

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
CONTROLS AND TESTING OF CONTROLS
NEW ENGLAND REGION
REPORT NUMBER A050009/T/1/Z05014

MAY 18, 2005



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

DATE: May 18, 2005

REPLY TO New England Region
ATTN OF: Field Audit Office (JA-1)

SUBJECT: Review of Federal Technology Service's
Client Support Center Controls and Testing of
Controls – New England Region
Report Number A050009/T/1/Z05014

TO: Dennis R. Smith
Regional Administrator (1A)

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 New England Region (Region 1). The Ronald 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 through 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 New England CSC, our sample included 10 new awards and 2 existing orders, valued at \$9.7 million and \$50 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 New England CSC to be not fully compliant but making significant progress. The New England Region has implemented national controls identified in the Administrator's *Get it Right Initiative*, and has improved its overall contracting practices, as compared to our past audit findings. For example, we did not find any instances of

O'Neill Federal Building
10 Causeway Street, Room 1003, Boston, MA 02222



non-compliance with the competition requirements of Section 803 of the National Defense Authorization Act for fiscal year 2002. However, we did find 2 new orders that had procurement compliance deficiencies, but with limited potential financial impact; 1 new order with procurement deficiencies without potential financial impact; and on 2 existing orders, remedial action was not taken on prior deficiencies. As directed in the Ronald 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 Deficiencies: We identified a \$3.1 million schedule order for Defense intelligence support that did not undergo a best value determination. The CSC complied with competition requirements and received proposals, but FTS did not analyze the proposed labor mix or level of effort in its evaluation of price. We also identified that an \$81,000 order for computer hardware and software support to the users of office computer systems was awarded without a best value determination being made by the Contracting Officer.¹

Other Procurement Compliance Deficiencies: An order of \$131,000 for the purchase of software lacked an acquisition plan as required by the FAR and by the national controls outlined by FTS Central Office.

Existing Order Procurement Deficiency: We identified 2 existing orders that had prior deficiencies where measures were not taken to remediate these deficiencies:

- An original contract was awarded for \$12 million for a multi year initiative to upgrade wide area network infrastructure to support IT modernization. The file for the original award did not show that the CSC performed any pricing analysis on the original scope of work, and the procurement did not have a T&M determination of findings. The CSC modified the contract by \$3.7 million for additional work without any remedial actions on the original contract award.
- A \$37 million existing task order did not undergo a best value determination. The CSC complied with competition requirements but FTS did not analyze the proposed labor mix or level of effort in its evaluation of price. Also, there was no justification for the use of a T&M contract.

Conclusion

While not fully compliant, we found that the New England 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 Initiative* and improved its overall contracting practices. However, we did find procurement compliance deficiencies in 3 new orders and

¹ This procurement was an 8(a) award and therefore did not require competition, although the best value determination should have been documented.

remediation deficiencies on 2 existing orders. 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.

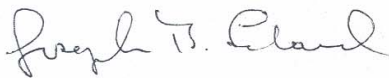
Management Comments

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 May 10, 2005 response, the Regional Administrator outlines steps that have been taken over the last several months to improve the quality of procurement actions and documentation thereof. The Regional Administrator stated that most of the deficiencies cited in the draft report were due to lack of complete file documentation of actions that had been taken, and that the files have been amended to add the necessary details of these actions. The response indicated that for legacy tasks, deficiencies have been identified and are being remediated by the Region as the contracts expire. 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 Initiative* and continue the implementation of effective controls over procurement processes to ensure full compliance by March 2006.

If you have any questions regarding the report, please contact me at (617) 565-6800.



Joseph B. Leland
Regional Inspector General for Auditing
New England Region

Attachments



GSA New England Region

May 10, 2005

MEMORANDUM FOR: JOSEPH B. LELAND
REGIONAL INSPECTOR GENERAL FOR AUDITING
NEW ENGLAND REGION (JA-1)

BARBARA L. SHELTON
ACTING COMMISSIONER, FEDERAL TECHNOLOGY
SERVICE (T)

FROM: DENNIS R. SMITH
REGIONAL ADMINISTRATOR (1A)

SUBJECT: Review of FTS Client Support Center Controls and Testing
of Controls – New England Region
Report Number A050009/T/1/Z05---

We appreciate the support and recommendations made by the Inspector General. Although we have made excellent progress in achieving our goal of 100% compliance, the report indicates we were not fully compliant, mainly due to inadequate documentation of the actions we took which complied with acquisition rules and legacy tasks that will be remediated as the contracts expire.

The Region One Federal Technology Service Client Support Center undertook a major reorganization in May 2004. New management was put in place and new management policies and procedures were developed and implemented during the April through October 2004 time period. Additional staff was hired to augment the acquisition workforce and all staff were trained in the new policies and procedures. The training of our acquisition staff is an ongoing exercise. The result of these changes is that the region is consistently improving the way it conducts acquisitions and serves client agencies.

