitates program management. A completed course database could help administer the MOAs. Also, open data fields within Pegasys could be used to identify and capture financial events by MOA and by curriculum.

Management’s Comments

The Acting Regional Administrator has provided comments to this report, which we have included in their entirety as Appendix B. Overall, there was complete concurrence with the audit recommendations; however, there are exceptions with our analysis of the Master Training Agreement penalty terms, the contractual student minimum requirement, and whether or not there is a bona-fide need for U4P to carry obligated funds from one fiscal year to the next. We address those exceptions in the section below.

Auditor’s Response

We have reviewed our analysis in light of management’s response and clarified the text where appropriate, but the salient facts remain and our conclusion is unchanged.

As to the penalty provision contained in the MTA, the conditions that could invoke the penalty; i.e., failure to reach the agreed upon 75 class minimum, to a significant degree are not offset by a cancellation fee provision present in the MOAs. The penalty provision creates the potential for an unfunded liability and is therefore an unacceptable term as structured.

As to the minimum class size, the FY 2005 MTA is unambiguous; the value is changed from 15 to 18 attendees. While subsequent documentation shows that it reverts back to 15 under the FY 2006 MTA, FY 2005 remains the relevant period of review for this audit. The parties may have tacitly agreed to do otherwise, but the written agreement granted the vendor an increase in the minimum class size, an action not in the best interest of the government.

And finally, as to the funding violation, we agree that the issue is one of establishing bona fide need. For service contracts, this necessitates a determination as to whether the requirement is severable between fiscal years. In this case, because the requirement is made up of multiple classes, and the timing and number of those classes is customer determined, the requirement is clearly severable. As such, classes scheduled and completed in the subsequent fiscal year cannot be considered a bona fide need of the prior fiscal year. The customer's reasons for delay - increased workload and the inability to meet the minimum class size - are not relevant to this determination.

Management Controls

The report specifically addresses aspects of the U4P management control environment as it relates to procurement practices, contract administration, and fund management. Control weaknesses were identified in all three areas. Assuming program continuation, an effective remedy is conditioned upon the procurement model to be adopted in the future, as the procurement vehicle will drive the control requirements.

APPENDIX A

Notes:

1. Through the MTA, nine courses were made available to U4P that are not available on ESI's MOBIS contract (Schedule 874)- highlighted in blue.
2. Five of these courses are Information Technology (IT) related and while not on the MOBIS Schedule, they are available on ESI's IT Schedule contract (Schedule 70). We determined that 112 trainees attended the *Systems Integration and Project Management* course, 81 attended *IT Risk Management*, and 74 attended the *Managing IT Projects* course.
3. Managing e-Business Projects, Managing Project Managers, Project Management for Executives, and the Project Advantage are available through the MTA only and are not present through any MAS Schedule contract maintained by ESI.
4. Requirements Management: A Key to Project Success is available through ESI's MOBIS Schedule contract only, and is not listed on the MTA.

APPENDIX A

Project Management Curriculum
(Courses Included on MTA versus ESI Schedule Contracts)

OFFERED COURSES	MTA	MOBIS SCHEDULE	IT SCHEDULE
<i>Aligning Project Management with Corporate Strategy</i>	X	X	
<i>Business Process, Analysis, Innovation and Design</i>	X	X	
<i>Contracting for Project Managers</i>	X	X	
<i>Establishing the Project Management Office</i>	X	X	
<i>Financial Management for Project Managers</i>	X	X	
<i>IT Risk Management</i>	X		X
<i>Leading Project Managers: A Guide to Success</i>	X	X	
<i>Managing Complex Projects</i>	X	X	
<i>Managing e-Business Projects</i>	X		
<i>Managing Global Projects</i>	X	X	
<i>Managing Information Technology Projects</i>	X		X
<i>Managing Project Managers</i>	X		
<i>Managing Projects</i>	X	X	
<i>Negotiation Skills for Project Managers</i>	X	X	
<i>Network and Telecommunications Principles for Project Management</i>	X		X
<i>Program Management</i>	X	X	
<i>Project Leadership, Management, and Communications</i>	X	X	
<i>Project Management Applications</i>	X	X	
<i>Project Management for Executives</i>	X		
<i>Quality for Project Managers</i>	X	X	
<i>Rapid Assessment and Recovery</i>	X	X	
<i>Requirements Management: A Key to Project Success</i>		X	
<i>Risk Management</i>	X	X	
<i>Schedule and Cost Control</i>	X	X	
<i>Software Testing for Better Project Management</i>	X		X
<i>Systems Integration Project Management</i>	X		X
<i>The Project Advantage</i>	X		
<i>Vendor Selection and Management: A Collaborative Approach</i>	X	X	
<i>Writing Statements of Work: The Heart of Any Contract</i>	X	X	

