

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER CONTROLS AND
TESTING OF CONTROLS
GREATER SOUTHWEST REGION
REPORT NUMBER A050009/T/7/Z05015

MAY 18, 2005



General Services Administration
Office of Inspector General
819 Taylor Street
Fort Worth, TX 76102



Date: May 18, 2005

Reply To
Attn Of: Greater Southwest Region Field Audit Office (JA-7)

Subject: Review of Federal Technology Service's
Client Support Center Controls and Testing of Controls
Greater Southwest Region
Report Number A050009/T/7/Z05015

To: Scott Arney
Regional Administrator (7A)

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 Greater Southwest Region (Region 7). 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 Region 7 CSC, our sample included 14 new awards and 4 existing orders, valued at \$105.9 million and \$2.8 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 7 CSC to be not compliant but making progress and considered close to compliant. The Region 7 CSC has implemented national controls identified in the Administrator's "Get it Right" initiative, and has improved its overall contracting practices, compared to our past audit findings. We found no instances of non-compliance with the competition requirements of Section 803 of the National Defense Authorization Act for Fiscal Year 2002. Furthermore, we found the Region 7 CSC had taken appropriate steps to remediate past problems. However, we found a new order that had a procurement compliance deficiency with limited potential financial impact. In addition, as a result of a DOD OIG referral, we found one task order in which the Region 7 CSC exercised an option early for severable services with prior year funds. 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 Limited Potential Financial Impact We identified a schedule order for \$598,041 for a desktop trainer that was awarded without requesting discounts as required by Federal Acquisition Regulation (FAR) Part 8.4 when orders exceed the maximum order threshold (MOT) of the schedule contract. The FAR requires, for higher dollar value purchases over the MOT, that discounts be specifically requested given the larger dollar value of the purchase. Because the dollar value of the task order was only \$598,000, the potential financial impact was not significant.

Significant Funding Issue The Region 7 CSC issued a modification in September 2004 for \$1.6 million to exercise an option year, 4 months early, to utilize FY 2002 and 2003 residual funds. According to contract documentation and regional officials, the prior year funding was residual funding from several other task orders for other projects and was at risk of being lost due to changes in GSA's long standing practices governing the use of the Information Technology (IT) Fund. The use of prior year funding from other task orders to fund a task order in FY 2004 for severable services to be performed in FY 2005 was inappropriate, although we recognized that various guidance issued to CSC staff might not have been clear.

Conclusion

While not fully compliant, we found that the Region 7 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" initiative and improved its overall contracting practices. As stated in the 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 the CSCs 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 April 29, 2005, response, the Regional Administrator stated the Greater Southwest Region had no comments or additional information. 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 Grace McIver or me at (817) 978-2571.


Joseph C. Smith, Jr.
Audit Manager
Greater Southwest Region

Attachments

MANAGEMENT RESPONSE

GSA Greater Southwest Region

DATE : April 29, 2005

MEMORANDUM FOR: Greater Southwest Regional Field Audit Office (JA-7)

FROM: Scott Armey 
Regional Administrator (7A)

SUBJECT: Greater Southwest Regional Field Audit Office (JA-7)
Client Support Center Controls and Testing of
Controls Greater Southwest Region
Report Number A050009/T/7/xxxxx

This office has reviewed the draft report from the Office of Inspector General's audit of the Federal Technology Service (FTS) Client Support Center (CSC) in the Greater Southwest Region (Region 7). After a thorough review of this draft report we have no comments or additional information.

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