The report cites a \$3.1 million schedule order in which the CSC did not analyze the proposed labor mix or level of effort in its evaluation of price. The Price Negotiation Memorandum (JFCOM-J2 PNM.doc) contained in the file (filed on 9/29/04) has a section which addresses price reasonableness along with appropriate mix of labor categories. This document is not signed, but the practice at the time the document was created did not require a "wet" signature. The CSC has since made it a practice to sign all documentation and scan documents intended to be saved electronically. As identified in the audit report dated August 16, 2004, only one proposal was received, but the CSC complied with Section 803 by competing the requirement using eBuy. The RFQ went out to the following five companies:

Science Applications International Corporation
American Systems Corporation

U.S. General Services Administration
Thomas P. O'Neill, Jr. Federal Building
10 Causeway Street
Boston, MA 02222
www.gsa.gov

General Dynamics Network Systems
Systematic Solutions Inc.
ACS Defense Inc.

This task is scheduled to expire in September 2005. Current regional CSC policy requires the task be reviewed for appropriateness 90 days before expiration. The policy was implemented because the volume of legacy tasks which require remediation was more than the acquisition staff could efficiently handle. This task will be reviewed in July and remediation efforts will be undertaken.

The report cites an \$81,000 order that was awarded without a best value determination being made by the Contracting Officer. The Contracting Officer's thoughtful decision was to make a sole source award to an 8a/HUBZone company. Since it was a sole source, we do not need a "best value" determination. Best value determinations are made in a competitive acquisition where one contractor's proposal is traded off against another contractor's proposal, price and other factors considered. The audit report dated August 16, 2004 indicated that the file contained "a well thought-out IGE that supported the pricing awarded. This is basically a documentation issue." The CSC corrected this by including in the file a Price Reasonableness Determination document (R1WH-1400-0402 Price Reasonableness Determination 2005-01-28.doc, filed on 1/28/05).

The report cites an order of \$131,000 for the purchase of software that lacked an acquisition plan. In this case the CSC client requested a sole source award to [REDACTED] for the purchase of [REDACTED]. The CAM discussed the acquisition with the CO and her supervisor. The best approach to satisfying the requirement was determined to be a competitive acquisition using e-Buy. This discussion constituted an oral plan. Region One policy for commodity buys at that time allowed for the use of the CASD form to serve as the documentation of acquisition planning. GSA Order 2800.1 does not distinguish between planning requirements for services and commodities. Region One policy has been updated to be in compliance with GSA Order 2800.1. After the task was awarded the approach and the outcome of the acquisition was documented in a memo to the file. Using e-Buy, the Government received [REDACTED] quotes. The proposed prices ranged between a high of [REDACTED] and a low of [REDACTED]. The IGCE for the task was [REDACTED] and the quote from [REDACTED] (the client preferred vendor) was [REDACTED]. The low bidder (GTSI) was awarded the order saving the Government [REDACTED] from the IGCE and [REDACTED] from the [REDACTED] quote. Although there was no written plan, the acquisition plan provided the Government and the US taxpayer with the best value for this software. The file has been updated with a memo for record explaining the acquisition planning that took place.

The report cites a \$12 million award, stating that the "original award did not show that the CSC performed any pricing analysis of the additional work or the original scope of work. In addition, the procurement did not have a T&M determination. The CSC modified the contract by \$3.7 million without remedial actions on the original contract award." A D&F for T&M has been completed and is now located in the file. This task has been identified by Region One management as a task which needs remediation. The task is scheduled to expire in December 2005. FTS Management has analyzed the deficiencies that have been identified, proposed a solution and has Counsel support for our solution.

"Management Comment"

Attachment 1

The report cites a \$37 million award, stating that the "existing task order did not undergo a best value determination. The CSC complied with competition requirements but FTS did not analyze the proposed labor mix or level of effort in its evaluation of price. Also, there was no justification for the use of a T&M contract." A D&F for T&M is being prepared for the file. The task has been identified by Region One management as a task which needs remediation. The task is scheduled to expire in December 2005. FTS Management has analyzed the deficiencies that have been identified, proposed a solution and has Counsel support for our solution.

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
CONTROLS AND TESTING OF CONTROLS
NEW ENGLAND REGION
REPORT NUMBER A050009/T/1/Z05014

REPORT DISTRIBUTION

	<u>copies</u>
Regional Administrator (1A)	3
Commissioner, Federal Technology Service (T)	1
Assistant Inspector General for Auditing (JA)	2
Assistant Inspector General for Investigations (JI)	1