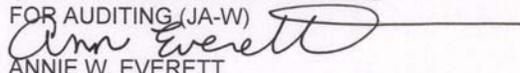
APPENDIX B

Management Response



GSA National Capital Region

August 18, 2006

MEMORANDUM FOR PAUL J. MALATINO
REGIONAL INSPECTOR GENERAL
FOR AUDITING (JA-W)
FROM: 
ANNIE W. EVERETT
ACTING REGIONAL ADMINISTRATOR (WA)
SUBJECT: Review of GSA's University for People,
National Capital Region
Draft Audit Report Number A050250

We have reviewed the draft report "Review of the GSA's University for People, National Capital Region-Draft Audit Report A050250/WWXXXXX. We appreciate the work you have done to review University for People's (U4P) operations.

We agree with the four recommendations you have made and we have begun to implement corrective actions. Specifically:

- 1) Business Plan - A formal business plan is being developed and will be in place by October 1, 2006. This plan, which will include elements such as a description of the business, potential customers, marketing plan, competition, operating procedures, staffing, funding sources and revenue projections, will become the operating plan for Fiscal Year 2007.
- 2) Acquisition Plans - The Public Buildings Service's (PBS) Regional Acquisition Management Division (WPP) is now providing acquisition support to U4P. In collaboration with this staff, all new acquisitions will be supported by a fully executed acquisition plan. The U4P is working with its customers to better define requirements (types of classes they want, the number of students, the schedule for the classes, and the location) to assist in the preparation of these plans.

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APPENDIX B

-2-

3) Appropriate procurement support - Since April 2006, PBS's Acquisition Management Division (WPP) has been providing procurement assistance to the University for People. The staff of WPP has recommended two procurement methods to be used when acquiring services: a Blanket Purchase Agreement (BPA) or multiple Indefinite Delivery/Indefinite Quantity Contracts (ID/IQ). These methods/vehicles will enable the U4P to have several educational service vendors available to meet client needs. Further, this approach will afford the opportunity, through WPP, to issue individual task orders against the BPA or ID/IQ. Each task order will specify the following information: the name of the course, date, location and period of performance.

4) Fund and accounting controls - The U4P Director is working with the Office of the Comptroller, Financial Services Policy Branch (BEBE), to establish appropriate funds and accounting controls to ensure compliance with applicable appropriation laws, regulations and policies, and facilitate program management.

With respect to specific findings:

The U4P has provided copies of the relevant Memoranda of Agreement, showing that 12 of the 15 in fact do reflect minimum guarantee. Also the minimum guarantee is 15 participants, not 18.

The U4P does currently have the ability to reconcile their financial obligations. Additional materials have been provided which demonstrates the U4P usage and monitors status of appropriate funds. If there are remaining questions we would be happy to discuss with you further.

Funding Violations: We have taken a close look at this issue and disagree that there are apparent funding violations. It is appropriate to charge a prior years' appropriation for training when:

1. the course meets a bona fide need of the prior fiscal year;
2. scheduling of the course is beyond the agency's control; and
3. the time between procurement and performance is not excessive.

The training courses requested by the MOA's were bona fide needs of the year in which the funds were provided to U4P, and the time between procurement and performance is not excessive. In the instance cited in the audit report, the Office of Acquisition Policy requested that training be rescheduled due to an increase in workload and their inability to meet the 15 minimum on-site requirement.

APPENDIX B

-3-

It is our view, consistent with the applicable legal principles, that the continued use of prior years' funding is not improper. We do understand, however, the importance of tracking the funding and ensuring that its obligation is fully consistent with all applicable laws, regulations, and policies.

Thanks again for you and your team's review of this very important program.

APPENDIX C

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